



**iA Wealth**

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**BY EMAIL**

October 23, 2020

Alberta Securities Commission  
Autorité des marchés financiers  
British Columbia Securities Commission  
Financial and Consumer Services Commission (New Brunswick)  
Financial and Consumer Affairs Authority of Saskatchewan  
Manitoba Securities Commission  
Nova Scotia Securities Commission  
Nunavut Securities Office  
Office of the Superintendent of Securities, Newfoundland and Labrador  
Office of the Superintendent of Securities, Northwest Territories  
Office of the Yukon Superintendent of Securities  
Ontario Securities Commission  
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

**Attention:**

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

**Me Philippe Lebel, Corporate Secretary and**  
**Executive Director, Legal Affairs**  
**Autorité des marchés financiers**  
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**2640, boulevard Laurier, bureau 400**  
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Dear Sirs / Mesdames:

**Re: iA Financial Group comments on CSA Consultation Paper 25-402 – *Consultation on the Self-Regulatory Organization Framework***

iA Financial Group appreciates this opportunity to submit comments on CSA Consultation Paper 25-402 – *Consultation on the Self-Regulatory Organization Framework* (the “**Consultation Paper**”).

**About iA Financial Group**

iA Financial Group is one of the largest insurance and wealth management groups in Canada, with operations in the United States. Founded in 1892, it is one of Canada’s largest public companies and is listed on the Toronto Stock Exchange.

The Wealth subsidiaries of iA Financial Group include the following:

- FundEX Investments Inc., a mutual fund dealer and exempt market dealer registered with l’Autorité des marchés financiers and a member of the Mutual Fund Dealers Association of Canada (“MFDA”);



- Investia Financial Services Inc., a mutual fund dealer and exempt market dealer registered with l’Autorité des marchés financiers and a member of the MFDA;
- Industrial Alliance Securities Inc., a full-service securities brokerage and a member of the Investment Industry Regulatory Organization of Canada (“IIROC”);
- IA Clarington Investments Inc., an investment fund manager and exempt market dealer; and
- Forstrong Global Asset Management Inc., a discretionary portfolio management firm that uses exchange traded funds to build its clients’ portfolios; and
- iA Investment Management Inc., a discretionary portfolio management firm providing services to permitted clients only.

The iA Wealth dealer companies focus on creating and preserving wealth for individual Canadians by working with independent advisors. We believe strongly in the critical role of the financial advisor and their delivery of advice to Canadian investors. To that end, our dealers offer an open and comprehensive product shelf to provide our advisors flexibility to create personalized advice solutions.

## Comments

### Benefits and Objectives

We support the role of SROs in the securities industry in Canada and acknowledge the benefits and strengths of the existing SRO regulatory framework identified in the Consultation Paper. In particular, we believe that the specialized industry expertise of the SROs and their proximity to the industry is beneficial to industry participants and to investors and that the national scope of SROs provides a more uniform level of regulation and supervision. Canada currently has 15 securities regulators tasked with surveillance of our capital markets. There is a unique opportunity in reviewing the current SRO framework to create a new consolidated SRO model that increases investor protection, creates efficiencies and eliminates duplication.

In considering a move to a new consolidated SRO model, making a broad assumption that the business model of one or the other of the existing entities meets all the desired outcomes or objectives of a new consolidated SRO model should be avoided. Instead, it is important to evaluate current successes, challenges and opportunities in order to deliver a new consolidated SRO model that maintains and enhances the current successes and achieves additional objectives. We believe that Canadians have benefited from the advice delivered within our current SRO structure. We support the opportunity for a new consolidated SRO model that seeks to incorporate the best of what the industry has to offer and stimulates innovation and development. There should be a concerted effort to reduce costs through scale and synergy, better fulfilling client needs while educating and increasing protection and confidence for our end clients, and reducing unnecessary costs of duplicative operations and compliance that are ultimately passed on to clients. The primary objectives of a new SRO model should include protecting investors, increasing investor access to advice and fostering opportunities to raise capital, facilitating operational efficiency for the new SRO as well as for industry participants, streamlining the regulatory burden on industry participants, and facilitating regulatory innovation. It is also critical that the new SRO model respects regional differences that exist.

