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**Chair Summary**

**Canadian Advocacy Council**



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

As we continue to smile behind masks and adapt, we're finding innovative ways to fulfill our mission of advancing market integrity, transparency, and investor protection.

Over the summer, the CAC held one-on-one meetings with the executive and council members. The CAC strives to continually improve while keeping members engaged. These meetings followed a survey that further elicited feedback from members on ways to improve and most effectively tackle advocacy initiatives. We will be holding our fall meeting virtually in October and look forward coming together as a group for more insightful discussions.

The CAC pursued a series of proactive advocacy initiatives throughout the last quarter. We published our submission to Ontario's Capital Markets Modernization Taskforce, submitted six other comment letters to regulators, and have been involved in meetings and discussions around the Canadian Securities Administrators' (CSA) Consultation Paper 25-402. In this paper, the CSA is undertaking a review of the regulatory framework for the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA).

**Published Comment Letters**

**Canadian Advocacy Council**

[Ontario Ministry of Finance Capital Markets Modernization Taskforce: Consultation Report](#) (Filed September 7, 2020)

**About the Notice**

The taskforce was formed in February of this year and reports directly to Ontario's Minister of Finance. It prepared an initial public consultation report highlighting 47 high-impact policy proposals and seeks feedback prior to providing the Minister with its final list of initial recommendations. The proposals are wide-ranging and include topics such as governance of the OSC, improving regulatory structure, reducing duplicate regulatory burden, enhancing competition for smaller capital markets players, and improving investor protection. Among the proposals are suggestions to separate the regulatory and adjudicative functions at the OSC, moving to a single SRO, streamlining continuous disclosure requirements making it easier to raise capital through additional prospectus exemptions and relaxing restrictions on EMDs. Several proposals relate to the proxy voting system, including the addition of proxy advisory firm regulation and rules to prevent over-voting, as well as suggestions to increase OSC enforcement powers and give OBSI authority to issue binding decisions. Other proposals relate to fostering innovation, such as the creation of a regulatory sandbox involving both the OSC LaunchPad and FSRA.

**Overview of the Council's Comments**

The CAC and CFA Societies Canada submitted an extensive response to the 47 specific initial recommendations of the Taskforce and look forward to continued engagement with the Taskforce and the Ministry of Finance as they move toward final recommendations. In our initial consultation response and our comment letter in response to the report, we were generally supportive of sensible easing of regulation for certain registrants, seeking to focus regulatory attention on those business models and registrants that pose a higher risk, while easing burden for those where lesser risk exists. We encouraged the Taskforce both in general and with specific suggestions to further cultivate Ontario as an attractive environment for investment funds and their managers. We also encouraged the Taskforce to further cultivate investor protection through specific policy action on pervasive issues such as persistent conflicts of interest, the need for protection of vulnerable and older investors, and to strengthen investor supports such as OBSI and the enforcement function at the OSC.

With respect to a number of the Taskforce's specific recommendations, we were cautiously supportive of expanding the OSC's mandate, generally in favor of those recommendations that would generate regulatory efficiency such as through a merger of the MFDA and IIROC, and supportive of modernizing rules and regulatory infrastructure, such as by fast-tracking SEDAR+. We were also very much in favour of the Taskforce's proposals on additional sustainability disclosures, and in their recommendations to foster further diversity in our capital markets ecosystem.

We were not in favour of recommendations that we thought would degrade the quality of financial information available to investors, such as the proposal to consider less frequent issuer reporting. We were also strongly in favour of a number of proposals that in isolation or particularly in aggregate would degrade the powers of shareholders in holding boards and management accountable. This was highlighted by our strong opposition to the Taskforce's proposal for the regulation of proxy advisors, which we believe was unwarranted, unsupported by data, and could set a concerning precedent for analyst independence.

