



October 21, 2020

Via Email to: comments@osc.gov.on.ca

The Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8

Re: Consultation on the Self-Regulatory Organization Framework

We write in order to provide our comments on some of the proposals included in the June 25, 2020 CSA Consultation Paper 25-402 "Consultation on the Self-Regulatory Organization Framework" (the "Consultation Paper").

Broadly speaking, Wellington-Altus Private Wealth Inc. ("WAPW") is supportive of the proposed consolidation between the Investment Industry Regulatory Organization of Canada ("IIROC") and the Mutual Fund Dealers Association of Canada ("MFDA") and believes that the proposed consolidation will help to achieve the targeted outcomes proposed in respect of issues 1-5 of the Consultation Paper. Our response to questions 1-5 from the Consultation Paper are as follows:

Question 1.1: What is your view on the issue of duplicative operating costs, and the stakeholder comments described above? Are there other concerns in respect of this issue that have not been identified?

WAPW agrees with the stakeholder comments stating that dual platform dealers experience higher operating costs and difficulty in realizing economies of scale under the existing SRO structure. WAPW further agrees that these higher costs affect the ability of dual platform dealers to minimize costs for clients and hampers innovation in the delivery of products.

Specifically, the need to maintain separate compliance and supervisory functions in respect of each self-regulation organization ("SRO"), the multiplicity of membership fees, and the additional expenses in non-regulatory costs when operating as distinct entities, inevitably lead to increased operating costs which are ultimately borne by investors. Furthermore, the stratification of systems and operating entities necessarily hampers the ability of dual platform dealers to capitalize on economies of scale and technological innovations that would otherwise be viable.

Question 1.2: Is the CSA targeted outcome for issue 1 described appropriately? If yes, how can the targeted outcome be best achieved? If no, what outcome(s) do you suggest and how can they be best achieved?

WAPW believes that the targeted outcome of "A regulatory framework that minimizes redundancies that do not provide corresponding regulatory value" is described appropriately. WAPW believes that the staggered consolidation of SROs as proposed by IIROC will best achieve this outcome.

Question 2.1: What is your view on the issue of product-based regulation, and the stakeholder comments described above?

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WAPW agrees with the stakeholder comments stating that there is a lack of rule harmonization amongst SROs, including discrepancies in the application and interpretation of similar rules. WAPW further agrees that divergences in the application and interpretation of rules gives rise to the potential for “regulatory arbitrage”.

Specifically, WAPW believes that many registrants under the current model have the ability to essentially choose their regulator due to the broad regulatory overlap for certain financial products and services. In the result, two registrants who are providing products and services which are effectively identical may be subject to an unequal regulatory playing field. This can result in clients with identical interests receiving disparate levels of regulatory oversight.

Question 2.2: Is the CSA targeted outcome for issue 2 described appropriately? If yes, how can the targeted outcome be best achieved? If no, what outcome(s) do you suggest and how can they be best achieved?

WAPW believes that the targeted outcome of “A regulatory framework that minimizes opportunities for regulatory arbitrage, including the consistent development and application of rules” is described appropriately. WAPW believes that the staggered consolidation of SROs as proposed by IIROC will best achieve this outcome.

Question 3.1: What is your view on the issue of regulatory inefficiencies and the stakeholder comments described above?

WAPW agrees with the stakeholder comments stating that the current regulatory framework makes it difficult for any one regulator to identify and effectively resolve issues that span multiple registration categories.

Specifically, the detection of whether or not patterns exist that warrant regulatory intervention is a significant hurdle to regulators who are structurally limited to seeing only one part of the larger picture.

Question 3.2: Is the CSA targeted outcome for issue 3 described appropriately? If yes, how can the targeted outcome be best achieved? If no, what outcome(s) do you suggest and how can they be best achieved?

WAPW believes that the targeted outcome of “A regulatory framework that provides consistent access, where appropriate, to similar products and services for registrants and investors” is described appropriately. WAPW believes that the staggered consolidation of SROs as proposed by IIROC will best achieve this outcome.

Question 4.1: What is your view on the issue of structural inflexibility, and the stakeholder comments described above?

WAPW agrees with the stakeholder comments stating that evolving business models are limited by the current regulatory structure. WAPW further agrees that investors are needlessly inconvenienced by the necessity to re-paper client accounts and the loss of historical performance data when transferring accounts within a dual platform dealer.



Specifically, WAPW is concerned about the barriers to professional and technological advancement created by the lack of flexibility in the current framework and the limitations and succession problems created for senior mutual fund dealer representatives. WAPW's client feedback indicates an evolving preference from investors of all account sizes for wholistic wealth management advice and access to a wide range of financial products, all of which is limited by the current framework.

Question 4.2: Is the CSA targeted outcome for issue 4 described appropriately? If yes, how can the targeted outcome be best achieved? If no, what outcome(s) do you suggest and how can they be best achieved?

WAPW believes that the targeted outcome of "A flexible regulatory framework that accommodates innovation and adapts to change while protecting investors" is described appropriately. WAPW believes that the staggered consolidation of SROs as proposed by IIROC will best achieve this outcome.

Question 5.1: What is your view on the issue of investor confusion, and the stakeholder comments described above?

WAPW agrees with the stakeholder comments stating that investors are generally confused by the current regulatory structure and particularly by the inability to access similar investment products and services from a single source.

Specifically, WAPW is of the view that clients cannot easily understand the current framework due to its complexity and fragmentation. While industry insiders and experts can distinguish between the types of products and services overseen by different SROs, the public at large is not well positioned to understand these distinctions, particularly with respect to SROs who perform certain overlapping functions, such as with IIROC and the MFDA. The diversity of registration categories across multiple regulators exacerbates this concern.

WAPW also shares the concerns of other stakeholders in respect of fragmented investor protection coverage and complaint resolution processes.

Question 5.2: Is the CSA targeted outcome for issue 5 described appropriately? If yes, how can the targeted outcome be best achieved? If no, what outcome(s) do you suggest and how can they be best achieved?

WAPW believes that the targeted outcome of "A regulatory framework that is easily understood by investors and provides appropriate investor protection" is described appropriately. WAPW believes that the staggered consolidation of SROs as proposed by IIROC will best achieve this outcome.

Respectfully,


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