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TABLE OF CONTENTS

1

2

3 INDEX OF PROCEEDINGS: PAGE NO.

4

5 OPENING REMARKS:..... 5

6 OPENING REMARKS BY MODERATOR:..... 6

7 TOPIC 1:..... 9

8 TOPIC 2:..... 24

9 TOPIC 3:..... 37

10 TOPIC 4:..... 54

11 TOPIC 5:..... 64

12 TOPIC 6:..... 73

13 TOPIC 7:..... 83

14 QUESTIONS FROM THE AUDIENCE:..... 88

15 CLOSING REMARKS:..... 91

16

17

18

19

20

21

22

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24

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1 --- Upon commencing at 12:58 p.m.

2 OPENING REMARKS:

3 MR. KANJI: Thank you, everyone. Hello. I am Naizam
4 Kanji, director of the Office of Mergers and Acquisitions at the
5 Ontario Securities Commission, and special advisor to the Chair,
6 Regulatory Burden Reduction. I'd like to extend a warm welcome
7 and thank everyone for attending today's roundtable on reducing
8 regulatory burden related to registration, compliance, and
9 investment funds. I'd also like to welcome those who have joined
10 us by teleconference.

11 Today's discussion is part of the OSC's important
12 ongoing consultation with Ontario market participants on ways to
13 further reduce regulatory burden and improve the investor
14 experience. This initiative is an unprecedented opportunity to
15 make our processes, requirements, and directions more streamlined
16 and efficient. We are here to listen, to hear your suggestions,
17 and to work with you to make regulation work better for everyone.

18 I'd like to acknowledge the extensive and excellent
19 comments we received in response to our Staff notice, and the
20 feedback we received during our first roundtable on March 27th.

21 I would also like to thank the speakers who have joined
22 us and will be participating in our roundtable today. We are
23 looking forward to some interesting discussions and great ideas.

24 Before I turn things over to Tim, I'd like to take a
25 moment to take care of some housekeeping items. Coffee is
26 available at the back of the room. Restrooms are located down
27 the stairs in the main lobby. We are broadcasting today's
28 discussion via teleconference and transcribing the roundtable.

1 We will make the transcript available on the OSC Web site.

2 Please note that we are also taking photos today, which may be
3 posted on our Web site.

4 The format today is an open discussion that will cover
5 several topics that emerged in the consultation process. For
6 those in the room, please refer to the printed agenda. For those
7 on the teleconference, the full agenda, including a list of
8 roundtable speakers, is posted in the event listing on the OSC
9 Web site.

10 We will provide time after the roundtable discussion
11 for questions from the audience in the room. If you have a
12 question, please raise your hand and a microphone will be brought
13 to you. This is important so that people on the teleconference
14 can follow the conversation.

15 There are a lot of people participating today and we
16 want to get the most out of the discussion. So please bear with
17 us as we have a full agenda and will be moving strictly between
18 topic areas. We will get to as many of your questions as we can
19 at the end of the roundtable.

20 And now, I'd like to turn things over to our Moderator,
21 OSC Vice-Chair Tim Moseley, who will provide brief opening
22 remarks. Tim.

23 OPENING REMARKS BY MODERATOR:

24 MR. MOSELEY: Thank you very much, Naizam. Good
25 afternoon, everyone. Thank you all so much for being here and
26 being part of this discussion. As many of you know, roundtables
27 are often a very important part of our policy-making process, so
28 we look forward to the discussion today. We really value your

1 contributions and we appreciate your participation.

2 We are very pleased that the Ontario Government has
3 made burden reduction a very clear priority. That commitment has
4 been a really good catalyst for us in renewing our focus and
5 allowing us to pursue this important work with increased focus.

6 We absolutely understand the frustration and the cost
7 that come with duplicative, unclear, or inconsistent
8 requirements. We know the importance of ensuring that compliance
9 with regulation, which everyone has to do, is not unduly
10 burdensome and does not stand in the way of economic opportunity.
11 Commitment and the philosophy of achieving our regulatory mandate
12 and our regulatory objectives, while at the same time minimizing
13 the regulatory burden that goes along with that, is an ongoing
14 priority for the OSC.

15 As Naizam said, we're very grateful for the very
16 enthusiastic response we've had so far on this initiative and
17 continue to have. We are here to listen and that's the main
18 objective of today's roundtable.

19 Not surprisingly, the input that we've received so far
20 in this process has been very wide-ranging. There's a real risk
21 here of trying to boil the ocean, so we have to try to be clever
22 about how we spend our time through all of this. We think we've
23 got a good structure of roundtables and that's the plan. We've
24 drawn from the very wide-ranging input that we've got to assemble
25 today's agenda, and a terrific group of stakeholders sitting
26 around the table and others in the room.

27 Today will focus on the topics that are identified on
28 your agenda. We won't cover today a couple of ongoing CSA

1 initiatives such as the proposed client-focused reforms and
2 amendments regarding embedded commissions for investment funds
3 because those processes are already well underway and there is
4 lots of opportunity to comment there.

5 As with everything we do, though, on an ongoing basis,
6 we'll look at those policy initiatives and all of our policy
7 initiatives with the lens of burden reduction, how do we achieve
8 our mandate while minimizing regulatory burden.

9 Also, out of scope for today's discussion will be
10 burden reduction possibilities relating to trading, marketplaces,
11 requirements for issuers, and derivatives. Those topics will be
12 covered at our next roundtable, which is coming up in a few weeks
13 on May 27th.

14 So, with today's agenda as our guide, here's the plan:
15 I will announce each of the new topics that you've got on the
16 agenda, and I will ask a senior staff member of the OSC who is
17 here today to briefly just set up the discussion, to give a very
18 quick summary of the comments and the themes that we've seen in
19 the feedback so far, and at that point, I'll open up the
20 discussion to our speakers around the table.

21 So a request to those seated at the table, a couple of
22 technology-related process items here. Number one, if you do
23 want to speak, if you would just, at any point during the
24 discussion, just put your name card up vertically like that just
25 long enough to catch my attention. As soon as I do see you, I'll
26 write your name down on my list and keep that going and come to
27 as many people as I can.

28 Secondly, please do, when it's your turn to speak,

1 please press the microphone button that's on the base of your
2 microphone there. Only one of these, apparently, in addition to
3 this one can be operational at a time, so when you're finished
4 making your comments, if you'll be kind enough to turn off your
5 microphone, please, and then go over to the next person.
6 Hopefully, that will all work reasonably smoothly. We'll soon
7 find out.

8 And lastly, I apologize in advance because I'm sure
9 we'll have to cut off some discussion in mid-flight. We've had a
10 limited amount of time, a number of interesting topics to get to.
11 I want to make sure we get a chance to get to all the topics on
12 our agenda. We've received a lot of very thoughtful comments
13 over the course of our consultation, and I know that all of our
14 roundtable participants are passionate about how we can
15 effectively reduce burden.

16 So with that, let's get to business. Thank you again
17 for your participation.

18 TOPIC 1:

19 MR. MOSELEY: We'll turn right away to the first topic,
20 and the first topic on the agenda is to discuss the relationship
21 between regulatory requirements and Staff guidance. I think this
22 is an interesting and trippy -- trippy topic. May be that, too.
23 Tricky topic, pet topic of mine: How guidance is used in
24 compliance and prospectus reviews. We certainly had a number of
25 comments along those lines, not surprisingly.

26 So with that, I will ask Debra Foubert, our director of
27 Compliance and Registrant Regulation, to introduce this topic.
28 Deb, please.

1 MS. FOUBERT: Thank you, Tim. So I'm just going to
2 summarize the key themes that we received through the comment
3 letters. So there's three buckets which I've put together:

4 First, that there's a comment that there's too much
5 guidance and that it's too hard to keep up-to-date with the
6 latest guidance. Also, the guidance is getting too granular.

7 Second, during reviews, Staff are raising deficiencies
8 based on guidance and not regulatory requirements, which then
9 raises guidance to the rule of law.

10 And third, Staff are developing new standards and/or
11 rules through guidance which circumvents the public rule-making
12 process.

13 MR. MOSELEY: Thanks, Deb. That's the quick intro as
14 promised. So while any of you around the table ponder whether
15 you want to dive in on this, just as we wait, John's ready to go
16 right away, I'll toss out maybe just one tail-end comment on
17 that.

18 As many of you may not be surprised and will have seen,
19 we do get what I would describe as conflicting comments on this
20 topic often. Lots of people want less guidance. Lots of people
21 want more. So one of our big challenges is to wrestle with that
22 and find the right balance.

23 John has volunteered and has the answer. Right, John?

24 MR. KRUK: Feel like a guinea pig.

25 MR. MOSELEY: Sorry, and I apologize. I'm just going
26 to do a quick introduction the first time each person speaks
27 because we do have some people on the phone.

28 This is John Kruk who's a partner at Fasken Martineau

1 DuMoulin. Thanks, John.

2 MR. KRUK: I believe the role of guidance is determined
3 by how the OSC approaches its mandate.

4 MR. MOSELEY: Can you pull your mic just a bit closer,
5 if you would, please? Thank you.

6 MR. KRUK: I think I was saying the role of guidance is
7 determined by how the OSC approaches its mandate, and over the
8 last 20 years or so, I think I've seen that approach evolve in a
9 few different ways.

10 In one way, there is a lot more prescriptive guidance
11 than we've ever had before for the industry to stay on top of,
12 and it comes in many different forms. For example, we just
13 completed a sales practices sweep and there was a lot of
14 prescriptive guidance that was offered by Staff as part of that
15 process.

16 Another trend has been for matters to get referred to
17 the Enforcement Branch more frequently than before, and we see
18 that increase in the number of settlement agreements against
19 registrants and the range of topics covered by those settlement
20 agreements.

21 If you put those two trends together, a lot more
22 prescriptive guidance and more frequent referral of matters to
23 the Enforcement Branch, the industry needs to treat the guidance
24 as binding because the consequences of not following the guidance
25 are too great.

26 Also, mutual funds are relatively unique because every
27 year, have to refile the prospectus and ask the Director to issue
28 a receipt for the prospectus, and if the manager does not adopt

1 the guidance, you can risk the funds, jeopardize the funds and
2 distribution.

3 It probably is unrealistic to ask the OSC to roll back
4 its approach a little bit, give the industry a bit more room to
5 interpret the legislation the way that's still true to the
6 principles, with less fear of sanctions, but to me,
7 regulatory burden begins there because market participants need to
8 stay on top of all of the different forms of guidance and are in
9 an almost perpetual state of updating their compliance procedures
10 to adopt all of the guidance.

11 In terms of comments, I would offer two about the role
12 of guidance. The first would be, as much as possible, try to use
13 the rule-making process rather than guidance for dealing with issues. I
14 know it's slower, but it's a better process. It provides an
15 opportunity for industry to give its input. It's an opportunity
16 to consider cost benefits, and in the end, when the change is
17 finalized and implemented, it's applied to everyone in the
18 industry at the same time in the same way, and that's a more fair
19 way of rolling out changes, rather than through guidance.

20 And finally, I can't think of an example of an issue in
21 the mutual fund industry that has been so urgent or where the
22 risks were so high to investors that they couldn't have been
23 resolved on the timeline of a rule-making process.

24 The second comment or suggestion would be try to avoid
25 the temptation of wanting to use the prospectus renewal process
26 as an opportunity to effect change in the industry. If there is
27 a practice that the OSC would like to address, again, I would
28 encourage you to try to use the rule-making process as much as

1 possible for the reasons I've already mentioned. Trying to do it
2 again through the prospectus renewal process doesn't provide that
3 opportunity for input for considering all the options. Those are
4 my suggestions to your comments about the role of guidance.

5 MR. MOSELEY: Okay. Thank you, John. I'll go to Belle
6 Kaura, who's the Chair of the Board of Directors of the
7 Alternative Investment Management Association.

8 MS. KAURA: Thank you, Tim.

9 MR. MOSELEY: Belle, please.

10 MS. KAURA: So AIMA recognizes --

11 MR. MOSELEY: Belle, just make sure you've got a
12 microphone close to you, please.

13 MS. KAURA: So AIMA recognizes the value in Staff
14 providing guidance regarding rules and companion policies, and we
15 do believe that the industry would benefit from greater certainty
16 and clarity on the distinction between Staff guidance and
17 regulatory requirements that have the force of law.

18 It's been our members' experience that regulatory
19 requirements and obligations can be established by Staff through
20 deficiency letters and also guidance issued by the OSC, and as
21 Debra had mentioned, guidance does not have the force of law, but
22 is often referred to by Staff in coming to the determination of a
23 breach of law or a regulatory requirement by a registrant.

24 So this is considered by our members to be legislating
25 by way of audit, whereby Staff is supplementing the rules and
26 policies with their own views on a case-by-case basis during the
27 review, or a regulation be it a notice or guidance, which leads to
28 the imposition of significant additional burdens to our members,

1 and does effectively bypass the usual rule-making process and the
2 important industry consultation at Commission review phases.

3 So our members have expressed that there's been
4 inconsistencies in approaches taken by reviewers and inconsistent
5 audit findings which essentially creates an unlevel playing field
6 within the industry by imposing different expectation burden on
7 different registrants, and so consistency really in regulatory
8 approach and interpretation of requirements is critical for our
9 registrants.

10 We've also seen significant practical effect on the
11 market participants in terms of introducing uncertainty and
12 increasing costs in conducting business. Our members, when we
13 surveyed them on this topic, specifically mentioned the different
14 approaches to rehypothecation of collateral in different editions
15 of the Investment Funds Practitioner, and our members believe
16 that taking a principle-based approach when developing compliance
17 programs and internal controls is appropriate.

18 They do look to the legislative requirements. They
19 also do look to guidance as well, but believe that there may be a
20 number of different ways to achieve compliance and that it should
21 be clear that Staff guidance is simply an interpretation of how
22 you may achieve compliance with a rule or how a rule may operate,
23 but it could be different depending on the facts and
24 circumstances of the business model of that particular firm.

25 So we do encourage the OSC to ensure clear and
26 consistent expectations are communicated to registrants and that
27 a project be undertaken to identify which guidance will be the
28 basis for policy implementation or elimination, and that the

1 guidance should be clearly organized on the OSC Web site for more
2 clear identification by the members, and that Staff guidance
3 should contain more permissive language as opposed to
4 prescriptive such as "shall" and "must" which will suggest the
5 guidance is mandatory.

6 MR. MOSELEY: Okay. Great. Thanks very much, Belle.
7 Building a healthy list of interested speakers here, which is
8 great.

9 Michelle Alexander, vice-president of IIAC. Michelle,
10 please.

11 MS. ALEXANDER: Basically, Belle took the words right
12 out of my mouth, just a little bit more eloquently than I would
13 have said. I won't take the time away from other speakers since
14 she raised the exact same points I was going to. Thanks, Belle.

15 MR. MOSELEY: Great. Thank you. Julie Cordeiro,
16 vice-president, CAO, and General Counsel at Burgundy Asset
17 Management. Julie, please.

18 MS. CORDEIRO: Thank you, Tim. And thank you for
19 inviting me to participate in this roundtable.

20 So I just want to offer a very brief, maybe somewhat
21 practical suggestion to Deb's first comment on the actual volume
22 of the guidance that's been published in the last ten years. I
23 think as we sort of reflect on ten years and we're coming up on
24 our ten-year anniversary, 31-103 specifically, might I suggest
25 that one practical way to deal with the volume could be to
26 publish a tenth anniversary version of 31-103 which thereby
27 codifies a lot of the Staff notices and guidance that's been
28 published over the last ten years, and if not codify it, then

1 perhaps update the companion policies so that it consolidates all
2 of the guidance, recommendations, findings, and all of the annual
3 summary reports that have been published as well over the last
4 ten-year period.