[FSRA Supervision Approach for Non-Qualified Syndicated Mortgage Investments with Permitted Clients and Legacy Non-Qualified Syndicated Mortgage Investments](#) (Filed September 21, 2020)

**About the Notice**

FSRA's draft approach and guidance describes how the regulatory agency will supervise the activities of mortgage brokers and administrators dealing in certain syndicated mortgage investments post-March 2021 when the securities registration and prospectus exemptions currently available for trades in syndicated mortgages will be removed in Ontario and certain other jurisdictions. After the amendments, FSRA will remain responsible for supervising those who trade in mortgages, qualified syndicated mortgages and non-qualified syndicated mortgages where the investor/lender is a permitted client. They will also regulate mortgage brokers dealing in non-qualified syndicated mortgages when they act on behalf of the borrower even if the investor/lender is a non-permitted client in which case the trades will also be subject to supervision by the Ontario Securities Commission with respect to the investor/lender. The objectives of FSRA's supervisory approach are to monitor and evaluate non-qualified syndicated mortgages with permitted clients through regular data collection and analysis, and to ensure compliance with applicable brokerage legislation. Using data and its other resources, FSRA will create risk profiles for each mortgage brokerage (and administrator) and target increased oversight where warranted. One focus will be the due diligence conducted by the brokerages to confirm the status of the investors/lenders as permitted clients. Permitted clients may waive a suitability assessment, and non-individual permitted clients will be exempt from certain disclosure requirements, including disclosure of conflicts.

**Overview of the Council's Comments**

We support FSRA's principles-based approach, and how it intends to utilize data to target supervision of higher-risk brokerages and administrators. It is important to harmonize the definition of "permitted client" across the various regulations dealing with syndicated mortgages. Also, the definition of "qualified syndicated mortgage" is key, as it is intended to be limited to lower-risk mortgages primarily on residential properties. Again, we believe that this definition should be standardized across all CSA jurisdictions relating to prospectus and registration exemptions. We note that the LTV threshold proposed by FSRA is 90% while other jurisdictions have suggested an 80% threshold. We are of the opinion that all the proposed LTV thresholds are too high and should be reduced to 75% because of the decline of the value of property when a default occurs on a mortgage loan; and further because of the various costs associated with a foreclosure.

[CSA Notice of Amendments to National Instrument 45-106 Prospectus Exemptions and National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and Changes to Companion Policy 45-106CP Prospectus Exemptions and Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations relating to Syndicated Mortgages](#) (Filed September 21, 2020)

**About the Notice**

The CSA has finalized their proposed amendments relating to the registration and prospectus exemptions involving syndicated mortgages. They have removed the current syndicated mortgage exemptions, introduced new disclosure requirements for use with the offering memorandum prospectus exemption and amended the private issuer exemption so that it is no longer available for trades in syndicated mortgages, all as of March 1, 2021. However, a number of jurisdictions have each proposed further changes to the registration and prospectus exemptions. Ontario, New Brunswick, Nova Scotia and Newfoundland and Labrador have reintroduced registration and prospectus exemptions for "qualified syndicated mortgages", the definition of which is substantially harmonized across the jurisdictions. Alberta and Quebec have proposed a prospectus-only exemption for qualified syndicated mortgages. Ontario and New Brunswick have, in addition, proposed registration and prospectus exemptions for "qualified syndicated mortgages to permitted clients". Alberta has proposed a similar exemption that would be a registration exemption only, and Quebec is not proposing to add this exemption but has asked specific consultation questions with respect to such an exemption. Each of Ontario and New Brunswick have proposed that exempt distribution reports not be required to be filed for syndicated mortgages sold to permitted clients.

**Overview of the Council's Comments**

As noted in our prior comment letters to the CSA, we support the broader changes made to the prospectus and registration exemptions for syndicated mortgages because of the inherent risks associated with the distribution of such products to retail investors. We are also supportive of the harmonization of the removal of these exemptions amongst Canadian provinces because the regulations with respect to syndicated mortgages are not standardized across these jurisdictions. As indicated above in our comment regarding FSRA's proposal on syndicated mortgages, the maximum LTV threshold to determine a "qualified syndicated mortgage" should be set at 75% across all jurisdictions. Finally, we also support the proposal to use the definition of "permitted client" currently found in NI 31-103 so that the waiver of suitability requirements be standardized across investment products, including syndicated mortgages.

Our positions indicated above have also been communicated in two other comment letters posted concurrently in response to (1) the proposed [New Brunswick amendments to Commission Rule 45-501 Prospectus and Registration Exemptions relating to Syndicated Mortgages](#); and (2) the proposed [Regulation respecting the distribution of qualified syndicated mortgages from the Autorité des marchés financiers \(Québec\)](#).

[MFDA Consultation Paper on Account Transfers](#) (Filed September 22, 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.

