



Now New Self-Regulatory Organization of Canada,
a consolidation of IIROC and the MFDA

New Self-Regulatory Organization of Canada
Response to the Financial Services Regulatory
Authority of Ontario's Request for Comment on:

Proposed Rule 2022-001 Assessment and Fees

February 27, 2023

Introduction

The New Self-Regulatory Organization of Canada (**New SRO**) is the national self-regulatory organization that oversees all investment dealers, mutual fund dealers and trading activity on Canada's debt and equity marketplaces. It came into effect on January 1, 2023, upon the consolidation of the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada. New SRO continues to carry out the regulatory functions of its predecessor organizations and is committed to protecting investors and providing efficient and consistent regulation.

Our comments will be focused on proposed Rule 2022-011 Assessment and Fees (**Proposed Rule**) as it relates to financial professionals, one of FSRA's regulated sectors. While no substantive changes have been proposed for the assessment and fees provisions for financial professionals, we wish to take this opportunity to highlight a potential gap in the Proposed Rule and suggest an enhancement that aligns with the Proposed Rules' guiding Vision and Principles yet still ensures FSRA is able to execute on its legislative mandate.

In light of the New SRO's unique role within the Canadian investment regulatory system and the existing comprehensive oversight of its regulatory activities by the Ontario Securities Commission (**OSC**), a member of the Canadian Securities Administrators (**CSA**) and sister agency of FSRA, we urge FSRA to consider waiving its fees for the New SRO and for those individuals subject to its jurisdiction.

Discussion

One of the guiding principles in the development of the Proposed Rule is cost effectiveness (Vision and Principle 6.2). In particular, it states "FSRA will seek to minimize costs where practical and where such minimization will not create material or unacceptable risk." This is of particular relevance when considering the assessment of fees for financial professionals who are regulated by other entities such as New SRO, entities already part of a comprehensive oversight model, in our case that of the OSC and its CSA colleagues.

In determining whether to apply to become a credentialing body (**CB**), a key consideration is a regulatory cost-benefit analysis. That is to say, we have an obligation to satisfy ourselves that the value to the public by becoming a CB would not be outweighed by explicit fees or the cost of duplicative regulatory compliance.

The Proposed Rule sets out a fee model which includes an annual assessment based upon the number of individuals that hold the credentials for each CB. We understand these fees are to cover the ongoing regulatory costs for FSRA's title protection framework. In keeping with the Government's policy to minimize regulatory duplication and eliminate unnecessary red tape, we believe that FSRA should rely on the OSC's comprehensive regulatory oversight of New SRO for the purposes of ensuring its proper monitoring and supervision of New SRO.

The requirements of the CB supervision program undertaken by FSRA are already being conducted by the CSA by virtue of its Recognition Order for the New SRO¹. As a result, the public can be assured that New SRO meets all of the CB's on-going requirements including:

1. A well-established governance structure with a strong public interest mandate
2. The necessary expertise, resources and policies and procedures to administer and monitor compliance with its rules and/or legislation
3. A robust proficiency regime for its registered individuals including pre- and post-licensing proficiency requirements and ongoing continuing education obligations, and
4. An established complaint handling and enforcement process including the disciplining of those individuals who breach its rules.

Concluding Remarks

There are strong policy grounds for FSRA to rely on the equivalency of the OSC's oversight model and not impose additional regulatory or financial requirements on New SRO. Arguably, the public interest would be better served by New SRO becoming a CB and bringing its approximately 45,000 members into the FSRA regime. However, such participation should recognize and rely on the existing OSC oversight model, that would in turn reduce the amount of time and resources expended by FSRA. On this basis, we therefore ask FSRA to consider a further fee rule amendment which would waive the fees on New SRO as an approved CB.

Such an amendment is in accordance with FSRA's key principles in designing its title protection framework, including regulatory effectiveness and efficiencies, the reduction of regulatory burden, and the elimination of regulatory duplication.

We would be happy to discuss this proposal further with you at your convenience.

All of which is respectfully submitted.

¹ Recognition Order for the New SRO (2022), 45 OSCB (Supp-2).