5 MR. MOSELEY: Thanks, Julie. I'll come to Neil, Blair,
6 Rob and Darrell in a moment.

7 I might just add a comment to say that, you know, one
8 of the themes was the accessibility and part of the availability
9 of the various tools and guidance that are out there. I think
10 that's an important and non-controversial topic, I would say.
11 There's no one in the room who wouldn't want to see that. So
12 that's certainly something on our list.

13 As we go through other comments, I'll be interested as
14 well in just teasing out this business about the certainty
15 and clarity, guidance, the mandatory nature and so on, and try to
16 find that right balance. Again, a pet topic, but if people
17 have suggestions to offer there, they would certainly be welcome.

18 Neil Gross, chair of the OSC's Investor Advisory Panel.
19 Neil, please.

20 MR. GROSS: Thanks, Tim. I'd like to address the
21 things you just said, but I'm not going to.

22 [LAUGHTER]

23 MR. MOSELEY: Thanks.

24 MR. GROSS: I just wanted to pick up on what John was
25 talking about and what Belle was talking about to say that
26 certainly, it's fair to complain that the guidance shouldn't be
27 used to supplement rules. Where rules say X, guidance shouldn't
28 be used to make them say X plus Y, but there's a quid pro quo on
29 that, and that is, that the guidance shouldn't be used to bail

1 out a rule that's weak or that isn't working as it should be.

2 There needs to be a commitment, not only within the
3 OSC, but also by the provincial government to ensure that where
4 it's necessary to effect a rule change, that that be done quickly
5 and that be done at the request of the OSC without too much
6 difficulty because, you know, if we want a level playing field,
7 we want everyone to be under the same regime. We need to be able to make
8 sure our rules work and make sure that they can address problems
9 in a timely fashion.

10 MR. MOSELEY: Thanks, Neil. One of the comments that
11 John made and that others have made, and I certainly think that
12 it's a very important comment, is regulation by way of
13 enforcement, whether it's settlement agreements or otherwise, is
14 not the best way. It's one of the tools in the tool box, but in
15 terms of advance notice to participants in the industry and so
16 on, having the advance guidance, that comes other than by way of
17 enforcement, is probably the most effective tool.

18 Does that -- do you see a collision between that, and I
19 won't necessarily pick on you, Neil, but just on that, we agreed
20 that if there's a rule that is weak in some way, guidance
21 shouldn't fill the hole, but there's probably something between
22 that and ensuring that as time goes on, there is clarity brought
23 to the questions or answer, that Staff give some sense of how
24 Staff use it anyway. Does that -- is there anything
25 irreconcilable in all of that?

26 MR. GROSS: I don't think so. In fact, the paradox of
27 guidance is that it's most effective for those who tend to comply
28 in the first place, you know, those who want to hit the ball

1 straight down the middle of the fairway, and for those that want
2 to skate close to the edge, they're the ones who are more
3 inclined to say, well, it's just guidance. It's not the law. So
4 yeah, I don't see any issue with that.

5 MR. MOSELEY: Okay. Thanks, Neil. Next to Blair
6 Wiley, General Counsel and head of Regulatory Affairs at
7 Wealthsimple. Blair.

8 MR. WILEY: Thanks, Tim. Thanks for having me.

9 I think, you know, one of the suggestions of Belle and
10 some of the other comments is from the perspective of
11 Wealthsimple, guidance can be very helpful. We are trying to
12 move quickly and be innovative, as many in this room are, and as
13 emerging issues come to the fore, it's very helpful to see and
14 hear from the regulators as to what they view as the right application
15 of the law to those new and novel issues.

16 I think, though, that it would impose a lot of
17 discipline on the regulators and also be helpful for industry to
18 see kind of a timeline for understanding how guidance eventually
19 falls into law, and whether there's sort of when now you go for
20 exemptive relief, there's a sunset on how long that relief lasts
21 for. Do we need to renew it? In some respects, I think a sunset
22 on guidance would be an interesting perspective.

23 I think of the guidance for online advisors, which
24 Wealthsimple heeds and follows, and that guidance is now eight
25 years old, and 31-103 has been amended. To Julie's point, it's
26 about to be ten years' anniversary of 31-103.

27 Some of the principles that the OSC espoused and the
28 CSA espoused in that online advice guidance, why has that over

1 time not actually been codified in a clear, articulate way that
2 actually sets the clear parameters for the industry. I think
3 that would be an actual helpful move.

4 The other thing I would pick up on is that I think that
5 the guidance can be something that the OSC feels it needs to do
6 because it needs to move quickly and rule-making takes a lot
7 longer. It involves the entire CSA, and I think it was very
8 positive that the Province of Ontario, the government, reiterated
9 its support for CCMR because I think that having a coordinated
10 approach with a more streamlined policy-making function across
11 the country will actually, hopefully, address some of the sort of
12 stopgaps that guidance fills. I'd like to be able to see a
13 faster regulatory response and a more coordinated environment.

14 MR. MOSELEY: Great. Thank you, Blair. Rob Sklar,
15 manager of Legal Services and Senior Legal Counsel at Fidelity
16 Investments Canada. Rob, please.

17 MR. SKLAR: First off, thank you very much for inviting
18 me to attend today.

19 One thing that I wanted to pick up on, from what others were
20 saying, first of all, we want guidance. We like
21 guidance. Guidance is helpful. Rules aren't always as clearcut.
22 They're not black and white. We want to know what you're
23 thinking.

24 However, from our perspective, it's a time and place
25 kind of thing. You know, we want to know about guidance in
26 advance of filings. During the prospectus review, whether it's
27 for new funds or whether it's to renew existing funds, you know,
28 from time to time, we do get comments and these comments are

1 based on guidance, and often, these comments don't explain the
2 context of why the comment is being given which, of course, it
3 comes out during other important Staff notices, like Investment
4 Funds Practitioner, the Annual Report for Dealers, Advisers, Fund
5 Managers, et cetera. We just want to know about it in advance.
6 We don't, you know, we don't want to find out about a thing, you
7 know, a week before when we're trying to be cleared for final.

8 And some of the changes, you know, unfortunately,
9 depending on what it is, if it's a Fund Facts change, it can't
10 happen so fast. You know, even though we're in the age of
11 technology and, you know, you think, you know, inputting one
12 change, you know, should be very easy, straightforward, turn
13 around in an hour, the Fund Facts process I think is kind of its
14 own beast and, you know, sometimes we, you know, depending on
15 when we get the comment, we can't easily turn around the change
16 so quickly, you know, to get that clearance to file.

17 So, you know, all of that I say is that, you know,
18 there are for sure areas, legitimate areas of focus and we want
19 to know about them in advance, and it would also help if there's
20 one special repository, I think this came out as well, where
21 industry participants can go and see it all in one place, as
22 opposed to trying to locate it in different notices and different
23 areas of the Web site. In one place would be helpful and, you
24 know, I think, you know, somebody raised it where, you know, if
25 guidance is to be on the same or equal footing as law, then, you
26 know, it should follow that same rule-making process, right?
27 Publish guidance for consultation. Get people's feedback. Some
28 guidance points, you know, some may agree, some may not agree.

1 We just want to comply and, you know, and we're happy to comply
2 with those issues.

3 MR. MOSELEY: Okay. That's great. Thanks very much,
4 Rob. Appreciate it. Just want to squeeze in a couple more
5 comments here. Over to Darrell Bartlett, CCO at Knowledge First
6 Financial. Darrell, please.

7 MR. BARTLETT: Thank you very much, Tim. While I work
8 in a very narrowly-defined niche market, I'll try to add some
9 comments that are applicable to everyone here, and having been
10 down the list here, I think most of the stuff I wanted to talk
11 about has been captured.

12 I think Rob kind of made a good point. I think as much
13 as we get a lot of feedback on guidance, it is something that
14 registrants want, and everybody I think likes to have an idea of
15 what it is that they can do to be in compliance, aside from, as
16 Neil says, some people that want to skirt the edges of the
17 fairway.

18 I think, I hope we recognize that, you know, there is
19 a dilemma here, right, in terms of the time it takes
20 record-keeping and the need that Staff, the OSC Staff, or any
21 regulator sees to address things in a more timely basis and, you
22 know, we all know rule-making's come a long way from the days
23 when I was a regulator where we were in the re-formulation project,
24 but, you know, it's still a timely process, and John, you know,
25 kind of started us off right off the bat saying it is still a
26 good process. I think it's one that fleshes out everybody's
27 opportunity for comments.

28 So there is a dilemma, kind of recognize that, the idea

1 that registrants want to know about guidance and, you know, maybe
2 have a chance to not so much provide input to it, but just to
3 kind of get a sense as to what Staff is thinking on things, and
4 events like this, I think even the more specific topical areas
5 about the capital markets would be very helpful.

6 I think that having it all in one place is a very noble
7 cause, but it's difficult to do and stuff, so that's sort of an
8 ongoing effort.

9 I think for my little industry, we have kind of a
10 guiding piece of legislation that's still in sort of national
11 policy phase, and we've asked Staff to even take the lead on kind
12 of updating that, so I hope that we could do that, because there was some
13 initial response to that, but there wasn't necessarily an
14 opportunity to do that because of the time it would take, but it
15 I think it would have been time well spent and time well spent to
16 do that, so we'd like to do that.

17 And I think in the end, we've talked about the rulemaking.
18 Another part of the topic here is compliance reviews, and I think
19 that the same thing sort of applies. It would be an opportunity
20 to have more dialogue with market participants and registrants,
21 so that when it comes time to actually do the review, there isn't
22 as much of a case of sort of starting from scratch and starting
23 over kind of every time around. It's difficult to maintain
24 continuity of your teams, I understand that, but opportunities to
25 maybe discuss with Staff in between, and again, kind of get a
26 sense of each, what the parties are up to in their respective
27 roles, and I think there's a responsibility on us as market
28 participants to take the lead on that sometimes as well, and to

1 do that and to be as responsible as we can to clean up our end of
2 the bargain and find out as much as we can about what your
3 expectations are, so we can do things to comply on that.

4 MR. MOSELEY: Thanks, Darrell. I'm already running
5 into trouble here because I promised just a couple more comments
6 and we're over time on this topic. So if I could ask the
7 additional folks who put their names up just to hang on to your
8 comments. I'll try and get them in later, but I did want to
9 promise that Minal Upadhyaya, who is Vice-President, Policy and
10 General Counsel at IFIC, get the last word for now on this, but
11 it's a hot topic. We'll come back to it if we can.

12 MS. UPADHYAYA: Thanks very much, Tim. All I wanted to
13 say, echoing Rob's comment that industry does appreciate the
14 guidance that the Commission puts out, and the vast majority of
15 participants do want to comply with the regulatory requirements,
16 that I think what the Commission needs to bear in mind as it puts
17 out guidance is that as industry practices evolves, that so does
18 the regulatory thinking around industry practices, and so as the
19 evolution of guidance comes out, you also have to recognize that
20 as industry adapts to that guidance to comply, it does cause
21 burden on industry and can often be counterproductive if guidance
22 is coming out year over year which is incrementally making the
23 principle behind the rule more restrictive.

24 MR. MOSELEY: Fair enough. And I should say for those
25 who haven't seen, we've certainly acknowledged that one of the
26 sources of burden is evolving requirements. That in itself
27 causes additional burden.

28 Okay. Great. Good discussion. Sorry to cut it off.

1 I apologized upfront. Won't be the last time, probably.

2 TOPIC 2:

3 MR. MOSELEY: But now I'd like to move to our second
4 topic which is about interacting with multiple regulators and
5 ways that the OSC can streamline reviews and reduce duplication
6 with other securities regulators and SROs.

7 So on this one, I'll ask Elizabeth King, Deputy
8 Director of the OSC on our Registrant Conduct to introduce this
9 topic. Elizabeth, please.

10 MS. KING: Thanks, Tim. Good afternoon, everyone.

11 Many of the comments relate to elements of the
12 regulatory framework and regulator practices that results in
13 overlap for registered firms. Key areas that were highlighted in
14 the comments relate to, for example, compliance reviews and the
15 comment is the compliance review should be conducted only by the
16 principal regulator, and that CSA members should better balance
17 review activity.

18 Another comment, second comment relates to registered
19 firms, when they enter into M&A transactions, they must file an
20 11.9 or 10 notice. There's a comment that this creates
21 duplicative oversight. You may know that IIROC conducts reviews
22 of those transactions as well as the OSC if it involves an
23 investment dealer, and two branches of the OSC, both CRR and
24 Investment Funds review investment fund manager transactions when
25 those happen.

26 Finally, there was definitely a theme that Ontario
27 should join the Passport System in order to ensure consistency of
28 views and interpretations across the various jurisdictions.

1 So those are the key things that we heard from the
2 comments.

3 MR. MOSELEY: Great. Thanks, Elizabeth. And just
4 before we get into the roundtable discussion on this, just a
5 reminder that Topic 4, which is coming up very soon, deals with,
6 among other things, data collection as part of the processing
7 including, for example, the Risk Assessment Questionnaire. So
8 we'll try and hold off comments dealing specifically with data
9 collection, even though there's a bit of overlap here. We'll
10 certainly come to that.

11 So on this topic, Brian, I know you had your -- was
12 that up for the last topic or did you want to -- and if you
13 would, just a reminder to everyone, please: Speak directly into
14 your microphone.

15 So this is Brian Koscak, Chief Compliance Officer,
16 President, and General Counsel at Pinnacle Wealth Brokers.
17 Brian.

18 MR. KOSCAK: Thank you. Thank you for hosting this
19 event this afternoon. I think it's very important to have this
20 outreach to get different people's perspectives and views because
21 when I read the word "burden", to me it's more like trying to
22 strike the right balance as opposed to a burden and it's bad.
23 Let's get rid of it. I think it's working smarter.

24 I think when you have multiple regulators, first, I'm
25 not a proponent of a national securities commission. I have my
26 reasons for that, but I do know that when you have multiple
27 regulators, the burden on the registrant, as, for example,
28 Pinnacle is an exempt market dealer, is great. We can have two

1 or three reviews a year, and they're not simple reviews. It
2 could be always a desk review or it could be a full-on review and
3 what happens is, they're all full-on reviews. I mean, when any
4 regulator comes knocking, you'd better take it serious and you have
5 to get all the information that's required.

6 The challenge I think is that a lot of the coordination
7 is finding out what are the various issues that the different
8 regulators are looking at and they should be shared. I don't
9 think, from my firm, we'd have any problems with that.

10 I was very encouraged last week when the CSA came out
11 that they're looking at updating NRD and SEDAR and SEDI, but then
12 I was discouraged that what was excepted out of it was compliance
13 reviews. I believe there should be -- we can use the NRD as a
14 national compliance system for all regulators where registrants
15 can upload their documents, their response letters, as well as
16 each regulator should download their questions and comments, more
17 so when you look at the duplication of, "How many times do I have
18 to send my compliance manual and all the related documents to
19 each regulator?", it just duplicates itself.

20 So my thinking is that I know that's a CSA initiative.
21 I think they could easily tack it on, but I know from my
22 perspective, whether it's Alberta or whether it's Ontario or
23 British Columbia, let them have the whole picture.