**Overview of the Council's Comments**

In our letter, we note that there are technology solutions to assist dealers with the account/securities transfer process, and that while a universal-access electronic public utility system would be an ideal industry solution, there are a limited number of existing solutions offered by ATON (CDS/TMX Group) and FundServ, and some proprietary systems set up by dealers themselves for limited types of assets.

We suggest, to become a universal-access solution, any solution provider would require a pricing mechanism that could facilitate wide availability/accessibility of some subset of limited-use basic utility functions (particularly as it is likely that both parties to the transfer must be members of the system) and must be easy to use. We understand, for example, that as a result of user feedback ATON's next version will include a web-based platform and the ability to attach documents. As a future step, the MFDA, potentially together with other relevant regulators, could work with CDS and others on a utility pricing model with an entry point for small firms.

[CSA Staff Notice 31-358 Guidance on Registration Requirements for Chief Compliance Officers and Request for Comments](#) (Filed September 28, 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 CSA 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 that 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 new models address their needs and how they may be used in their operations.

**Overview of the Council's Comments**

In our letter, we comment that the shared CCO model may be effective, particularly for smaller registrants in the categories of Investment Fund Manager, Exempt Market Dealer and/or Portfolio Manager. We believe the model would also be helpful for certain larger firms, such as private equity firms, that may require securities registration for dealing activities but whose registrable activities are limited. We believe the model can replicate the situation where a firm hires a CFO that also performs that function for one or more other firms, and result in additional professional CCOs being available to more firms. We note, however, while the UDP is responsible for overseeing the effectiveness of a firm's compliance system, when a firm utilizes a shared CCO, additional prescriptive UDP functions might include regular testing for compliance, documents, results and actions to ensure the model remains appropriate, or periodic firm self-assessments of securities law compliance and testing of internal controls as it relates to the effectiveness of the model. We also commented that in order to attract professional CCOs to participate in a shared model, it may be prudent to revisit the restrictions on conducting activities through a professional holding corporation, particularly for individuals who are not registered in any other category.

**Response Drafting In Progress**

**Canadian Advocacy Council**

[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(s) for further comment.

[FSRA Financial Professionals Title Protection Rule and Guidance](#) (Due November 12, 2020)

**About the notice**

FSRA's proposals consist of a new Rule and Approach Guidance that relate to granting approval to become a FSRA credentialing body and to obtain a Financial Planner or Financial Advisor credential from those bodies, as well as ongoing requirements to keep such approvals. The Approach Guidance sets out FSRA's proposed administration of and expectations for credentialing body applications and for specific Financial Planner or Financial Advisor credentials, all within the framework already set out under the Financial Professionals Title Protection Act, 2019. Once the Act is proclaimed in force, it will restrict the use of these two titles to persons who have obtained a credential issued by an approved FSRA credentialing body. The Rule establishes approval criteria for credentialing bodies, criteria to issue Financial Planner and Financial Advisor credentials, sets out the application process and provides transition periods for individuals already using those titles (five years for FPs and three years for FAs). The Rule sets out baseline competency profiles for title users, and the consultation notes that it focuses on minimum standards instead of trying to build a consistent level of proficiency for all individuals who hold a license or designation.

[IIROC Consultation Paper – Competency Profiles for Registered Representatives and Investment Representatives Retail and Institutional](#) (Due November 16, 2020)

**About the notice**

The consultation is the first phase in a multi-year project to set out competency profiles for all of IIROC's registration categories, which are sets of knowledge, behaviours and skills that an individual must have to perform effectively in their role. The purpose of the competency profiles is to provide a benchmark to evaluate course providers, provide educational providers with guidance on course content and allow dealers to better understand expectations. For retail registered representatives, IIROC proposes seven categories of high-level competencies associated with relationship skills, regulatory skills and technical skills and more than 30 sub-competencies, some of which depend on the products a person is approved to trade. Institutional registered representatives have different high-level competencies associated with regulatory and technical skills and over 20 sub-competencies. IIROC is not proposing separate profiles for investment representatives but expect registered representatives to understand and apply the competencies and investment representatives to understand, apply or provide support, as applicable.