## Issues and Challenges

### *Structural Inefficiencies*

We recognize and acknowledge that the current SRO structure is not without its issues, and we echo the issues identified and summarized in the Consultation Paper. In particular, we recognize the structural inefficiencies of the current SRO structure, and the inefficiencies that are thereby created for industry participants. As a dual platform dealer, the regulatory burden and duplication of effort for our firm operating nationally is overwhelming. For example, the current structure and lack of common oversight standards has resulted in a need for multiple compliance teams and differing interpretations of similar rules between affiliated dealers. From an operational perspective, there are higher costs associated with the need to have different platforms and back-office services.

The same is true from a technology perspective. The importance of investing in technology in order to provide clients with a better digital experience is critical in today's business environment. Clients expect financial services firms to offer digital services on par with other industries. This technology investment is easily diluted when there is a requirement to implement multiple times to meet different regulatory requirements.

In the current SRO structure, it is difficult to find efficiencies given the need to maintain knowledge and respect the requirements of two different SROs. This lack of efficiency can lead to higher costs to clients, and to the inability to offer services to clients with smaller account sizes.

### *Costs of changes*

In moving towards a new consolidated SRO model, we believe it is important to recognize the different needs of the various constituents. Any changes to the existing SRO structure should ensure that access to advice for clients with smaller account sizes or who are located in smaller communities across Canada is not disrupted as a result of increased costs or requirements on dealers. We support an independent entrepreneurial model that drives innovation and improved client service. Any new SRO regulatory structure must support a viable opportunity for new market entrants. Excessive regulatory, capital or cost burdens will deter new entrants. This prevents innovation, capital raising opportunities, solutions for investors and overall industry growth.

Current back office solutions range from sophisticated third-party providers to in-house proprietary software. For a significant sized dual platform dealer, a migration to a single book of record represents a multi-year project with immense effort and significant operational costs. In addition, many firms have invested significant capital into proprietary front-end or peripheral systems designed to enhance the client experience. Should these need to be revisited or reconnected to other systems in a new model, acknowledgement of these costs and flexible implementation timelines will be key. The scope and cadence of recent regulatory reform has brought significant cost and development challenges to the industry's system providers. Consideration must be given to these entities as the move to a new SRO model could marginalize currently viable businesses by creating technical incumbents and inadvertently creating a monopoly. The industry will be better served if there is healthy competition among solution providers who are motivated to continually invest and improve their platforms and the client experience.

### *Fee Structure*

It has become increasingly clear that the regulatory fees for members operating similar sized businesses within the current MFDA and IROC models are different, despite their common alignment and responsibilities of protecting Canadian investors. The financial well-being of the new SRO model must be balanced with that of the industry participants and the peripheral firms which support it. It will be extremely important that the cost structure of a new consolidated SRO model be conducive to an environment that encourages new entrants, stimulates innovation and is fair to all members. Incremental expenses could ultimately be borne by the client, in the absence of other significant cost savings. The move to a new consolidated SRO model will undoubtedly incur costs of harmonization and integration, however a reduction in the regulatory burden could afford member firms with increased operational efficiencies and cost reductions which can be passed on to clients.

### *Regulatory Arbitrage*

The new consolidated SRO model should have broad oversight authority to ensure that investors have access to the products and services best suited to their needs, rather than based on their advisor's business model or regulator. In the current regulatory environment, dealers, advisors and investors may make decisions based on their regulator and differences in rules or interpretation. For example, advisors may currently make decisions based on whether they can incorporate or direct commissions, or may take advantage of an opt-out structure that insulates them from the appropriate level of SRO oversight. Investors may make decisions based on regulatory oversight or documentation required. This regulatory arbitrage should be eliminated, and the principles of regulation should be consistent for all market participants. Product-based regulation should be consistent within the new SRO model. There should be no room for regulatory arbitrage stemming from differences in rules or interpretations. A consistent unified approach under the new SRO model is critical to create a level playing field that does not favour one business model over another.

### *Investors*

For the end investor, the new SRO model must be accessible, simplified and easily understood. We believe that a move towards a single regulatory structure with a single set of principles and rules is ultimately in the client's best interest. In an increasingly complex industry, it is important for the regulatory environment to be as transparent and as simple as possible for the client to transact. We support collaborative efforts to help investors understand the role of the new SRO and specifics as they pertain to investor protection and complaint resolution.



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We will be pleased to participate in any further public consultation on this topic or discuss our responses in greater detail with you. We also thank you for giving us this opportunity to provide comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. O. K.' with a stylized flourish at the end.

Executive Vice President, iA Wealth