24 I think also when you look at the burden, there is
25 differences in interpretation of each regulator. I think you can
26 live, I think I can live with that as a registrant, but it's the
27 not sharing of information, or even, "Do you mind if we share
28 this with another regulator?" I'm like I have no problem because

1 we want to do the right thing.

2 And just on the earlier comment is, I think everybody
3 wants to get it right. It takes a lot of time to develop a
4 client relationship and a second to lose it, and it's the art and
5 science of regulation amongst the regulators, even as the CCO,
6 boots on the ground, trying to figure it out. So the more we can
7 understand what is required, oftentimes even though as a
8 registrant, it's very stressful going through a review because you
9 always worry what's going to happen or did you get it right after
10 the fact, and we can look at rules versus principles. It's like
11 nature versus nurture, that whole debate and where did you end up
12 on that?

13 I think that the coordination amongst the regulators
14 and the fact that we have different regulators, that's Canada at
15 the moment, but if somehow a portal can be created sharing that
16 information because at the end of the day, if we're all about
17 better outcomes and regulators have greater comfort over the
18 different reviews, I made inquiries and I think there's some sort
19 of informal communication of who's reviewing them next, and then
20 we have a RAQ that comes out and then the risk assessment, and
21 then you add in all these questionnaires and you want to be
22 responsive, and then you say, "Okay. Do I have time to do that,"
23 because I'm doing these reviews and I'm being "voluntold" to do
24 it, and we want to be a good actor. So I think the coordination
25 is key, a portal is a solution. Thank you.

26 MR. MOSELEY: Great. Thanks very much, Brian. Prema
27 Thiele, partner at Borden Ladner Gervais. Prema.

28 MS. THIELE: Thank you very much for including me in

1 this.

2 I was thinking just as approaching all of the questions
3 you asked here how I would approach this. As many of you know, I
4 have lots to say. So what I thought I would take as an approach
5 today, because we're not going to solve I think all of the
6 world's problems here, is to talk about -- Tim's saying we
7 might -- is to talk a little bit about smaller things that may
8 have a large impact that I think you folks could easily, in my
9 view, tackle.

10 So with that in mind, that thought, one thing, and I
11 know this has been talked about, you know, a little bit was the
12 Passport System, and I just want to make sure that everyone
13 understands the importance of that because sitting here in
14 Ontario, and where the predominance, the vast predominance of
15 registrants are, it's not Ontario capital market participants
16 that I'm really speaking for here. I'm speaking for those that
17 aren't here from other provinces.

18 It is very costly, duplicative for them to be
19 interacting with the Ontario capital markets if they're not and
20 if we're not part of that Passport System. It takes -- and
21 delays are immeasurable and, you know, one might say, "Well,
22 Prema, reduce your legal fees." Well, that to me isn't the
23 answer here. It is expensive if this goes on and on.

24 So I think the -- I really encourage people. I don't
25 think it's to me inconsistent with those that may support the
26 Capital Markets Regulatory Authority as well. It's only, again,
27 contributing to the theme, whether you agree with that or not. I
28 don't see that as inconsistent with that policy initiative. So I

1 hope that we'll think about that.

2 I also, obviously, echo, Brian, everything you're
3 saying about the reviews that are going on as well in terms of
4 duplication of compliance audits. I'm not going to say who in
5 this room, but I saw someone walk in and I was thinking of the
6 call. I was -- in the morning last summer, she and I were
7 talking about an Ontario Securities Commission audit, and that we
8 had finally sort of responded to everything and she -- no sooner
9 did we disconnect that she e-mailed me later that afternoon, and
10 said, "Prema, we're being audited now by the AMF."

11 And that, again, on the theme of extremely expensive,
12 and it's not just the money. It's the resources. As Brian said,
13 people really take these audits seriously. It's a lot of
14 resources that go into that.

15 And then lastly, from the vantage point of investment
16 funds, just two things. I know we're going to talk about trading
17 in a couple of weeks, again, but from the perspective of
18 investment funds, one, I still think it is very unacceptable that
19 the 45-106F1 filings, we have three methods of doing -- we have
20 an OSC form, we have a BCSC form, we have SEDAR everywhere else.
21 I do think that's something that we should be able to get, you
22 know, coordinated.

23 And lastly, on the 45-106 filings, I think many of us
24 were really disappointed to see the publication of CSA Staff
25 Notice, I'll get it wrong, 45-325 that came but a week after the
26 45-106 deadline, and again, it's not -- we completely agree with
27 the OSC's position on this, but again, Manitoba and Quebec took
28 an odd, I will call it, with my home world of Saskatchewan taking

1 an even slightly more odd position, but I think that's one that I
2 would encourage the CSA to look at again sort of immediately, so
3 that that is not in play for 2020. Thank you.

4 MR. MOSELEY: Thanks, Prema. Michelle Alexander from
5 IIAC.

6 MS. ALEXANDER: I just wanted to echo Prema's comments
7 on the Passport System. It is definitely a huge burden for many
8 of our members who operate interprovincially, and as Prema said,
9 I don't think it's counter to the CCMRS, as there are
10 participants in the Passport System such as B.C. who support a
11 national regulator.

12 The national regulator time frame keeps getting pushed
13 on and on and on, so it's going to be at least a couple of years,
14 and even when it is operational, we will have provinces who will
15 not join immediately or if ever. So for the interim and going
16 forward, I think for Ontario to join the Passport System would be
17 a huge regulatory burden reduction initiative.

18 On smaller issues, I do want to congratulate Elizabeth,
19 especially since she and I have been talking a lot about
20 anti-money laundering and the OSC did help a great deal with
21 burden reduction for the monthly suppression of terrorism
22 reports. Hopefully, we'll get some more reduction in terms of
23 having to file to duplicate regulators when there's nothing to
24 say, so thank you very much for that, Elizabeth and the OSC.

25 On smaller things, and this was an issue that we did
26 raise a few times in our submission, was the challenges of
27 different -- the IIROC requirements versus OSC requirements, and
28 one thing that we did highlight which is a problem for our

1 members, granted, I know it's a National Instrument and the OSC
2 has to focus locally, but it is an important one regarding the
3 definitions of institutional clients and permitted clients.

4 Permitted clients is \$25 million assets under management under
5 National Instrument 31-103. IIROC's requirement is \$10 million.

6 So there is an exemption for suitability in the IIROC
7 rules where it's for institutional clients. However, because of
8 that gap between institutional and permitted clients, IIROC
9 members still have to do a suitability review for those
10 institutional clients under \$25 million, and really the
11 difference between a \$10-million threshold versus \$25 million, if
12 we're looking at institutional clients, the investor protection
13 issues I would argue aren't there. So having a consistent and
14 arguably lower definition under 31-103 would definitely help from
15 the institutional standpoint.

16 MR. MOSELEY: Great. Thanks, Michelle. Anyone else
17 want to -- Peter Moulson, head of -- Vice-President, Head of
18 Wealth Management, Compliance at CIBC.

19 MR. MOULSON: Yes. Thanks, Tim. Just I wanted to
20 follow up. I thought Michelle was going to make this point
21 because it was in the IIAC comment letter, but as she didn't, I'd
22 like to just add in terms of a small matter, but again, multiple
23 regulators take different approaches, and this is on the very
24 exciting topic of cease trade orders, and the challenge that
25 registrants have, IIROC registrants, in complying with cease
26 trade orders that are province-specific that may or may not apply
27 nationally, depending on whether that jurisdiction does adopt
28 other provinces' cease trade orders, the challenge of no CUSIP or

1 stock ticker in a symbol being part of the cease trade order.

2 These are very practical challenges that IIROC member
3 firms have, and my plea, and I appreciate it's not an
4 OSC-specific issue, is if the CSA could get together and
5 implement a more universal approach to cease trade orders, it
6 would ease the regulatory burden significantly, not to mention
7 the risk of sanctions for breaching a cease trade order, which
8 are largely inadvertent in most instances I would submit. Thank
9 you.

10 MR. MOSELEY: Great. Thank you. And as always through
11 this process, small and big ideas and everything in between are
12 most welcome. So that's great. Yes, Belle Kaura, please.

13 MS. KAURA: Thank you. So I'll open my comment to echo
14 many of the comments that have already been partly on this topic,
15 so I'll limit my comments to private funds and compliance
16 reviews.

17 So what our members have found is that private funds
18 are often looked at through the same lens as the retail funds
19 during compliance reviews and when guidance is issued, and there
20 really are fundamental differences between the private funds and
21 retail funds and their functions which creates an unnecessary
22 burden on alternative asset managers to formal requirements that
23 regulators are familiar with in the retail context rather than
24 substantively looking at the -- meeting the regulatory
25 obligations within the alternative investment funds context.

26 So the proposal that we have is to recommend that the
27 OSC potentially have focused oversight in private funds to
28 determine specific issues that are faced by these types of asset

1 managers, which would alleviate some of that regulatory burden
2 placed on these managers, and allow the regulators to have better
3 understanding of private funds and specific issues, and that's an
4 approach that the SEC has taken with the development of their
5 Office of Compliance Inspections and Examinations where they have
6 a private fund unit that takes a targeted approach for
7 private fund exams and specialized examiners for that.

8 MR. MOSELEY: Great. Thank you, Belle. Time for two
9 more comments in here. Julie Cordeiro from Burgundy Asset
10 Management.

11 MS. CORDEIRO: I just wanted to briefly touch on
12 dealing with multiple regulators and duplication generally, and I
13 realize that we're just talking about Ontario Securities
14 Commission today, but I think it's really important -- thank you,
15 Denys -- as the OSC undertakes this work and reviews burden
16 generally to keep in mind that there is a layering of duplication
17 that is happening on registrant firms, and most of us in this
18 room deal with that in our day-to-day, and by "layering", I just
19 want to kind of unpack what that means.

20 So there's really the way I see it three layers of
21 duplication from a regulatory standpoint. We have our sort of
22 provincial layering, which we're talking about, and many of the
23 comments have been made about that in terms of how the different
24 provincial regulators administer their programs.

25 So one sort of example: Ontario and Quebec, different
26 reporting obligations of notices for complaint handling and
27 reporting between Ontario and the AMF.

28 The second layer of duplication, and this one's

1 significant, is sort of national legislation that many registrant
2 firms have to deal with in their day-to-day that goes beyond
3 securities law, right? And everybody in the room will know when
4 I say all of these acronyms, what they all mean, FATCA and AODA
5 and CASL, and there's a long list. We all know what they are, so
6 that creates a lot of complexity.

7 And then in addition to that, the third layer is what I
8 call the sort of international regulatory pressures, and for many
9 firms operating in a global environment, you know, the regulatory
10 changes are happening at an increased pace. They're significant,
11 so just in the last year, we've had GDPR, we've had MiFID II, and
12 these are creating additional pressures on firms.

13 And if you think about the burden just from a narrow
14 lens, I think you'll miss a bigger picture which is that these --
15 the registrant community is facing pressures from every
16 direction, so any sort of small efficiencies that can be
17 leveraged between the provincial regulators, so if one of you is
18 doing it better than the other, go with the best, go with the
19 best method, and leverage that learning from one another. So
20 that way we can at least, from a national and provincial
21 standpoint, start to alleviate some of those burdens.

22 MR. MOSELEY: Thanks, Julie. And I mean, I'd like to
23 offer the reassurance to those who don't know this already. A
24 lot of time and effort goes into exactly that at various levels,
25 Staff level, Vice-Chairs and Chairs on a regular basis.

26 To the extent, though, that you are spotting
27 opportunities where you think that hasn't been done, you know, we
28 obviously continue to welcome because it's your perspective on

1 this that is incredibly valuable, so I think you would find
2 everyone subscribing without reservation to that principle,
3 Julie. Thanks.

4 Okay. Over to Alan Wunsche, CEO, TokenFunder. Alan,
5 please. Last word of this topic.

6 MR. WUNSCH: Thank you very much, Tim, and thank you
7 for hosting this very important event.

8 As some of you may know, we've recently become a new
9 registrant as an exempt market dealer and our process I would say
10 has been very positive in many respects and, you know, we
11 specifically worked with the LaunchPad, and in this respect,
12 there has been, you know, welcoming professional people that have
13 sought to help us.

14 Now, from a burden, from a point of view of burden and
15 in helping others, and we're deemed to be mobile in every
16 discussion we've ever had, time is so important to us and
17 visibility of process is so important to us, and through the
18 course of the last couple of years, we've had -- we've been
19 extremely persistent and yet very patient, and a lot of time has
20 passed, and it's created a considerable amount of uncertainty,
21 and frankly, sometimes loss of competitive advantage for us.

22 So whereas we thought we were going to be in a position
23 to launch, you know, at some point, and frankly, it's a result of
24 us not fully understanding the regulatory process, and fully
25 admit that, however, I believe that there were opportunities to
26 improve the visibility to us as to what the process was, and,
27 "Oh, you should expect to wait, you know, X months or X weeks for
28 an answer to this."

1 And ultimately, for us, you know, yes, process, but
2 time is such an important aspect of a small, new company getting
3 off the ground, and the more time that elapsed for us, it meant
4 that we had to be -- well, frankly, we had to, you know, shift a
5 number of ways.

6 And we're trying to compete in not only the Canadian
7 environment and put some new product into the Canadian
8 environment, but essentially, we're then competing with a global
9 environment and we've seen many of our cohorts, companies in
10 Canada leave the country because they weren't willing to go
11 through a long process.

12 And, you know, "long" is all relative, right? So we've
13 only been through it a couple of years, but at that point of
14 coming through it, I had hoped and I had kind of envisioned with
15 our law firm that it was going to be in the order of months.

16 So in terms of agility and speed for a new company with
17 limited resources, we cannot continue to go for months and months
18 of, you know, iterations that burn up legal resources. So, in
19 fact, I appreciated the support of the LaunchPad folks who have
20 provided some very good guidance.

21 Now, they also I think run interference with and
22 coordination with all of the other regulators that we sought
23 through the form interprovincially, and I don't even appreciate
24 what that process is, but I'd like more visibility into that
25 because there were times when it was, well, another regulator is
26 looking at this, and now I am waiting or I have waited in the
27 past to hear, okay, so is that weeks sort of thing or am I
28 looking at months that I can't move forward?

1 And we took the approach that we were going to seek
2 permission from the Commission to do our business, rather than --
3 you know, frankly, I appreciate all the lawyers around here
4 because you're very principle-based. I'm a CPA, very
5 principle-based regulatory approach, right? And, you know, so in
6 a sense, that's how the business is permission-based, whereas
7 there's a lot of other innovators that are going out there
8 saying, "Forget that. We're just leaving the country. We're not
9 going to seek permission."

10 I hope that we can do it quickly and still be
11 permission-based, if you will, and principle-based, so yes, thank
12 you for allowing my comments.

13 MR. MOSELEY: We do, too. Thank you, Alan.

14 TOPIC 3:

15 MR. MOSELEY: Okay. With that, thanks to the
16 discussion on that one. I'd like to move to our third topic
17 which is working with the OSC. We'd like to explore performance,
18 including service standards, processes, points of contact and
19 outreach. This is another theme that we saw, not surprisingly
20 perhaps, in the comments.

21 So with that, I'll ask Raymond Chan, our Director of
22 Investment Funds & Structured Products to introduce this topic.
23 Raymond, please.

24 MR. CHAN: Thank you. We all know it's -- so we all
25 know that it's critical for the OSC to set clear service
26 standards. We already heard a few examples. Alan, you just gave
27 us a good example, and also we heard from John about the
28 prospectus review process.