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

**Volunteer Spotlight**

**CFA Institute Investment Foundations Program - Volunteer Instructor**



**Steven Paget, CFA**

Steven Paget, CFA is a Sessional Instructor, Finance at both Mount Royal University's Bissett School of Business and the University of Calgary's Haskayne School of Business. Prior to teaching, he was a Corporate Finance Analyst at the Alberta Securities Commission; a Strategist, NGLs at Enbridge Inc., and spent the bulk of his career at FirstEnergy Capital Corp., where he was Director, Institutional Research, covering the energy infrastructure and utilities sectors. He also worked as a Petroleum Engineer at Renaissance Energy Ltd. He lives in Calgary with his wife Wendy, where he occasionally enjoys dressing up in a tuxedo for the Investment Foundations Program's session on "Bonds. Coupend Bonds".

1. **What do you enjoy most about being a volunteer instructor for the CFA Institute Investment Foundations Program?**

What do I like most? I like the chance to teach my colleagues and other professionals about the finance industry.

2. **Why do you think the CFA Institute Investment Foundations Program is a valuable learning resource?**

The [CFA Institute Investment Foundations Program](#) is a global program that breaks down the finance industry into 20 separate and accessible chapters. It supports learning with instruction, online presentations and reading material. CFA Societies Canada is working to make this program more accessible online for regulators across the country.

3. **What would you say about the program to a potential candidate of the Investment Foundations Program?**

The program is for anyone who wants to learn more about finance. I highly recommend it for anyone who wants to know more about the financial industry, either for their work or personal interest!

**Volunteer Spotlight**

**Canadian Investment Performance Council**



**Jaclyn Moody**

Jaclyn is a Senior Compliance Officer at Burgundy Asset Management Ltd., a global investment manager providing discretionary investment management for private clients, foundations, endowments, pensions and family offices. Jaclyn joined Burgundy's Legal & Compliance team in September 2016 to focus on marketing and GIPS compliance, evaluate regulatory risk and policy implementation. Before joining Burgundy, Jaclyn spent over six years at Gluskin Sheff + Associates Inc. with various roles in client wealth management, compliance and corporate governance. Prior to that, Jaclyn spent four years at Excel Funds Management Inc. where she held a variety of positions across the firm. Jaclyn earned a Bachelor of Science, Honours, in Biological Sciences from the University of Guelph and became a Certified Anti-Money Laundering Specialist (CAMS) in 2013. Jaclyn has served on the CIPC since June 2018. Jaclyn serves as a Board member of the National Society of Compliance Professionals and the Bruce Trail Conservancy.

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

Volunteering with the CIPC provides an opportunity to work with diverse individuals who have experience in performance analytics and also provides a platform to share thought leadership on exposure draft proposals from CFA Institute. Participating in discussions and having a voice to help shape the future of the GIPS standards is very appealing and rewarding.

2. **Why are you passionate about the GIPS standards/What aspects of the GIPS standards are you most passionate about?**

I am passionate about the GIPS standards because it levels the global playing field for capital market participants and provides a framework for increasing transparency in the market place as it relates to calculating performance returns and communication of those returns to investors. The practical application of the GIPS standards and how GIPS reports are received by investors is what drives my interest the most.

**News**

[CSA Seek Members for Mining Technical Advisory and Monitoring Committee](#)

Canadian Securities Regulators are soliciting volunteers for their Mining Technical Advisory and Monitoring Committee. Applications are due **September 30, 2020**.

[Apply Here](#)



**ASC Connect Conference**

The Alberta Securities Commission is hosting their fourth annual ASC Connect conference virtually on October 27, 2020. The conference includes informative and interactive plenary sessions led by industry experts and senior ASC leaders in a format that you can enjoy from your home or office. Gain new insights and perspectives from thought-provoking experts and business leaders. Registration is free for this event.

[Register Here](#)

[Financial Professionals Title Protection Framework Public Consultation](#)

FSRA is currently holding a public consultation on the [Financial Professionals Title Protection Framework Proposed Rule and Approach Guidance](#).

Feedback and comments are due by **November 12, 2020**.

[Read More](#)



**OSC Dialogue 2020**

The Ontario Securities Commission is hosting the 2020 OSC Dialogue Conference virtually on November 4, 2020. The conference will discuss the role regulation has in fostering the confidence for stronger markets and economic growth.

[Register Here](#)

*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 Virtual Half-Day Meeting Scheduled: Friday, October 16, 2020 at 1:00pm EDT

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