

July 2020

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## Chair Summary

## Canadian Advocacy Council



**Parham Nasseri, CFA**  
Chair, Canadian  
Advocacy Council

While summers are traditionally a time for pause, family vacations and relaxation, this summer has had a slightly different flavour. During this period of non-stop 'remote-work' and zoom calls, most have been glued to their monitors and focused on keeping their work and personal lives in-check. By the same token, the CSA and the Ontario Capital Markets Modernization Taskforce have endeavoured to take a fulsome view of the role securities regulation should play in our various jurisdictions. As summarized below, our council has been proactively involved in these discussions and will be fully participating in both consultations.

In addition to these major initiatives, the CAC has put the final touches on a series of letters summarized below and is actively participating on the CSA's Client Focused Reforms Implementation Committee. Moreover, during our CAC monthly call in July, we hosted Cynthia Campbell, Director of Enforcement and the Alberta Securities Commission to discuss the CSA's latest annual [Enforcement Report](#).

## Published Comment Letters

## Canadian Advocacy Council

[CSA Proposed Amendments to NI 31-103 and 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations to Enhance Protection of Older and Vulnerable Clients](#) (Filed July 17, 2020)

### *About the notice*

The proposed amendments are intended to address financial exploitation and diminished mental capacity in vulnerable clients (i.e. those at risk of exploitation because of an illness, impairment, disability or aging process limitation).

Registrants (including those regulated by SROs) would be required to take reasonable steps to get a name and contact details of a trusted contact person ("TCP") that the registrant could contact in prescribed circumstances. The TCP would be

a resource to help protect the client, but wouldn't be the same as an individual appointed under a Power of Attorney or have the authority to transact. The proposed amendments would also provide a "safe harbour" to place a temporary hold on the purchase or sale of a security, or the withdrawal or transfer of securities or cash from an account if the firm reasonably believes that a vulnerable client is being financially exploited or that the client does not have the mental capacity to make financial decisions with respect to an instruction given by them. The firm would have to take a number of steps if they did put a temporary hold on an account, including providing the client with notice of any decision to continue the hold at least every 30 days.

#### Overview of the Council's Comments

We think the Proposed Amendments are a good first step to help ensure that registrants keep vulnerable client issues top of mind. However, we believe the CSA must take a more holistic view to effectively address potential elder and vulnerable client financial exploitation by continuing to develop and consider new approaches to these challenges, while recognizing that registrants with investment expertise may not be best suited to identify psychological symptoms of cognitive impairment. It is important for registrants to have support from as many resources as possible to help protect vulnerable clients. We thus urge the CSA to consider expanding the Proposed Amendments subsequent to their implementation.

With respect to the trusted contact person requirements, we believe the Proposed Amendments are an important first step to start a conversation between registrants and their clients. The proposed guidance to the effect that a trusted contact person does not have the authority to transact on the client's account or make decisions on behalf of the client by virtue solely of being named a trusted contact person is an important safeguard that should be maintained.

We also believe that the temporary hold requirements should apply where there exists a reasonable belief that the client does not have the mental capacity to make financial decisions rather than just limited to cases of financial exploitation of vulnerable clients. If there is this belief of diminished capacity, the temporary hold period will allow a registrant the opportunity to investigate, contact the TCP or escalate to an appropriate authority, and thus reduce the opportunity for the mishandling or dissipation of assets. We also believe that the temporary hold requirements should apply to the purchase or sale of securities and the transfer of cash or securities to another firm. Lastly, with respect to temporary holds, the Proposed Amendments would require a registered firm to further review the facts, once a hold is placed, that caused the firm or individual to place the temporary hold. Additional rules and guidance with respect to this "internal investigation" and what is expected of registrants during this period would be welcome.

#### **TSX Notice of Proposed Amendments and Request for Comments – Trading Sustainable Bonds (Filed July 24, 2020)**

##### About the notice

TSX is proposing to post for trading sustainable bonds ("**Sustainable Bonds**") that satisfy the eligibility criteria set by TSX. The eligibility criteria is set forth in the table below in the row titled "Eligible Securities". It is anticipated that TSX will post for trading Sustainable Bonds issued in Canadian or US dollars, and the Sustainable Bonds will trade in the currency in which they are issued. TSX anticipates initially posting for trading approximately 30 Sustainable Bonds.

The posting of Sustainable Bonds for trading on TSX is intended to increase the accessibility and transparency of these securities to Canadian investors.

TSX is proposing changes to the TSX Rule Book and to certain TSX marketplace functionality (collectively, the "Proposed Amendment") to accommodate trading of Sustainable Bonds on TSX. The Sustainable Bonds will not be listed by TSX, but will only be posted for trading similar to how a Canadian ATS posts TSX-listed securities for trading today.

##### Overview of the Council's Comments

The CAC is generally in favour of the Proposed Amendments, chiefly if the posting of the bonds does in fact result in greater pricing transparency for retail investors than what is currently available from over-the-counter trading. We also support the TSX's plans to keep retail investors educated through a section of its website, which will be devoted to information about the Sustainable Bonds and their issuers, as well as by ensuring an explanation of the difference between listing and posting

securities is displayed prominently. We are also in favour of enforcing tighter bid/ask tick limits to protect orders from adverse pricing.