1 We know that registrant issuers have businesses to run
2 and timing is very important. We also -- while service standards
3 are -- timing are very important, we also have the importance of
4 the how and the why. Why are we raising issues and is there a
5 different way to raise the issues?

6 We also, on the same front, we also heard the comment
7 that regulators can all work in a better way, more efficiently in
8 terms of funding the -- giving the people enough time to respond
9 and most importantly, the right time to respond.

10 So that's my opening remarks.

11 MR. MOSELEY: Great. Thank you, Raymond. So on this
12 one, we'll kick it off with Ken Kivenko, President of Kenmar
13 Associates. Ken, please.

14 MR. KIVENKO: It's a pleasure to be here. Service
15 standards come from --

16 MR. MOSELEY: Sorry, Ken. If you would, just I've been
17 asked to make sure that everyone speaks directly into the mics.

18 MR. KIVENKO: Yes. We, as an investor advocate, we see
19 service standards maybe a little different, but I'll give you
20 some examples.

21 We've been advocating for about 11 years for OBSI
22 to have a binding recommendation. Three successive independent
23 reviews have recommended it. All the consumer groups - FAIR,
24 IIAC, SIPA - have supported it. The board of directors has
25 agreed that it should have a binding recommendation, and the last
26 report from the independent review was 2016, June. We're coming
27 up to the third anniversary, and no decision.

28 So a service standard will be rejected or accepted, but

1 get on with it. Make a decision. A decision has to be made. It
2 can't be -- it's in a swamp right now.

3 If an investor wants to check the regulatory status of
4 a dealing representative, or registered representative,
5 something, the industry calls them advisors, very complicated.
6 It's not human engineered. It's been complained on at least for
7 six years. It's very difficult. The terminology is complex.
8 There's little marks of people. You know, anybody who's studied
9 human factors, being a human factors engineer, would not pass.

10 And if you want to go to the IIROC Web site, which have
11 different definitions for very similar advisor categories, they
12 don't seem to follow CSA, you have to sign - you actually have to
13 agree to a five-page agreement, user agreement to use that, to
14 check the registration of somebody you're doing business with.

15 So a good service standard would be one place, CSA
16 perhaps, OSC, anywhere, one place where you check everybody, and
17 someone has actually done some human engineering to make sure
18 user friendliness, as you might call it, so we can get to it.
19 These are the things -- talk about a burden. This is not --
20 worse than a burden. People just give up. I can't check the
21 status. It's impossible.

22 Little things, too. If two -- it seems a lot of people
23 in these advisors have three names. They have a middle initial
24 and three names. If you only know the two names, sometimes
25 you'll get six, six. A system should not be designed like that.

26 You need a -- so the service standard should be -- the
27 other decision was best interest. I've been involved, literally,
28 been involved since 2002 on best interest. I was part of a fair

1 dealing model, 2004. It passed away and was replaced by
2 something else, and then we had this, and we had minimum best and
3 now we've got client-focused and targeted reforms.

4 Make a decision. I mean, you talk about a burden. I
5 must have spent 5,000 man hours myself, never mind my team, maybe
6 100,000. I think we did five consultations, 10 years on best
7 interest. Now, it ended up a decision was made: You're not
8 going to get it, and we're not happy, but at least a decision was
9 made, but why did it take ten years? I don't know. Embedded
10 commissions: 26 years. 1995 was Glorianne Stromberg's report.
11 She said it's horrible. It's -- you cannot have high integrity
12 advice with such conflicts. You made a decision, but it took too
13 long. 23 years. We don't like any of the decisions, by the way,
14 but at least you made it. Could have saved me 4,000. I could
15 have been, you know, 4,000, I could have played golf.

16 And I'm not trying to be sarcastic. I really am
17 disappointed at the cycle, the regulatory process. One of the
18 parameters of any system, being a system engineer, is the
19 response time. When you control the temperature of something,
20 you can't wait, if it's too cold, to warm it up three hours. It
21 has to be a very high response time.

22 So I encourage you, if you do nothing else from today,
23 look at the regulatory control system as control systems
24 engineers would. What are the parameters of a good system? How
25 quick does it adapt to a change? How does it -- how efficient is
26 it in meeting its parameters? You know, are investors really
27 being protected? I think if you go back to first principles of
28 control system engineering, I think you'd find you'll be able to

1 find a lot of opportunities for improvement.

2 MR. MOSELEY: Great. Thanks, Ken. A long list
3 building here. Next is Peter Moulson, CIBC. And then Margaret.

4 MR. MOULSON: Thanks. I'm going to make my comments
5 specific to the topic that Raymond raised in terms of service
6 standards, working with the OSC, et cetera, and my focus is more
7 on the compliance and registration side of things as opposed to
8 the investment funds, but I had, in my role, I had -- I manage a
9 compliance team that oversees businesses that are regulated by
10 IIROC and the MFDA and the other provincial securities
11 regulators, and one wish that I have that's some -- I hope that
12 is something that all the regulators would share would be in
13 respect of the compliance examination process.

14 If the regulators were to adopt -- let me back up for
15 one second. In my group, we perform compliance examinations for
16 all of the businesses that I mentioned regulated by different
17 securities regulators, and as part of that examination process,
18 we have a very specific framework we follow where we set out the
19 scope of our examination, we indicate the activities or controls
20 that we will be assessing as part of our examination, and we have
21 a defined period of time in which we conduct that exam.

22 We also, as part of that framework, we have a risk
23 rating process where each of the activities is risk rated, and as
24 a result, when we do uncover problems or deficiencies, we can
25 assign a risk rating to those deficiencies, and this is a
26 standard that auditors follow. I'm not an auditor, I'm aware,
27 but I've learned a little bit about testing and examinations in
28 my career.

1 I would like to think that the CSA members and the SRO
2 members could adopt a similar approach. I'm sure they do have.
3 It's just not public, it's not transparent, and I think one wish
4 that all of us in the industry could have is that the risk rating
5 framework in terms of the examinations conducted by the various
6 SROs and regulators would be public.

7 And as part of that process as well, when you do issue
8 a report, whether it's coming out of a full examination or a desk
9 review, if the findings would have a materiality weighting
10 attached to them, the OSC, for example, will identify
11 deficiencies or significant deficiencies, and I recently had a
12 conversation with Staff about what that distinction was, and I
13 gather the definition of a significant deficiency is really
14 driven by whether or not you want to see a written action plan
15 before you would close the deficiency.

16 So all I'm asking, I think, is maybe for some standards
17 for a framework be published and transparent to registrants, so
18 that they actually have a sense of what is material and
19 the scope of the examination, and also in terms of the findings.
20 I think that would do a real service to the industry because part
21 of -- we want, as others have said, to be compliant. To get a
22 really good sense of how we're doing would be helpful. Thank
23 you.

24 MR. MOSELEY: Great. Thanks, Peter. Margaret Gunawan,
25 Managing Director, Head of Canada Legal & Compliance for
26 BlackRock. Margaret, please.

27 MS. GUNAWAN: Thanks, Tim. Thank you very much for
28 hosting the roundtable and for inviting me to participate today.

1 First of all, I think we are all aligned that we're
2 here to talk about smarter regulation, one that balances investor
3 protection and the fair and efficient functioning of the capital
4 markets that's flexible enough to accommodate varied business
5 models and client types and, ultimately, preserving investor
6 choice. I think that's very important.

7 One thing that I'd like to commend the OSC for doing is
8 registrant outreach. I think the initiatives you've put in
9 place, especially CRR, in terms of the courses I think have been
10 very beneficial, and then for the investment funds, the work you
11 did in particular reaching out to industry participants before
12 rolling out the ETF Facts, I think more of that work would be
13 welcome.

14 I'd like to make just two quick comments. So, first of
15 all, I'd like the OSC to think innovatively about how you think
16 about product versus distribution. I think as an investment fund
17 manager, we really feel that a lot of the regulation, the
18 regulatory burden is on us when it should really be on the
19 distribution side. Okay, don't throw anything at me. Just my
20 opinion. So I'll give you an example:

21 The risk ratings that we use in ETF Facts, we know from
22 market intel that distributors or dealers typically just use the
23 investment fund manager's risk rating. Query whether, you know,
24 they're fulfilling their regulatory duties, and then also, it's
25 come to our attention that these risk ratings are now a way for
26 managers to perhaps compete with each other, and it's probably
27 inadvertent, but you know, we've had questions why our risk
28 rating is higher or lower compared to a very similar ETF, right?

1 And it could be easily explained. It could just be during a
2 refresh and just hasn't caught up because we haven't touched our
3 renewal cycle, but thinking about the way that you're thinking
4 through production, product manufacturing versus distribution, I
5 think that's really, really important.

6 The second comment I just would like to make is that
7 you really take a look carefully at whether the comments that
8 you're making are form versus substance, and I'm going to pick on
9 the ETF Facts again because we've just had too many comments
10 where it's, you know, they don't like the white space or this
11 sentence should be moved to another paragraph.

12 I'm not sure that all Staff understand that there is a
13 domino effect and when you're trying to make these types of
14 changes, it takes time, it costs money on translation, and you're
15 always running up against that deadline where you don't want to
16 renew the ETF facts, the data, right, because there's a currency
17 requirement.

18 So I would just like Staff to be trained so that we all
19 experience a consistent response when we are up during the
20 renewal process and I think you made the comment where I think it
21 was Rob, that, you know, a lot of times we feel like we're being
22 put over a barrel because we're trying to meet this prospectus
23 renewal deadline and it just feels very unfair. So I'd just like
24 to say that. Thanks.

25 MR. MOSELEY: Thank you, Margaret. Brian, please.

26 MR. KOSCAK: Thank you. I just want the OSC to
27 understand as a dealer, we deal with service standards too, and
28 we never get them right. We want 24-hour turnaround and we say,

1 "I've looked at it. You have to fix all these things." "What
2 should I do?" And then it starts, the whole process. So it's
3 like the end result versus the first initial interaction. We
4 find that stressful, too, in service saying, let's say, a market
5 review of documents.

6 In terms of service standards, interesting. If the
7 registrant understands why we're looking at something or taking
8 longer, as Alan mentioned, I think they're okay, but they have to
9 understand it. So the sharing and communicating over where an
10 application is at, whether it's been accepted or otherwise, I
11 think that's critical. You can't lose on good communication.

12 I think what needs to be built in, rather than, you
13 know, people can look for hard and fast service standards, a
14 safety valve. If it's not going well, where do you go, that
15 everybody understands the process. You know, if you have to go
16 upstream to a director or something, allow them to do that with
17 comfort, and I know you're looking at it, but I've got to get
18 this done.

19 I'm just listening to Alan's situation. I'm, like, if
20 Manitoba's slowing you down, go live in Ontario and then deal
21 with them later. Like, that's a business solution. You can't
22 wait for the whole CSA to get on board. It's like moving an
23 aircraft carrier in the ocean. It takes a lot of time and maybe
24 you don't have that time.

25 Someone mentioned acronyms, you know, KYP, KYC. I have
26 KYDR. Know your DR. Why not have a KYR for you: Know Your
27 Registrant. If I know Naizam and he knows my business model,
28 perhaps he can be assigned others that have my business model and

1 a relationship can develop. He could trust me. I can
2 communicate with him. We have an understanding because the
3 outcome is what we're after, is that we're compliant in doing
4 good things.

5 Be lucky to have turnover like an auditor's. Then
6 Raymond comes on board. Raymond can get a hand-off. "Okay.
7 What's this registrant all about? What's the good, bad or ugly?
8 What do I need in terms of improving compliance?"

9 So I think the relationship is key because I know, from
10 my perspective, I'm speaking to all these different people and
11 it's like they don't know me, they don't have my history and then
12 you'll find a lot of wasted time trying to find the business
13 model. Like in the empty space, there's so many different
14 business models, so if you allocate your resources, human
15 resources in terms of business models and develop more about a
16 main contact, I think that's the humanness that's sometimes
17 lacking, is that I know many registrants say, "They don't
18 understand my business model. They don't understand me. They
19 get my point." They don't understand that maybe they did, and
20 they'll make up other excuses. So I'm very strong on that one.

21 In terms of other service standards and outreach, the
22 topical guidance the OSC provides, awesome, fantastic. I think
23 you guys are definitely on the right track. I know for years
24 I've been saying, "Can you put a video online?" Everyone across
25 the country wants to know, "What does the OSC have to say about
26 that? I can't attend their event. I can't afford to fly in,"
27 and the fact that I was actually listening to the prior burden
28 reduction outreach program. I think I got like more than halfway

1 through, but it was great, and I think that's where people learn
2 and they're looking at, you know, a dominant regulator in Canada
3 in terms of infrastructure, personnel, knowledge, and experience
4 you have with all these issues, that's phenomenal. So continue
5 using your webinars. Continue doing this outreach. I think we
6 all want to get it right. We just need to kind of maybe fix the
7 process along the way. Thank you.

8 MR. MOSELEY: Great. Thanks, Brian. And, you know,
9 the practical suggestions that we've had and continue to have are
10 great. I can say with confidence everyone at the OSC is
11 committed to the good communication, all the rest of it. It's
12 sometimes just how to get it right and that's where, again, your
13 feedback is invaluable. So thank you, Brian. Prema, please.

14 MS. THIELE: I know we're running out of time here.
15 Just picking up on Brian, too, but the one thing that seems to
16 be, in my experience, over the last, say, six, seven years is the
17 time it takes to get discretionary exemption applications
18 processed, and I'm not speaking about novel, you know, ones that
19 we have to really have a national consensus and thought process.
20 I'm talking about what I would anyways in my experience refer to
21 as very routine exemptive applications.

22 And I am finding, and I don't think I speak out of turn
23 here, that the time it is taking to get these through is months,
24 whereas I would typically have said to a client, 45 to 60 days to
25 get an exemption, on something that has been done over and over
26 again. That is not the experience, at least in my experience in
27 the last six, seven years. Things are taking a long time.

28 Part of that goes to -- and I enjoyed, Brian, what you

1 said and I was thinking about how that actually aligns with it
2 because part of the process is that we've got -- sometimes they
3 may be junior staff that's dealing with more routine ones, but
4 they don't have a background on maybe the subject-matter or they
5 don't have a background on the particular area.

6 So what I see after 30 years as obviously routine may
7 not be thought of, and it is extending costs. It's extending the
8 time. So I would encourage you to consult internally on that for
9 sure because I think it will help a lot.

10 And also just one other thing, just again, the
11 experience in audits, in compliance audits. I'm finding again an
12 unwillingness, I would say, to engage in what I would call
13 healthy discussion after a deficiency letter has been issued. I
14 would be very used to, and I do think it helps with time
15 pressures and time it takes to get from A to B, if Staff would
16 engage with either the, you know, lawyers on behalf of
17 registrants or the registrants themselves on these deficiencies,
18 and what I'm finding in the last year or two is an unwillingness
19 from some Staff to do that and insisting only on written
20 responses.

21 So a comment letter comes, or the deficiency comes.
22 "No, you must respond in writing." Ultimately, I understand that
23 in writing, you know, responses are necessary, but I do feel that
24 engaging in a healthy discussion only can serve to again make
25 sure that people understand business models and realities, but
26 also will help in the process.

27 And just the last thing I also want to echo on: What a
28 great job the Compliance and Registrant Regulation Branch does on

1 their annual report. In fact, I do a lot of speaking and
2 oftentimes, the last thing I say to registrants is, "If you do
3 one thing to make me happy, my clients, is it reads that report."
4 It's very well done.

