

October 21, 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

Submitted via email to: The Secretary, Ontario Securities Commission, [comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

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**Subject: CSA Consultation Paper 25-402**  
**Consultation on the Self-Regulatory Organization Framework**

The Registered Deposit Brokers Association (RDBA) appreciates the opportunity to respond to CSA Consultation Paper 25-402, Consultation on the Self-Regulatory Organization Framework. Because GICs are not considered to be securities in most provinces, the RDBA is not directly impacted by the current review of the regulatory framework. However, the RDBA is working to resolve some of the same challenges that face the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA). To address these challenges the RDBA prepared our white paper, A Proposal for Regulation of Independent Distribution in the Deposits Industry, which was submitted to Finance Canada and OSFI on May 19, 2020.

Established in 1986, the RDBA is the professional standards association for the Canadian client name deposit industry. Membership is voluntary and the association represents Deposit-Taking Institutions (DTIs), deposit brokerages and affiliates across Canada. The RDBA is committed to protecting depositors' interests and strengthening market integrity and efficiency in the Canadian Deposit Broker industry.

A key element of that commitment is the provision and monitoring of our anti-money laundering program. Its content is continually updated to remain compliant with Canadian legislation such as the PCMLTFA and the guidelines that are provided by FINTRAC. Our Deposit Brokers and affiliates are required to pass our AML/CTF test each year. Deposit Brokers must also complete the Broker Compliance Questionnaire, an annual attestation to compliance with our requirements for premises, privacy, record-keeping and business continuity. Our members are encouraged to complete our privacy training which is based on PIPEDA or its provincial equivalents in British Columbia, Alberta and Québec.

Deposit Brokers are financial intermediaries who help consumers place deposits with banks and other Deposit-Taking Institutions, such as trust companies, credit unions, and caisses populaires. Currently, there are between 150-200 Deposit Brokers in Canada with approximately 2,000 affiliates. On average, each Deposit Broker represents 20-

30 DTIs. The channel provides consumers with access to a variety of insured deposits through one professional point of contact, the client name Deposit Broker. Although they place over \$12 billion in client name deposits each year (approximately 10% of the third-party deposit industry total), Deposit Brokers are the only financial intermediaries in Canada without consistent and effective national oversight. The Financial and Consumer Affairs Authority of Saskatchewan recognized this deficiency and has provided oversight of Deposit Brokers (Deposit Agents) in Saskatchewan since 1993.

The RDBA recognizes the significant efforts of the CSA to increase efficiency for market participants and enhance protection for investors. Many of the issues facing IIROC and the MFDA, such as duplicative costs and a lack of common oversight standards, are those that the RDBA seeks to address for its members. The lack of national oversight has driven the RDBA's lobbying efforts with government and regulators to become the Self-Regulatory Organization for the client name Deposit Broker channel. This initiative is intended to address deficiencies in the current oversight model.

Federally chartered DTIs are regulated by the Office of the Superintendent of Financial Institutions (OSFI). In this structure, OSFI holds each DTI accountable for overseeing the activities of its distributors, whether they are employees in the local bank branch, or independent Deposit Brokers. The model works well for bank branches or direct distribution models in which the sellers of the deposit instruments are employees of the DTI. It can also work well when intermediaries are exclusive contractors of the DTI.

However, the model suffers from several shortcomings when the sellers are independent Deposit Brokers representing multiple DTIs. DTIs differ in their interpretations of principles-based requirements which results in inconsistencies in the standards that they apply to Deposit Brokers. The range of standards is confusing for brokers, increases the time needed to comply, challenges the financial viability of the distribution channel and ultimately limits depositors' access to a broad range of products and advice. The degree of oversight of Deposit Brokers also varies considerably among DTIs, with most focusing on reviewing new account applications and few scrutinizing broker operations, policies or procedures. As a result, field audits are rare.

The current model makes detection of non-compliance difficult, since a DTI can review only the applications it receives and not those sent to a competitor. If DTIs are unable to share the results of their supervision with competitors, the benefits of centralized oversight cannot be realized. The absence of an enforcement mechanism also makes it possible for a Deposit Broker who is found unsuitable by one DTI to simply take the depositor's business to another DTI.

One of the potential benefits of an amalgamation of IIROC and the MFDA is the elimination of the duplicative costs associated with running two platforms. In the Deposit Broker channel duplicative costs result from the need for each DTI to replicate its oversight functions for Deposit Brokers. Oversight by an SRO would provide consistent rules, standards and expectations for all Deposit Brokers, supported by regular field audits of their processes and procedures. They would benefit from reporting to one oversight body rather than to each DTI. Non-compliant Deposit Brokers would be censured, and consumers and DTIs would both be protected from unscrupulous intermediaries. Smaller DTIs seeking to diversify their funding sources would no longer face the burden of replicating the functions of Deposit Broker oversight. The development of common standards would increase competition among DTIs and expand consumer choice.

The RDBA thanks Finance Canada and OSFI for their direction and counsel during our meetings. We also wish to thank the CSA, SROs and government agencies with whom we have met. Our findings from those meetings confirmed the recognition of a gap in oversight of independent Deposit Brokers. That oversight gap can only be addressed by an existing SRO once the amalgamation of IIROC and the MFDA has been completed, and that amalgamation may take several years.

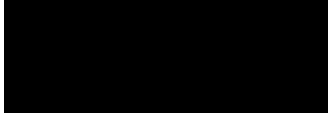
Based on that estimate of the timeline and the specificity of the required oversight, the RDBA has proposed that it become the SRO for independent Deposit Brokers. The client name Deposit Broker channel represents approximately 10% of total third-party deposit distribution and it provides access to a \$12 billion market that might otherwise be inaccessible to smaller DTIs and to consumers.

In its informal consultations with stakeholders prior to the release of the consultation paper, the CSA received confirmation of the value of an SRO with national scope. Stakeholder comments also suggested that national SROs were more likely to provide a common set of standards for members by virtue of their specialized industry expertise. It was noted that specialized SROs might be better able to address the unique business models and risks of their industry.

The independent Deposit Broker channel also recognized the benefits of the national SRO model in 1986, and enabled its own Professional Standards body, the Registered Deposit Brokers Association, to perform many functions deemed essential to effective and efficient oversight of its Deposit Broker members. Today the RDBA continues to meet the specialized oversight criteria that the channel requires. DTI members rely on the RDBA to oversee the activities of individual Deposit Brokers and their affiliated agents. Consumers and regulators benefit from a high standard of oversight that is consistently applied at a fraction of the cost that DTIs would spend to replicate this oversight.

The RDBA supports the efforts of the CSA to increase efficiencies and reduce costs in the current SRO framework, and we thank you for the opportunity to comment. Should you have questions or wish to discuss our submission, please contact John Egar, Director of Business Development (email: [johnegar@rdba.ca](mailto:johnegar@rdba.ca)).

Sincerely,



Brian J. Evans  
Chair of the Board  
Registered Deposit Brokers Association