In general, a more robust framework for the posting of Sustainable Bonds could help achieve the proposed objectives of accessibility and transparency for Canadian retail investors.

We understand that the Luxembourg Stock Exchange (the “LuxSE”), has developed extensive rules with respect to sustainable bonds, and we recommend that similar requirements be considered.

We believe that should the Proposed Amendments take effect, the posting of Sustainable Bonds issued by a wider array of issuers such as corporations should be considered after a reasonable observation period.

## Response Drafting in Progress

## Canadian Advocacy Council

### **MFDA Consultation Paper on Account Transfers (Due September 29, 2020)**

#### About the notice

Current MFDA Rules require MFDA dealers to act diligently and promptly to facilitate the transfer of accounts in an orderly and timely manner. The Consultation Paper seeks comments on recommendations regarding account transfer rules, as those that involve non-MFDA members or certain assets can become complicated. The MFDA is requesting preliminary feedback on issues that contribute to delays in the transfer of assets as well as potential solutions.

### **CSA Staff Notice 31-358 Guidance on Registration Requirements for Chief Compliance Officers and Request for Comments (Due September 30, 2020)**

#### About the notice

The Notice introduces three new models for registrants and their Chief Compliance Officers (CCO). The first model would permit smaller registrants to share a CCO, the second would allow larger firms with different business lines to have more than one CCO, and the third model would allow staff to consider an individual’s industry specific experience when determining proficiency as CCO for a non-traditional or specialized firm. For the first model, registrants would need to demonstrate certain concerns, such as potential conflicts and constraints on time commitments, would be addressed, and the individual would likely require previous registration as a CCO. Comments are being sought from registrants as to how the models address their needs and how they may be used in their operations.

### **CSA Consultation Paper 25-402 Consultation on the Self-Regulatory Organization Framework (Due October 23, 2020)**

#### About the notice

The CSA is seeking comments on the current structure of the SRO framework, particularly how the evolution of the financial services industry has impacted the framework as well as the specific targeted outcomes set out in the Consultation Paper. Some stakeholders had indicated to the CSA that the two current SROs result in duplicative costs and a lack of oversight standards. Additionally, stakeholders were concerned about higher operational costs and investor confusion by clients who can’t access the same product from their representatives across platforms and don’t know the redress avenues available to them for issues. The Consultation Paper inquires about these issues as well as others, such as concerns raised about lack of public confidence in the current environment as a result of regulatory capture and the separation of market surveillance from statutory regulators. Next steps will include a consultation paper with the CSA’s proposed option for further comment.

**\*\*If you would like to participate or provide comments to ongoing initiatives, please contact [cac@cfacanada.org](mailto:cac@cfacanada.org)\*\***



### **Emil Vassenine, CIPM**

Emil is the Principal and President of EVIV Group Inc., Canada's largest GIPS consulting and verification firm. His firm's strength lies in its unique custom approach to each client's circumstances and its commitment to resolve challenges to client success.

Emil has over 14 years of industry experience. Before founding EVIV Group in 2012, he worked as a Performance and GIPS Specialist at Sionna Investment Managers. Emil has a Master's Degree in Economics & Management, has also earned a Certificate in Investment Performance Measurement (CIPM) from CFA Institute and the Chartered Investment Manager (CIM) designation from the Canadian Securities Institute. Emil has served on the CIPC since June 2019.

#### **1. What is it about volunteering with the CIPC that appealed to you most?**

Performance evaluation is constantly evolving. As an investment professional and verifier, it's very important for me to remain current as well as being part of those changes.

CIPC is a unique group, represented by members from different areas of the financial industry across the country, who are passionate about understanding performance, not just from the IM's prospective, but also from the perspective of a fund sponsor, individual investor, and even the regulator. CIPC allows its members to contribute to the development of best practices locally, as well as on a global scale, through the GIPS Standards.

#### **2. Why do you think promotion of industry standards like the GIPS Standards is important?**

The evolution of the investment industry through creating ever more complex vehicles, makes interpretation of performance very costly. Returns presented in compliance with the GIPS Standards allow an investor to compare managers more easily, knowing that they are based on the same principals of fair representation and full disclosure.

## News



The OSC is seeking members for its [Senior Expert Advisory Committee](#). If you are an expert in issues and challenges faced by seniors in Ontario and are interested in being a part of the committee, read more about the opportunity [here](#). Applications are due September 11, 2020.



IIROC is seeking members to join their [Market Rules Advisory Committee](#) where members will review and make recommendations regarding proposed amendments to Universal Market Integrity Rules and other matters related to market regulation. Learn more about the volunteer opportunity [here](#). Applications are due August 21, 2020.



IIROC is requesting nominations to the [Fixed Income Advisory Committee](#). The committee reviews and makes recommendations regarding proposed IIROC initiatives relating to fixed income trading. Read more about this volunteer opportunity [here](#). Nominations must be submitted by August 21, 2020.

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*The Canadian Advocacy Council strives to advance market integrity, transparency and investor protection, on behalf of CFA Societies Canada and Canadian CFA charterholders.*



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Next Conference Call Scheduled: Tuesday, August 11, 2020 at 4:15pm EDT

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