5 MR. MOSELEY: Appreciate the comments. That's great to
6 hear. Deb is smiling. Okay. We are a bit over time. So I'm
7 just going to ask the last few people if you would, again my
8 apologies, to try and keep it brief. Blair, Rob, Alan, then
9 Michelle, and then we'll take the break. Blair.

10 MR. WILEY: Thanks, Tim. I think the points of contact
11 of the OSC have been very helpful for Wealthsimple. The outreach
12 is also extremely useful. I think the OSC does a great job
13 getting out to the industry.

14 When it comes to standards and process, picking up on
15 Prema's point, I really think we need to seriously apply more to
16 a no-action relief approach to routine relief that the entire
17 industry benefits from. The number of duplicative applications
18 that come through where there's just -- everyone's getting the
19 exact same relief. We either need the no-action relief model or
20 impose standards to say, "This is now the standard the entire
21 industry wants. Let's roll this into regulatory change within a
22 6- to 12-month process." The number of duplicative routine
23 relief applications that go through seems way too high.

24 On the novel, I also think that we should try to
25 embrace some of the themes of innovation in the Ontario and
26 broader Canadian economy. We need to kind of move away from this
27 concept of, "Oh, this is novel relief." Like it has this
28 connotation of a fearful and risky dangerous thing. Proceed

1 extremely carefully, to the point that I think a lot of
2 innovators, and maybe Alan will pick up on this theme, almost to
3 the point of saying, "I'm not going to even bother." Like going
4 the route of novel relief is almost destined to take forever or
5 fail.

6 And I think we need to flip it on its head and find
7 ways to actually embrace novelty, find ways to be more
8 experimental, maybe imposing fewer terms and conditions on these
9 few novel relief applications that get through, and frankly, no
10 criticism of LaunchPad, but I think there's only been -- you
11 know, I can count on one hand the truly novel exemptions that
12 have been granted by LaunchPad since its foundation and I think
13 that's way too low. So I think we need to really reorient
14 ourselves towards embracing novelty, and not be afraid of it.

15 MR. MOSELEY: Thanks, Blair. 60 second limits, if I
16 can, please, Rob.

17 MR. SKLAR: So I echo what both Prema and Blair said
18 about the exemption process. I think that whole process can be
19 revamped entirely to make it much more efficient for both you and
20 industry participants, certainly the level of the -- like the
21 number of conditions and make the conditions apply equally to
22 everybody as opposed to perhaps, you know, granting the same
23 relief, but different conditions to different companies and
24 things like that.

25 But we're always very appreciative of certainly the
26 level of service that we receive from you. We always find you
27 very responsive and things like that. Service level standards
28 can obviously be looked at and reviewed to make sure that they're

1 up-to-date and reflect where things stand today.

2 In this area, there's a number of things here that you
3 can consider, like publishing an OSC phone list. You
4 know, I saw a number of comment letters that talked about
5 assigning a relationship manager, having that kind of structure
6 in place, similar to British Columbia, what happens in British
7 Columbia and what happens in the TSX. There's certain things I
8 think that, absolutely, you can take advantage of in this area.
9 There's a bunch of other things you can do.

10 I forgot to mention publishing consolidated legislation
11 in that that makes it much more easier. I mean, actually, I find
12 when I want to pull an instrument, I have to go to the British
13 Columbia Securities Commission Web site to get it because I'm not
14 so interested in all the history. I just want to see the
15 consolidated rule.

16 In terms of exemptive relief applications and we're
17 being asked to be referencing, you know, the most recent relief
18 that has been granted in applications, so having an up-to-date
19 index that you guys could publish, put on your Web site, make the
20 search part, because that's always my starting point. So when
21 I'm looking at drafting an application for relief, my starting
22 point is always the OSC Web site, except that I find the OSC Web
23 site extremely difficult to navigate when looking for an
24 exemptive relief application.

25 MR. MOSELEY: It will be cold comfort to you, but so do
26 I. Thanks. Let's find a way collectively, I think to continue
27 the conversation on many of these things, including on exemptive
28 relief applications, particularly since that is something that is

1 a theme and that chews up a lot of time for people. If there are
2 ways to fix that, we really need to continue to focus on that for sure. I
3 think you have a lot of sympathy internally at the OSC for that
4 as well.

5 Okay. Please, quickly, Alan.

6 MR. WUNSCHE: Thank you very much. Yes, Blair and I
7 did not coordinate on this. So I won't repeat a lot of what
8 Blair said because I absolutely agree, but -- so I would have
9 loved through the process to have had a peer to speak to that
10 actually understood the technology, deep understanding of the
11 technology. To have someone -- as I understand, there's an FAC [Fintech
12 Advisory Committee], I
13 understand that there's consultations, and somebody who actually
14 understands it, so the time we spent educating, the time we spent
15 sharing the kind of technology that we're working on was
16 extensive. So, you know, I always felt like it was the right
17 thing to do; however, it took a lot of time.

18 And in terms of time, the FCA sandbox has something
19 like a cohort policy where they bring a group of companies in and
20 they say, "We're going to take you through X number of weeks.
21 Let's say we target eight weeks, and you're going to come through
22 and you're going to proceed and you're going to get a yes or no
23 answer in a certain amount or period of time," and you know, to
24 just start that way, I think would also be helpful.

25 So, you know, put a performance standard in place that
26 says, "You, as a company, we're going to give you some kind of
27 answer. Let's -- we'll tell you what kind of answer it is, but
28 you'll get it in four weeks, eight weeks, whatever it is." Then
29 there's greater certainty.

1 And also, on milestones, so we're always trying to get
2 our own milestones internally. There's not a sense that, you
3 know, there's a clear kind of sense of hitting milestones in
4 terms of servicing, if you will, registrants. And thank you very
5 much, Brian, because I think that comment is perfect, bang on,
6 someone that understands us, somebody that understands the
7 technology we're working with and speaks to the KYR thing.

8 CHAIR: Great, thanks. Alan. Last word, Michelle.

9 MS. ALEXANDER: Thanks, Tim. One quick suggestion is,
10 back in 2014, the OSC produced a service commitment document
11 which has service standards and timelines in it. I didn't even
12 know about it before someone mentioned it to me, so I think a lot
13 of people are unaware of it, and while I think it's good as it
14 does talk about certain departments, you know, reviews,
15 timelines, I think it would be the time to re-look at that
16 document, expand its scope to all relevant branches and review
17 processes, and put it out so that everyone can see it.

18 MR. MOSELEY: Great. Thanks, Michelle. Thanks very
19 much, everyone. And again, apologies for having to cut off the
20 discussion. We could spend hours on all of this stuff, but we
21 will continue to do that.

22 So it's almost 2:25 now. We'll take a break. We'd
23 like to resume sharply at 2:35 p.m., please, okay. So going --
24 2:22 by my watch. 2:35, please.

25 --- Recess at 2:23 p.m.

26 --- Upon resuming at 2:35 p.m.

27 MR. MOSELEY: Thanks, everyone. If you would take your
28 seat, please, we'll get started in about 60 seconds.

1 All right. Thank you, everyone, for being so helpful
2 with the discussion so far. We'll carry on.

3 And I have been asked again to ask everyone around the
4 table: Please make sure you speak directly into the microphone
5 and try and keep speaking into it, even if you're turning your
6 head, so that the people on the phone and our court reporter who
7 is transcribing this can get it all down. Thank you.

8 TOPIC 4:

9 MR. MOSELEY: So we'll continue now with our fourth
10 topic which is data collection for regulatory oversight,
11 including the RAQ, the Risk Assessment Questionnaire process and
12 the collection of investment fund data.

13 I'll ask Felicia Tedesco, our Deputy Director,
14 Operations in the Compliance and Registrant Regulation Branch to
15 introduce this topic. Felicia, please.

16 MS. TEDESCO: Thank you. First off, I guess on the
17 Risk Assessment Questionnaire, we'd like to start off by thanking
18 you for completing it. We do appreciate the time and resources
19 involved in that exercise. It is an important tool that supports
20 our principle-based approach to compliance review and oversight
21 of registrants, and it is how we know our registrants. That's
22 how we develop the depth of knowledge about different registrants
23 that we oversee.

24 With regards to the themes, there were a number of
25 themes. We'll focus on two. One of the main themes related to
26 an increased use of technology. We should consider more software
27 solutions on how to streamline the process, consider providing
28 registrants with an electronically-accessible version of what

1 they had submitted to us in the prior year, and for us to
2 consider pre-populating the RAQ with the firm's prior answers.

3 Another theme related to the frequency we heard from a
4 number of commenters: The RAQ should be -- we should request the
5 RAQ every three years instead of every two years.

6 So those were the two main themes for the RAQ, and now
7 I'm going to just turn at a high level to some of the investment data
8 themes. As you know, there's an increasing need for us to
9 collect data in order for us to be able to carry out our risk
10 monitoring. The investment funds industry is an important part
11 of our economy. Collection of data is necessary for us to be
12 able to monitor risk and developing trends as
13 well to inform our regulatory approach.

14 Industry data is available and us gaining access to it
15 can maybe eliminate some of the need for filings. And with that
16 in mind, we'd like to turn it over to hear some suggestions on
17 how we can do things better.

18 MR. MOSELEY: Great. Thanks, Felicia. We know this is
19 a hot topic. I don't see any name cards up. So I don't believe
20 for a moment that that means -- oh, there. Denys. Thank you,
21 Denys. Denys Calvin, the Chief Operating Officer of Nexus
22 Investment Management. Denys, please.

23 MR. CALVIN: I'll use this topic as an opportunity to
24 riff on to one that applies generally because it's been picked
25 up. It is about predictability and reliability.

26 Canada Post gave us all a great lesson 20 years ago
27 when they said we're going to get a letter within Toronto between
28 two addresses in two days, and between major centres, we're going

1 to do it in four days. May not have been as fast as everyone
2 liked, but absent a strike, you can build yourself around that.

3 So the same principle, whether it's responses to --
4 whether it's exemption applications or the submission of data,
5 the more predictable what you folks need and the more reliable it
6 is for us, we can build tools to get you what you need in a way
7 that is way less burdensome for us and probably get you your data
8 at the frequency that you need, but the more often the goal posts
9 move, the more often there's tweaks to the request, the less
10 aware we are that the RAQ isn't actually going to change, like
11 that in itself is a source of uncertainty, lack of
12 predictability, lack of reliability.

13 So if I can make a pitch to you, where it's something
14 we can build a house on, tell us that, and we'll automate the
15 dickens out of it and get you what you need.

16 MR. MOSELEY: Great. Thank you. We certainly had
17 some, and Felicia referred to some of them, some of the practical
18 suggestions about improving the RAQ process.

19 One thing that strikes me, having in a previous life
20 been on the receiving end of things like this, is if there are
21 aspects of the process, if there are components of the form, so
22 to speak, that cause you to roll your eyes when you're having to
23 spend the time and the money to have the thing completed, then it
24 may well mean that we, now, this be the source of the RAQ, could
25 do something differently in terms of either communicating the
26 need for that information or the need for the frequency and so
27 on, or giving serious consideration to making changes, so that to
28 avoid the eye rolling at your end.

1 Maybe it's a communication challenge for us. Maybe it
2 is revamping the process in some way, but either way, it's
3 important to us to know what is causing that reaction so that we
4 can take a hard look at it.

5 So as we go through this discussion, you know, and I
6 agree, it's not -- while predictability and certainty is an
7 essential component for sure, I say this not instead of, but in
8 addition to that, ensuring that it is a sensible -- we're doing
9 it smart is critical.

10 So any, as we go through this discussion, any ideas
11 that you have would be most welcome. Julie.

12 MS. CORDEIRO: Totally agree with my friend Denys on
13 that, and just to expand a little bit, I want to share a phrase
14 that I use with my teams in my day-to-day. They're probably sick
15 of hearing it, but I think it's relevant to this topic, and the
16 phrase is "Better, faster and safer." So very simple, three
17 words. Better, faster, safer.

18 So if we think about "better", the way I think about
19 this from a Burgundy context is how can we have a better
20 relationship with our clients? So in this conversation, how can
21 the data collection process by the OSC be better facilitated with
22 registrants?

23 One of the ways I think that can happen, and somebody
24 mentioned KYR, Know Your Registrant. So assigning a relationship
25 manager to each registrant such that that relationship manager
26 can provide maybe on an annual basis, just like you would have
27 your annual health assessment, a quick phone call to say, you
28 know, "This is how things are going." Based on your RAQ, provide

1 some transparency, even on the risk ranking that's been assigned
2 to that registrant.

3 I would love to personally be able to speak to my board
4 on an annual basis and provide transparency on why Burgundy, for
5 example, has been selected three times for a compliance review,
6 various compliance reviews in 18 months, and I think that's going
7 to our RAQ, but I don't know for sure. So I'd love to have that
8 transparency, so that's one way we can be better.

9 Faster: You know, one of the things that I always ask
10 myself when we go through this exercise is why do we need 12
11 people over the course of eight weeks working on this thing? And
12 if you think about the size of the task, how much information is
13 required to be collected, and how many people are working on
14 that, we would love to know what happens on your end when you
15 receive them? How many people review the data? How much time
16 does it take you to go through your process and assign the risk
17 rankings? So more transparency around the sort of faster part,
18 and I think the outcome would eventually lead to faster
19 information gathering and faster data analysis.

20 And then finally, on the safer aspect, and this is
21 huge, I don't think any one person in this room doesn't think
22 about this on a daily basis, we have to do everything today with
23 a security mindset. How can this be completed from a privacy and
24 cyber risk standpoint?

25 So when we're engaging with clients, we have to make
26 sure that everything we do in that correspondence and
27 communication is secure, and similarly, when we are corresponding
28 and communicating with the regulator, that should just be part of

1 the process. There needs to be security in the portals that you
2 create for registrants to give you this data. There needs to be
3 optional methods for additional encryption for higher sensitive
4 data. So it's just something that I would encouraged the OSC to
5 really think about as you look for ways of enhancing the RAQ
6 filing process. Thank you.

7 MR. MOSELEY: Thanks, Julie. Minal.

8 MS. UPADHYAYA: Thanks very much. I would echo --

9 MR. MOSELEY: Really pull that very close.

10 MS. UPADHYAYA: Oh, sorry.

11 MR. MOSELEY: Thank you.

12 MS. UPADHYAYA: I echo what Julie said, and also note
13 that, you know, many firms have different technology systems,
14 some of which are legacy systems, and so every time you change
15 the format of the questions that you ask, it takes longer to
16 provide the information that you're seeking.

17 And in the context of the collection of investment fund
18 data, to the extent that the OSC is considering obtaining this
19 information, we understand the AMF is also looking at that, and
20 would encourage that there be a harmonized approach nationally to
21 the extent that that is going to be something that's requested.

22 And I would echo again the need for a portal that is
23 secure, not only in the context of the RAQ, but also in the
24 context of compliance reviews, and in my experience, the AMF has
25 a portal that they use in the context of compliance reviews where
26 both the registrant and the AMF is able to lodge documentation
27 that can then be accessed by both parties, which seems to work
28 quite well. Thank you.

1 MR. MOSELEY: Thank you. Prema, and then Blair and
2 Michelle.

3 MS. THIELE: Thank you. Just two things. Just
4 commenting and just echoing that I think increasing the cycle for
5 the RAQ is a good idea. I think three years sounds right.

6 Also, is it possible, I think, Julie, you touched on
7 sort of transparency issues, but the transparency to me goes
8 further than just that. It's also the, well, what do they do
9 with all of this, as you said, but would it be possible to
10 publish aggregated anonymous results of that, of those RAQs, so
11 that we could see how people are also responding, because as
12 someone who assists registrants in completing those, I often -- I
13 mean, I don't want to make too huge a point of there being all
14 sorts of misinterpretations, but there are some questions that
15 could be answered a particular way that to me would connote one
16 risk rating versus another. So I think it would be helpful, if
17 feasible, to publish in an anonymous way the aggregate data of
18 those RAQs.

19 MR. MOSELEY: Touch on that just one second. Do you
20 think, from your perspective, it would be more useful to engage
21 in dialogue about the methodology behind the RAQ and the creation
22 of the questions? I'm wondering whether the aggregate data would
23 serve the purpose. I understand the objective and it makes a lot
24 of sense.

25 MS. THIELE: Well, I do agree, Tim, in terms of, you
26 know, understanding. I'm just concerned that, and not to
27 disparage clients in the room, but that it's still just that
28 discussion doesn't speak volumes enough for them to understand

1 still, and perhaps myself as well, but I think seeing the answers
2 sometimes is very helpful to clients. So I just think
3 methodology is one thing, Tim, but I think data would be helpful
4 I think.

5 And I was also going to indicate, I know we're talking
6 a little bit about cyber security, things like that, but
7 something not my forte, but from a substance perspective of the
8 data that's being collected now, I've noticed most recently, but
9 also just again in recent years, there seems, and I know it's a
10 delicate subject, delicate line and where is that line, but I
11 feel that there is a creep toward commercial realities that the
12 Commission is stepping on and over, I should say, a boundary, and
13 I see that most recently with the desk review that's being
14 engaged on in terms of internal compensation.

15 Conflict of interest aside, I do understand why you're
16 looking at compensation from an internal perspective, but I would
17 encourage Staff to review the reach that is being asked for,
18 particularly in that desk review, but overall in terms of what is
19 a commercial prerogative, in my view, of business and not really
20 of securities regulation.

21 MR. MOSELEY: Always a healthy debate on that topic.
22 Thanks, Prema. Okay. Blair.

23 MR. WILEY: Thanks. I think that the RAQ process
24 speaks to a bigger issue, which is the lack of a modern
25 data-centric approach to -- the OSC actually uses to continually
26 collect information about registered firms. The fact that we're
27 still filing our F6s on paper is a huge, huge, huge problem.

28 It's almost impossible for registrants that have been

1 around for the last decade to even know what the OSC sees as
2 their, I don't know, amended and restated F6, the cumulative
3 effect of all those F5s we've been filing for a decade. It's a
4 big problem. So we have this paper-based F6. We have separately
5 13-502F4 filings on our fees. There's other filings throughout
6 the year, and none of those are picked up in the RAQ.

7 I actually think that as a regulator, the objective
8 should be getting more frequent, not less frequent. To me, the
9 three-year switch would actually be detrimental to the Ontario
10 capital markets. I'd rather see a really rich and simple way for
11 registered firms in real time, in a reasonable amount of time,
12 update, you know, in one consolidated place their annual
13 financial filings, their ongoing F6 information. All of that
14 information, which is again asked for in the RAQ, could be pulled
15 out. All of a sudden, you have a lot fewer questions to even
16 ask.

17 And with the remaining questions which are more about
18 transaction-specific and product-specific details, taking a
19 really hard look, I think as others have suggested, at what's
20 really critical as a regulatory body in assessing risk to be
21 asking, and really trying to winnow down those questions.

22 I think fewer questions that are truly meaningful and
23 can elicit great data for the OSC should be the objective because
24 I actually think it's also a problem if we just statically say,
25 well, we can't ever change our questions because that just throws
26 industry for a loop.

27 And if you ask 100 questions, you're changing 100
28 questions, that is a huge problem, but if you're asking 20

1 because everything else has been consolidated in a much more
2 up-to-date manner through an online F6, I actually think that
3 you'll have greater latitude to evolve questions over time to
4 reflect what actually is happening in the market. Thanks.

5 MR. MOSELEY: Thank you, Blair. Michelle, please.

6 MS. ALEXANDER: We are one of the organizations who
7 suggested a three-year time frame for the RAQ, partially given
8 the significant time and resource commitment by firms to complete
9 it, based on the volume and type of information being requested.

10 So, and not only a three-year time frame, but I think a
11 bit of streamlining of the questions and providing some
12 additional guidance or explanation for each question, just
13 because firms find it very challenging to complete, so I think
14 that will definitely help.

15 Just touching briefly on the compliance and desk
16 reviews, echoing Minal's point, firms find it very challenging to
17 send and receive the encrypted information, and while some
18 information can be sent via e-mail, there's often difficulties
19 encountered based on the set for the OSC accepting file sizes, so
20 they end up sending piecemeal, which is, obviously, quite
21 cumbersome.

22 So similar to the other suggestion would be creating
23 some kind of portal for those. I do know it's not part of the
24 renewed system that's being proposed for various reasons, I'm
25 sure, but a separate system for compliance and desk reviews would
26 be extremely helpful.

27 MR. MOSELEY: Thanks, Michelle. Last word on this
28 subject, Neil, please.

1 MR. GROSS: Tim, I think Blair has really hit the nail
2 on the head talking about real time in terms of data collection,
3 and I would urge you to take a look at, as a model, at open
4 banking initiative of -- allowing institutions access into
5 people's proprietary data on a secure basis and limited basis.
6 That would be a model that you could adopt in terms of designing
7 a system that would allow you to go in and take the data that you
8 need, so that it alleviates the burden for the purpose of having
9 to compile it.

10 MR. MOSELEY: Smarter use of data, not necessarily less
11 frequent and so on. Great. Okay. Thanks, everyone.

12 TOPIC 5:

13 MR. MOSELEY: We'll move now to our fifth topic which I
14 think we can probably deal with fairly briefly because there's
15 some good news there. Right, Deb? The fifth topic deals with
16 some -- don't give it away; too late -- specific requirements
17 raised in the comment letters. We'll deal with a couple of
18 specifics ones. One, the use of fund facts, and secondly,
19 outside business activity, OBAs, reports. So I'll ask Raymond to
20 introduce this topic on fund facts, please.

21 MR. CHAN: Tim, just gave it away already. Anyway, we
22 know the investment fund business is quite different than
23 traditional public issuers. Many fund managers are around the
24 table and some of you are responsible for hundreds of issuers.

25 And based on the comments that we received, there are a
26 lot of opportunities, and we know that, to streamline our
27 prospectus disclosure requirement and our continued disclosure
28 requirements and including fund facts. So I think -- and yes,

1 that's my remarks.

2 MR. MOSELEY: Rob.

3 MR. SKLAR: So I think here there is a -- we have a
4 meaningful idea that would actually make a huge difference.

5 MR. MOSELEY: Sorry, Rob. Pull the mic up.

6 MR. SKLAR: A huge difference to both industry
7 participants as well as investors. I think the fund facts, now
8 that we're almost ten years out, should be permitted to be
9 consolidated. I think all the series that have grown since 2011,
10 there's a lot of them, I mean, we -- potentially over 30 series,
11 filings there. The only difference between the series are fees.

12 And so we were at a point where we used to file
13 thousands of fund facts documents in both English and French. I
14 think, you know, one of the big things is for us there doesn't
15 seem to be a lot of consistency in nomenclature or naming among
16 series, and I actually think because of the mass proliferation of
17 just the sheer number of series of fund facts that are out there,
18 it's actually making it very difficult for investors to be able
19 to compare the fund facts of one fund company or a series to that
20 of another.

21 So I think, you know, a really, really good idea is to
22 have one fund facts per fund because most of the information in
23 the fund facts are either boilerplate or they apply to the fund,
24 so if all series are referable to the same portfolio of assets,
25 then they really shouldn't be in a separate fund facts document.

26 You know, with respect to Fidelity, we received
27 exemptive relief for our Fidelity Preferred Pricing Program. So
28 we can see that there already is an appetite at the OSC to grant

1 relief where the series relate to a pricing program that can all
2 fit into one fund facts and just, you know, disclose the various
3 fees of the different series in that document. I certainly
4 believe that that will make it way more easier for investors to
5 compare fund facts across companies.

6 MR. MOSELEY: Thanks, Rob. Peter, Belle and Ken.
7 Peter.

8 MR. MOULSON: I was excited when you were about to
9 spill the beans. I thought you were going to talk about OBAs,
10 but I guess it's probably a better, greater benefit to the
11 industry that there could be some simplification on the fund
12 facts side, but if I can make a comment about OBAs specifically,
13 I'd like to, and this comment --

14 MR. MOSELEY: Sorry, we're going to wait because I'm
15 going to let Deb -- I've already semi-spoiled it, so hold the OBA
16 thought, if you don't mind. We're going to come back to OBAs.

17 MR. MOULSON: All right. Fine.

18 MR. MOSELEY: Belle, did you want to talk about fund
19 facts?

20 MS. KAURA: Okay. I'll briefly mention the fund facts.
21 I also wanted to talk about OBAs, but essentially, we think that
22 we can eliminate the SP annual renewal because it is a timely and
23 cost-intensive experience and process, and in lieu of annual SP
24 renewal, the fund facts should be renewed annually.

25 Since the fund facts has been adopted, there's been
26 less reliance on the SP by investors and the bulk of the
27 information in the SP doesn't require annual updating, and any
28 significant changes to the investment fund does trigger an

1 amendment to the SP under the material change report. So we
2 would advocate the lapse date of an SP changing from 12 months to 25
3 months from the issuance of the receipt, consistent with a base
4 shelf prospectus.

5 MR. MOSELEY: Thank you. Ken.

6 MR. KIVENKO: I think fund facts was a great
7 invention and it, you know, was much better than the prospectus.
8 I think it's probably time to look at how effective it has been.
9 We get mixed results from investors. I know there's a lot of
10 questions about volatility being the measure of risk. A lot of
11 advisors are taking that as a risk when, you know, when really
12 there's a lot of other risk besides volatility.

13 So your questioning I see in -- when we handle
14 complaints, that the investigators are literally using that
15 rating, even though there was a lot of other things in the
16 prospectus that were really important risks that were not
17 knowingly disclosed or understood by the investor.

18 So I think, as far as the different series, it's
19 complicated. So many series. I think one company had 16 series.
20 Very hard for the investors to figure it out. Now, one thing
21 that can be done is some Web sites are very good. You want to
22 find the fund fact for an investor, you can get to the right
23 place on the Web site and you can find it. I think, again, human
24 factors. Some of the companies should look at how easy it is to
25 access the fund facts so they can get the information they want.

26 So I think we're really saying effectiveness. Take a
27 look at the effectiveness of fund facts itself as how it is --
28 its use and accessibility. I believe it's a basically good idea,

1 but it's been a while. Probably time to tune it and see how it
2 can, you know, move to the next step of effectiveness.

3 MR. MOSELEY: Thank you. Prema. Can you just turn off
4 your microphone, please. Thanks.

5 MS. THIELE: Just one quick point in the category of I
6 have a dream that this question will be answered:

7 Could we get clarification, again asking this, that
8 portfolio managers are not required to provide fund facts to
9 their clients that they advise as portfolio manager to their
10 clients to invest in investment funds and discretionary managed
11 accounts.

12 MR. MOSELEY: Anyone want to -- I'm kidding. All
13 right. Great. Appreciate the comments. With that, I think
14 we'll move on to the next topic, which I've already semi-spoiled,
15 but Deb, anything you want to tell us?

16 MS. FOUBERT: No, not really. Thank you.

17 Okay. So, obviously, we know that the outside business
18 activities reporting is a pain point for a lot of people. So,
19 and we know that some of the disclosures can be overly broad and,
20 you know, some people say that the information is not material to
21 assessing conflict of interest, and that also Ontario's charging
22 of late fees discourages reporting to make sure that there is
23 valid and up-to-date information. So in the comment letters, we
24 received a wide-ranging spectrum of what we can do to address the
25 OBA activity.

26 As everyone knows, OBA is a requirement in a national
27 instrument, which means that there has to be a CSA project to
28 work on that to change what is actually required to be reported.

1 So, you know, we've been doing a lot of thinking of what we can
2 do to ease the burden, ease the regulatory burden during the
3 interim time of when we would be able to get to a project with
4 the CSA to be able to update and review OBA activities.

5 So we received permission from our Commission and we
6 have support from our government to put in an OBA fee moratorium,
7 a late fee moratorium. So that means that...

8 --- Applause.

9 MS. FOUBERT: So it's not final yet, so don't start
10 ripping up your cheques yet, but what it means is people still
11 have to, in the interim, you still have to submit the OBA
12 activity. We've done a lot of guidance on what information we
13 want. There's a lot of information in the annual report to
14 clarify all of the questions that people have.

15 So we're working to get that information to our
16 government. It will be an expedited rule. We're requesting an
17 expedited rule. So we don't have the time period yet for which
18 it will be implemented, but we are working to get that done as
19 soon as possible. There will be announcements when the fee
20 moratorium will go into effect, but I just want to stress that
21 people still need to file during this time, and then we will work
22 together with the CSA and industry to develop the right model for
23 reporting outside business activities.

24 MR. MOSELEY: Good development. Anyone want to argue
25 against that? Daryl.

26 MR. BARTLETT: Deb, you took my points away. No, I've been
27 dealing with OBAs for a long time and I happen to be with a firm
28 now that has over 1,500 representatives in Canada, plus a couple

1 of hundred in the international, so lots of opportunity to have a
2 look at this.

3 I think, and I don't know if I'm going to be on my own
4 on this one, but I think how OBAs are viewed by all of the CSA
5 has gotten to be really large and really unwieldy to the point of
6 not as -- yes, for us as registrants in the business, but I even
7 challenge for you as regulators to really know kind of what the
8 core objectives are that we're trying to achieve through this,
9 because it just seems like it's been one more opportunity, one
10 more different type of thing, everything from business activity
11 to a volunteer position to, you know, anything that touches upon
12 anything that's, you know, not part of the registrant's activity.

13 So I think the project that you're talking about
14 hopefully will have a fresh look at what is really sort of
15 important in terms of OBAs, and I think that for me, that comes
16 down to the really tough legal question about conflicts of
17 interest, and it's a jello-on-the-tree kind of question. It's
18 really, really tough to nail down, but I think all anybody can do
19 is not only try to pick some areas that are really important from
20 a regulatory perspective, and I would suggest one would be in the
21 areas of where there really is somebody who's in a position of
22 influence or really it could change the outcome of an investor's
23 decision by their involvement in that activity.

24 I think the way the business world has evolved is
25 having another business or being involved in something else isn't
26 necessarily at the same level as that of somebody who's involved
27 in an activity that has an influence, so we happen to be, in my
28 little industry, we actually go the step to the point of actually

1 saying in those situations, you just can't deal with those
2 customers, there's a restriction on them, and that was net new
3 when I got into this industry, but it makes a lot of sense in
4 terms of the kind of customers we deal with.

5 So, but really having a look at conflicts and trying to
6 give, through your reports and through your guidance for the
7 registered firms I think is really good, but really right down to
8 the sale front, like in as plain language as we can where we can
9 try to help what are -- what is the conflict? What are the ones
10 we, as regulators, think are really problematic, and to Ken's
11 point, it's about making a decision, you know. There's -- you
12 can pick and choose between a ton of them. Making a decision on
13 a few of them and really focusing on those. That's one area.

14 Although this is an OSC dialogue, you can't go without
15 talking about CSA coordination because in some jurisdictions, my
16 home world in the particular, an application, they said, "We're
17 not going to register this individual because we don't agree with
18 their outside business," right, and that's different and needs to
19 be coordinated because then if they want to come to this
20 jurisdiction, they can't because that's not dealt with there,
21 right? It's a different standard on how those are assessed, so
22 that needs to be addressed, I think, and try to get some harmony
23 in that project.

24 And then depending on what happens with the fee
25 moratorium, the really tough part that I got was, when our firm
26 hit the fee cap which, you know, fees are passed out at the firm,
27 then I had to answer to a, you know, fairly difficult letter as
28 to why that happened, and you know, it's as I think many --

1 my compliance colleagues will say it's all kind of efforts to try
2 to get out to our individual applicants and our registrants to
3 tell us and keep us informed and all the steps we do. So whether
4 it's -- whatever happens with the fees and who pays them, I think
5 just more, you know, more of an approach to benefit. It's as
6 much accountability on the individual to report as it is for the
7 firm to try to manage that. If firms aren't doing anything, then
8 there is something to be said that for sure, but in that
9 particular case, that wasn't the case. It's more like, "How can
10 you let his happen," and so explain, you know, why this was the
11 case. So that was a tough one.

12 So some good, some hopeful experience for you guys to
13 contemplate and I know it's an area that we all spend a lot of
14 time on, so I think any help would be really appreciated.

15 MR. MOSELEY: Thanks, Darrell. Peter, I cut you off
16 earlier on OBAs.

17 MR. MOULSON: Yes, thanks. I'd like to kind of propose
18 a new way of looking at it, picking up on Darrell's comment, but,
19 you know, firms have systems of controls that they operate under
20 and I'd like to suggest that maybe the CSA look at, as part of a
21 bigger project, allowing the firms to implement their policies
22 and the effectiveness of those policies with respect to OBAs be
23 assessed as part of the compliance examination process.

24 Part of the burden is the fees I appreciate for some
25 firms. We have over 11,000 registrants under various securities
26 regulatory regimes, and we might not find out in time and we do
27 hit the ceiling quite early in the year, sadly, but that's a
28 fact.

1 I guess the burden around the administration of the
2 process and filing updates on forms is a specific part of the
3 burden that I'd love to see alleviated. So I'd like to suggest
4 either relying on firms to assess conflicts appropriately and
5 assessing the effectiveness of that process, or alternatively,
6 making the requirement an annual one in terms of updating the
7 employee, the registrant's records. I just think that that's
8 something that I'd like to see discussed as part of the broader
9 look at the instrument. Thanks.

10 MR. MOSELEY: Thanks, Peter. Last word on this topic,
11 Blair.

12 MR. WILEY: You know, Peter, I was -- I agree with what
13 Peter said. I think there's some things where the firms can
14 really take responsibility for assessing conflicts of interest.
15 I think it's clear that the firms should be the best position to
16 actually know the registered individual and whether there is a
17 conflict, and if so, it, of course, needs to be reported.

18 MR. MOSELEY: Great. Thanks, everyone.

19 TOPIC 6:

20 MR. MOSELEY: With that, we'll move to topic number 6,
21 which is about implementation of the alternative mutual fund
22 regime, and I'll ask Raymond Chan to introduce this topic.
23 Raymond, please.

24 MR. CHAN: The launch of the alternative fund regime is
25 to allow retail customers to take advantage of some of the
26 benefits that investment strategies that high net worth and
27 institutional investors are using. We, as regulators, know that
28 we just opened the rule book on this. We're on Chapter 1.

1 Based on the comments that we received, we already
2 received some good suggestions on how we can streamline the rule
3 book to update the regime in a smarter way to allow alt funds to
4 run more efficiently.

5 So some of the comments and suggestions that we
6 received include -- deal with efficiency, maybe some technical
7 wording here, collateral rehypothecation, and maybe a more
8 flexible way of looking into custodial arrangements within alt
9 funds.

10 MR. MOSELEY: Robert Lemon, the Executive Director from
11 CIBC who's been nervous to speak because his compliance guy is
12 sitting right next to him. Away you go.

13 MR. LEMON: Yes, thank you. I thought a good way
14 to position --

15 MR. MOSELEY: Sorry, Rob.

16 MR. LEMON: Better?

17 MR. MOSELEY: Thanks.

18 MR. LEMON: A good way to position this in terms of
19 what we do, so I work within the prime brokerage, CIBC Capital
20 Markets, and our clients are asset managers, IMs, that handle
21 both private and public funds, so that's sort of with the lens we
22 see, and as a prime broker, we hold the assets, we provide trade
23 execution and some financing. So we see hundreds of different
24 funds and different structures, and with this change as of
25 January 3rd, we think it's a fantastic change, allowing retail
26 investors access to product.

27 With that, there are some common themes that we've had
28 through conversation with clients about this change. They say

1 this is a great first step, but there are some things that we'd
2 like to improve.

3 So I've touched on, I'm going to touch on three sort of
4 themes that Raymond mentioned already that we think are easy wins
5 to make things more efficient and I benchmark it against private
6 funds that have -- going to call it alternative mutual fund light
7 product today. So taking that model or invest in that model,
8 applying it to this regime would be beneficial to the overall
9 industry. It's really going to benefit the end client.

10 Some of the rules that are in place right now, I
11 realize that they were put together from older rules that adds
12 complexity and a lot more cost to the structures which is just
13 passed on to the investor.

14 So there's three that I want to talk about, and I guess
15 Raymond or Tim, cut me off if you want. I can talk about this
16 for hours.

17 Number one is restricting leveraged mixed flexibility,
18 and that's really looking at cash margin product which is what
19 fund brokers provide versus, say, derivatives, and right now,
20 they're treated differently within the rule.

21 Number two is a lack of clarity around rehypothecation.
22 I'm happy to talk about that in great detail.

23 And then lastly is limitation of fund custodian. So I
24 can arrange to set five answers or so on these topics.

25 With the first topic on limiting leveraged mixed
26 flexibility, I'm going to give it from a perspective of the fund
27 manager. They have a certain strategy and they can execute this
28 through either a cash market or derivative market, and they might

1 already do this today with their private funds. They're going to
2 take that same type of strategy and execute it with these public
3 funds, alternative mutual funds.

4 However, the way the rules are written right now is the
5 maximum leverage in the fund is three times. The most leverage
6 you can get via margin is 50 percent, and from our experience
7 with our current clients, they access the North American market
8 through a cash margin mechanism, and then they access outside of
9 North America through derivatives. So that's sort of typically
10 how it happens in the private side.

11 The way that the public rule is under the alternative mutual
12 funds is it's limiting how much these clients can access the
13 North American market through margins. So what clients are doing
14 we're seeing since January is they do so much with margins, let's
15 say 50 percent, and then they have to put up a different
16 operational structure and do the rest through derivatives, so you
17 have like -- which complicates things and adds costs. So it
18 falls outside of the existing realm of how they do business.

19 So our suggestion there would be to allow the manager
20 to decide -IFM as fiduciary -- pick which which is the best
21 product for them, margin or derivative, and move on from there,
22 and maintain this three times, so it's up to the management to
23 pick which is best for their investment strategy. I think that
24 is it for that one.

25 The key focus on that is you're relying on the
26 investment manager as fiduciary of the fund to determine the best
27 course of action and to achieve the leverage that they need, and
28 they would be leveraging their private fund infrastructures

1 today, so it would be easier which would reduce cost.

2 Number two on rehypothecation. This is a very topical
3 point. Private funds today operate in a world where there is
4 rehypothecation. Public funds do and do not, and there is I
5 won't say you told me this, but if you do a "search find" in 81-102,
6 rehypothecation is not mentioned anywhere. Guidance was from
7 April 2015 edition, talking about rehypothecation among specified
8 derivatives, and what's happened in the industry is where we're
9 in the middle of all this, is different interpretations of what
10 that means. Does that mean rehypothecation can be done, in what
11 circumstances? So depending on the clients and clients I have
12 found, clients' legal counsel, their view of what should be
13 rehypothecated, what shouldn't be rehypothecated has led to many
14 different structures that we service, different cost structures,
15 operational complexities. So really isn't -- it isn't a level
16 playing field across all managers.

17 We're saying that rehypothecation is a normal part of
18 doing business. Encourage conversations with IIROC. I know a
19 lot of fear is looking at -- my expertise is in Canada, but I'd
20 say it's North America. They're looking at 2008, even broader
21 issue, rehypothecation. That's a very different situation than
22 exists even today. Even back then, the Canadian regime is clear
23 separation of assets that are segregated and ones that are not.

24 So from an investment fund manager's perspective is
25 really know who your counterparty is, if you're going to permit
26 rehypothecation or not. A lot of that is going to go into the
27 grievance and negotiation between investment manager and the fund
28 broker or custodian, and I would suggest that counterparties of

1 this type of activity should follow the same metric that you look
2 at custodians today in terms of financial strength and controls
3 in place.

4 So that would be an easy win, and cost savings are --
5 would be immense if rehypothecation is allowed with the proper
6 counterparties. To give you an idea, if we're dealing with a
7 private fund versus a public fund, exactly the same strategy,
8 same manager, if they decide not to do rehypothecation under the
9 public fund, their cost is 30 to 50 basis points higher which is
10 huge, which makes some of their strategies not -- doesn't work in
11 this environment.

12 So I'm saying that relying upon the fiduciary duty to
13 set up a proper structure, maybe rehypothecation is something
14 they don't want to do, but make it their decision and maybe
15 putting some criteria around if they are going to do some, do
16 rehypothecation, these are the conditions on the counterparty.
17 So it's really counterparty risk you're talking about rather than
18 saying no rehypothecation without fully understanding what that
19 means.

20 It's led to -- I guess because rehypothecation isn't
21 stated directly in 81-102, there's been so -- the interpretations
22 have been so wide across cash margin products, specified
23 derivatives, OTCs, that it's really -- it's caused a lot of
24 confusion.

25 As a service provider, we're adopting accordingly and
26 it's really up to our clients to say, "This piece can be
27 rehypothecated, this cannot," but it's making it more complex for
28 the IFM, the fund and a higher cost for the end investor. So I think
29 that this

1 is a reasonable one to address. I'm happy to talk in more detail
2 in meetings.

3 The last point is, this is a common misunderstanding of
4 the industry of what is a custodian? What is a prime broker? We
5 deal with both, so we deal with both hedge funds and mutual
6 funds, so mutual funds historically have had a custodian that
7 holds their assets, uses -- it's a fund administrator, so strikes
8 their NAV, and third is a unit holder record-keeper. Those are
9 three different functions, but the mutual fund industry has used
10 them as one.

11 Hedge funds historically have had multiple prime
12 brokers, have assets at multiple prime broker service providers,
13 and I would call them -- they could be considered custodians.
14 Then they have third party fund administrators and unit holder
15 record-keepers.

16 So right now, 81-102 says only one custodian per fund.
17 So what's that leading to is potentially, again, it's up to the
18 investment manager, is leading to a more costly structure where
19 you're adding another layer in between, so you might have four
20 different prime brokers, but if you have only a custodian in
21 between, it adds another, potentially another layer of fees.

22 What I'm saying is that the custodial function is just
23 one component of all three, so it's holding assets, striking the
24 NAV, and unit holder record-keeper. Those are three different
25 business lines and companies operate independently of all three.
26 Thanks.

27 MR. MOSELEY: Okay. That's great. Thanks very much,
28 Robert. I've got my eye on the clock. I want to make sure we

1 leave time for audience questions. I have a few people who --
2 Margaret, quick comment, if you could, please.

3 MS. GUNAWAN: Yes. I think what Rob is talking about
4 is really I think more work needs to be done to strike a balance
5 between the fact that you've addressed some of the limitations in
6 order to take portfolio risk in an alts fund versus not taking
7 away sort of the operational limitations, so rehypothecation
8 increased costs. This issue with not being able to have one
9 custodian increased costs.

10 I think another area I would encourage you to look at
11 is just some of the subscription and redemption provisions in
12 81-102. They're very antiquated, very step-by-step prescribed.
13 They don't necessarily work well for all kinds of investment
14 funds.

15 As well, just looking at some of the definitions, I
16 know, Raymond, illiquid assets comes up a lot, but also in some
17 of the conditions for exemptive relief on things like crossing or
18 purchasing related parties, just requiring trading on the primary
19 exchange and the primary marketplace. Our equity environment is
20 very fragmented and it's sometimes really hard to fit into those
21 parameters of those exemptive relief conditions.

22 MR. MOSELEY: Thanks. With apologies for those that
23 I'm going to cut off, I'll give the last word to Belle, briefly,
24 please.

25 MS. KAURA: Thank you. So I think Rob and Margaret
26 have done a good job delving into the detail. I'd just like to
27 provide a little bit of a higher level perspective from AIMA.

28 First of all, we'd like to applaud the OSC for the

1 adoption of a new alternative mutual fund regime, and AIMA Canada
2 appreciates the OSC's consideration of the issues related to
3 implementation of the alternative mutual fund regime in its
4 consultation on reducing regulatory burden.

5 And while it's a time of unprecedented innovation and
6 opportunity for the industry, we believe there's still work to be
7 done and challenges that lie ahead. Not all the strategies are
8 permitted under the new rules. Restrictions in the rules
9 preclude certain types of alternative strategies being offered to
10 retail investors, in particular, a pure long-short mutual
11 strategy. The short seller limit of 50 percent of NAV doesn't
12 allow for a pure long-short mutual strategy. The total leveraged
13 limit of 300 percent of NAV restricts some managed future
14 strategies. So we would request that the OSC consider expanding
15 the rules to allow for pure long-short mutual strategies as a
16 priority.

17 Cost, time and resources to apply for exemptive relief
18 for these situations that don't fall neatly within the framework
19 creates an unnecessary burden on managers.

20 And on proficiency requirements, the vast majority of
21 MFDA dealers, as you had mentioned, cannot sell alternative
22 mutual funds because they don't meet the proficiency
23 requirements. We believe there's no clear rationale for a
24 different set of proficiency requirement standards for IIROC and
25 MFDA dealers for the distribution of alternative mutual funds or
26 for a distinct proficiency regime for distribution of
27 conventional mutual funds and alternative mutual funds.

28 So we are advocating imminent change to the proficiency

1 requirements to allow all MFDA dealers to distribute the mutual
2 funds and would encourage the OSC to work with the MFDA to align
3 these proficiency requirements by mandating a CSA alternate
4 investment course or adopting the same requirement as IIROC.

5 And if I may, I'd like to just give a high level
6 overview of some of the challenges that Canadians --

7 MR. MOSELEY: Can I -- I'm sorry to do this to you. I
8 want to make sure we get the investor perspective in here. We're
9 already sort of behind, so my apologies, Belle.

10 MS. KAURA: Thank you.

11 MR. MOSELEY: Thank you for those comments. Ken, do
12 you want to...

13 MR. KIVENKO: Yes.

14 MR. MOSELEY: Quick, please.

15 MR. KIVENKO: As you know from the comments from the
16 consumer groups, we were not very supportive of liquid alts. We
17 feel the complexity is already too much.

18 Before I -- I'm going to make it short. I want
19 everybody here -- I'd really appreciate it. I'm not pushing this
20 book, but it's excellent. "Stand Up to the Financial Services
21 Industry." It will give you a feeling of what the investors are
22 feeling. I encourage you to get it. It's by John De Goey, a
23 well-respected author and an advisor. I really would like you to
24 read it.

25 The other thing I'd like you to read is the Morningstar
26 Report on liquid alts versus a balanced portfolio and the fees.
27 It was done in the States, but they've been around for a long
28 time there, so they have good historical data. They found in

1 their research there was no advantage whatsoever to a liquid alt
2 versus a balanced portfolio.

3 Now, on the practical side of distribution, I have a
4 real concern about proficiency. This is a complicated product.
5 It's highly -- assuming the advisor understands it, and the way
6 we're talking, it will get more complicated and more variable.
7 It's hard for him to explain it, her, to apply it and the client
8 will definitely -- can barely understand mutual funds.

9 So there has to be a new standard. Not saying a
10 fiduciary standard. There's going to have to be. Now there's no
11 way they're going to understand what they're buying. It's not a
12 matter of financial literacy.

13 So there's going to have to be a new standard for
14 conduct, I believe, and proficiency, conduct and proficiency, for
15 those that want to sell complex products. They also have the
16 proficiency how to fit what I'll call a hedge fund into a normal
17 portfolio, but make sure they know how to calculate what is the
18 risk of this portfolio, not just the product, and my feeling is I
19 don't think there's enough people that are able to do that. So,
20 and the conduct standard we know is suitability. That's just not
21 adequate. If you want to start selling more complex products,
22 you're going to have to up the standard of conduct. That's our
23 view.

24 MR. MOSELEY: Understood. Thanks, Ken. Okay. So
25 again, apologies. We'll jump on to the next topic.

26 TOPIC 7:

27 MR. MOSELEY: We're going to do an abbreviated version
28 of this because I do want to preserve time for audience

1 questions.

2 So this has to do with understanding the costs of
3 compliance and the steps and processes involved in launching new
4 products. We've already heard a bit about that earlier today.
5 I'll ask Felicia Tedesco to introduce this topic.

6 Oh, turn off your mic, Ken, please. Thanks.

7 MS. TEDESCO: Thank you. We acknowledge the need to
8 better understand the ongoing cost of compliance as well as the
9 need to increase costs associated with any new rule proposal.
10 With that in mind, we have begun to work to develop a compliance
11 framework to better quantify compliance costs.

12 We're working with a subcommittee of our Registrant
13 Advisory Committee to develop a more detailed framework. Our
14 work is focused on compliance, costs related to being compliant
15 with securities law. The subcommittee does represent the
16 different categories of registration and the different business
17 models. The work is ongoing. We will require input from our
18 registrant population to get the best framework and to be able to
19 quantify costs going forward.

20 MR. MOSELEY: Thank you, Felicia. Anyone want to jump
21 in on that? Alan, please. Go ahead.

22 MR. WUNSCH: Thank you. So I certainly echo and
23 appreciate any effort that we can have as is -- what I might call
24 many of our start-up community that are looking to innovate. So
25 getting a certainty for the specific go-forward compliance and
26 regulatory burdens that we might need to know about is very
27 important.

28 Now, something I'll just put on the table very briefly

1 because I mentioned the FCA previously, and we can dive into this
2 subsequently, it's now a moment of kind of cultural shift, I
3 would think. I mean, we've got the -- we've got I think an
4 excellent point of perspective around LaunchPad. Now, the FCA
5 and the -- in the global financial innovation network, they've
6 just come out and annually, they report, "We've got 29 companies
7 in this cohort. We're looking to help them get into the market.
8 We've got these metrics."

9 So, you know, in terms of providing a kind of a
10 nurturing environment that says, "Okay. By the way, you need to
11 make sure that you're compliant," absolutely right, but that also
12 have targets for, as you're going through this process, "We're
13 taking an entire cohort and we'll clear about 1,600
14 applications." 700 firms have gone through this, and they just
15 unveiled 29 firms in the last week going through the process of
16 hot couple of innovation areas, digital identity, tokenization of
17 financial assets, financial inclusion.

18 So in order to get this done, in order to move forward
19 in bringing these new products to the market, we need that
20 clarity and we need to understand the case, so what is it that --
21 what is the process? So that's -- I'm saying this maybe for the
22 second time, but I really want this to hit home because clarity
23 and transparency in this process is so critical.

24 I mean, it's something somebody else said previously.
25 Had I maybe known what the potential regulatory burden was going
26 to be on us, I might not have started this process. I assumed
27 coming here that there was great coordination amongst all the
28 provinces. I'm finding out otherwise, and it's a great concern

1 at this point for a small company.

2 So launching new products is difficult to begin with.
3 Launching them with some supportive environment around innovation
4 and a culture of innovation I think is what we, Ontario and
5 Canada, really need.

6 MR. MOSELEY: Couldn't agree more. Okay. Thank you.
7 Brian.

8 MR. KOSCAK: Thank you. I have a point from PCMA. I'm
9 also Vice-Chair there, and it's very much in common. And we
10 talked about the cost of compliance. One of the points that was
11 raised is the desire to have a part-time CCO, and so the way I
12 look at it is that there are many small EMDs.

13 I remember years ago, when OPSEU was trying to get
14 recognized, they were looking at the fees. I said, "Well, how
15 many EMDs are there and how many DRs in order to justify your
16 cost?" They had no idea. So I actually went back to my law firm
17 and worked on it with some other students to get a whole
18 composite of how many EMDs there were, IFMs, PMs, et cetera, and
19 it turned out that many, especially in Ontario, were very small.
20 They actually had five, four, three DRs. That's it.

21 So the challenge is, you can be a tech company trying
22 to innovate, FinTech, et cetera. I mean, look at your pool of
23 available candidates. They're very small, and when you look at
24 what it takes to be a CCO, like, I'm a firm believer there should
25 be a CCO course specifically in the exempt market because I think
26 there's a match between what you really do every day versus what
27 courses you take, but the idea here is, if you had, let's say, a
28 few, even just two smaller EMDs, they could afford the cost for a

1 CCO to work with both of them, that would have the skills and the
2 proficiency and the knowledge to do all the research rather than
3 having, let's say, newer, lesser CCOs that are inexperienced, and
4 you have more of them out there.

5 So if I could get consideration for the cost, allowing
6 two or three EMDs to work with a common CCO, you have to develop
7 standards where I'm not sure if it's based on volume of trades or
8 things like that or they can't handle it, but I think the costs
9 would go a long way in terms of being more efficient, reducing
10 the burden, and reflecting the commercial realities of the
11 business, especially today, where we have these FinTech
12 innovative structures that are looking for CCOs that are hard to
13 find.

14 So if that could be given greater consideration, that
15 would be appreciated.

16 MR. MOSELEY: Worth thinking about. Thank you, Brian.
17 Last word then to Blair and then we'll go to audience questions.

18 MR. WILEY: Thanks. Just to pick up on Brian's point,
19 I do think, actually, if you consider how most registrants
20 interact with the Commission, ones come in, you know, the highest
21 frequency areas for individual registration applications and
22 proficiency.

23 And picking up on Brian's point, it's been 10 years
24 since 31-103. We have not evaluated the proficiency requirements
25 that were settled a decade ago. We haven't really -- seriously,
26 and Alan's business is probably a good example. There are others
27 out there. And the OSC seems to recognize that there are other
28 qualities of proficiency other than what's prescribed by 31-103,

1 but frankly, the cost of and time required to get a simple
2 proficiency exemption takes an awfully long time.

3 There's also no transparency about it. You know,
4 registrants generally don't understand when someone gets an
5 exemption and someone doesn't. I think that's an area of
6 friction in a big way that can be easily resolved through more
7 transparency, potentially more flexibility, allowing firms to
8 really be responsible for selecting candidates who have the
9 technical proficiency relative to a particular industry.

10 I'd also say that when it comes to the filing process
11 and particularly fee calculations, it's something that's really
12 complicated and doesn't need to be. I think a lot of registrants
13 really struggle, especially smaller ones, also exempt firms in
14 understanding even just how to complete that 13-502F4. Those who
15 have been out a long time get it, but a lot don't, and I really
16 think that that's another easy win to actually try and re-assess
17 how to clearly provide instructions on calculating fees and save
18 a lot of time, save a lot of legal bills that firms have to incur
19 in understanding those forms.

20 MR. MOSELEY: Great. Thanks very much, Blair.

21 QUESTIONS FROM THE AUDIENCE:

22 MR. MOSELEY: So with that, I'll open it to questions
23 or comments from the audience. We are tight on time, so I'd ask
24 if you do have a question, please raise your hand. One of our
25 folks will come to you with a microphone. Please wait until
26 you've got a mic, and if you would, just very briefly identify
27 who you are and then give us your question or comment, and please
28 do keep it brief.

1 Okay. Over here. Please stand up if you would,
2 please.

3 AUDIENCE MEMBER: Sure. Hi. My name is Alana, from
4 AIQ, and we deal primarily in the institutional space.

5 My two comments are, first of all, with the companion
6 policy and the guidance, and I think what I'd like to say is
7 what's woefully lacking there is actual guidance on the sales,
8 communication and marketing practices.

9 So there seems to be a lot of focus in guidance on
10 suitability, KYP, KYC. Virtually nothing on marketing. And for
11 a PM firm or an IFM firm that deals with exempt products only, or
12 an EMD, it's really important that where you have the guidance,
13 it's not there for the places where we have the most amount of
14 struggle.

15 It's very difficult, for example, to be able to explain
16 why a salesperson comes to me and says, "I just looked at a deck
17 by a competitor and they've got no disclosures. Why do we have
18 all of these disclosures? Explain." So I think that would be
19 very good if you can re-look at that. I think the guidance from
20 marketing for our picks of categories of registration is missing.

21 The other thing around guidance has to do with
22 contextualizing the guidance. So it's really, really important
23 that when we provide guidance, we also are much more explicit in
24 the context that the guidance is being applied in.

25 So, for example, it would be really helpful if, when
26 there's a general discussion on KYC or KYP or suitability, you
27 identify where are the issues with the firms that you're
28 specifically talking about. Is it, you know, an IFM, in the

1 context of an IFM that's selling exempt products? Is it in the
2 context of a PM that's doing discretionary management? Is it
3 dealing with certain types of investor classes, permitted clients
4 who are not individuals, or maybe they are specifically
5 individuals, and that kind of context will help us to understand.
6 If I'm a firm reading this guidance and some of this applies to
7 me or I'm offering these services and it applies to me, I will be
8 able to more readily apply it to my business.

9 MR. MOSELEY: Great. Thank you. Anyone else? Any
10 follow-up comments from our roundtable members who didn't get a
11 chance? Want to address that comment?

12 MS. THIELE: Can I just say one other thing?

13 MR. MOSELEY: Please.

14 MS. THIELE: On a small point, but one, again, on the
15 "hopefully the OSC could speak to", since there's such a free
16 dialogue going on right now with our provincial government, this
17 is an opportune time to get rid of one thing that's been -- and
18 it's a big problem for the distribution of limited partnerships
19 in Ontario, for those coming from other nations to offer their
20 products here.

21 In Ontario, only in Ontario, limited partnerships
22 legislation, a limited partnership distributing its securities
23 has to extra-provincially register, which is a very difficult
24 process given that Ontario doesn't have an LLC and the GP of the
25 LP could be an LLC. It's very time-consuming and it doesn't make
26 any sense.

27 A mutual fund trust doesn't have to do that. A
28 corporation doesn't have to do that, but somehow, historically,

1 well before I'd like to say my time in this world, that has come
2 into being.

3 So I would really strongly encourage, if there's a
4 dialogue going on now, that that be brought to the attention of
5 the provincial government and that that be eliminated.

6 MR. MOSELEY: Thank you. I'm going to turn it over in
7 a moment to our Chair, Maureen Jensen, to -- is it just me? Am I
8 the only person seeing the lights going on? Just checking.
9 Thank you. Turn it over to Maureen Jensen to wrap things up, but
10 make sure I'm not missing anyone from the audience. Okay.

11 Then my pleasure to introduce our Chair, Maureen
12 Jensen.

13 --- Applause.

14 CLOSING REMARKS:

15 MS. JENSEN: So the first thing I want to say to
16 everyone is thank you very much for how candid you've been and
17 how focused you've been, and we're open to hearing many more
18 suggestions, but I thought what I would do today is really just
19 talk a little bit about that this initiative has been -- we
20 started this initiative roughly two and a half years ago at the
21 CSA level, but since our government has suggested that burden
22 reduction will be a cornerstone of their work and that we've
23 implemented it here, we're seeing benefits beyond just burden
24 reduction, but a really good look at what we've been doing, how
25 we've been doing it, and how business has changed.

26 We really have to incorporate many of the things that
27 we're talking about here today, not just in two places like
28 LaunchPad or the new Office of Economic Growth and Innovation,

1 but we really have to culturally build it back into our core
2 operations. So everything that you're talking about today is
3 really important to us.

4 So the other thing I'd like to say, not only thank all
5 of you, not just around the table, but in the audience, not only
6 for your questions, but for being here and writing comment
7 letters and participating by asking questions, so thank you very
8 much.

9 I hope you've felt that today's discussion was valuable
10 for you. It certainly has been for us, and I've just got a
11 couple of points here of things that I heard, just to read it
12 back to you.

13 And first is, in the first discussion, we really heard
14 that guidance, more clearly indicated, consolidated and organized
15 on our Web site, greater transparency of focus areas and
16 requirements among regulators, better communications between
17 regulators, better communications of timelines, and stronger
18 coordination of compliance reviews would be much appreciated.
19 Also more transparency around risk weighting, improved staff
20 allocation.

21 I'm not getting sick, right? The lights are actually
22 changing.

23 And a better knowledge base and staff allocations, more
24 healthy discussion during issues as well as during audits, and an
25 openness to novel approaches.

26 So on the second discussion, we started off with item
27 number 4 on data collection. Heard strongly greater
28 predictability and reliability of requirements, more

1 data-centered approach, a consolidated portal.

2 We are actually rebuilding our back office now, and so
3 we are working with a consolidated database, but it takes time,
4 but these are very good ideas that we need to focus on.

5 On fund facts and OBAs, we heard greater flexibility in
6 filing fund facts. One for fund, revisiting the timing of SP
7 annual reviews. Close consideration of objectives for the OBAs,
8 and I was happy to hear that you were interested in our
9 moratorium on late fees until we get this project figured out,
10 and just a real focus on how extensive does the OBA structure
11 really need to be, and the consideration that maybe we need to rely on
12 the firms. So all of these things I'm sure we will discuss with
13 the rest of the CSA.

14 On alt funds, greater, to allow greater flexibility for
15 managers on such issues as strategy, hypothecation, custodians,
16 up the standard of conduct and training for complex products, and
17 certainly, from the investor point of view, ensuring that whoever
18 is selling alt funds really can explain them to their clients.

19 Again, greater clarity on process of new products and
20 potential burdens, greater consideration of the CCO training, and
21 more clarity on calculating fees.

22 And so as always, we like to hear your feedback. On
23 this particular roundtable, we wanted to ensure that there was
24 greater interaction and not so much talking heads, and I think we
25 achieved that today.

26 So I personally thank you, everyone, for being here
27 today, and I welcome your ongoing participation in this process,
28 and so I look forward to hearing when we are getting it right and

1 when we're not getting it right. So thank you very much and
2 enjoy the rest of your day.

3 --- Applause.

4 --- Whereupon the proceedings adjourned at 3:45 p.m.

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I HEREBY CERTIFY THE FOREGOING
to be a true and accurate
transcription of my shorthand notes
to the best of my skill and ability.

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Beverley Killen, CSR
Computer-Aided Transcription

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