

Notes for Remarks by

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Check against delivery

Welcome

Thank you, Richard.

Good morning everyone. Welcome and thank you for being here.

It's been a little over a year since we released IIROC's Strategic Plan and its priorities for the first year of the Plan.

I must admit that, looking back, we were rather ambitious and that there was a lot that we wanted to accomplish.

Even having said that though, I can report that we delivered on the majority of our objectives and did so more or less on time.

We made significant progress on a number of fronts -- progress that was only possible because of the support of the people in this room and your colleagues across the country.

As a public-interest regulator, partnerships with our many various stakeholders are integral to our ability to carry out our mission: to protect investors and support healthy Canadian capital markets.

And as a self-regulatory organization, it is with you we work to ensure an effective and efficient regulatory model which serves the public interest. I would say that model is working well.

Today, I want to touch on some of the progress we've made together, and highlight several key priorities in the year ahead.

You'll also be hearing more about our regulatory priorities from IIROC throughout the day, so I'll limit my comments this morning to a high level.

Focusing on the right objectives

Many of you will have participated in the member survey conducted for us by The Strategic Counsel this past summer to gauge the support, effectiveness and understanding of our Strategic Plan objectives and regulatory responsibilities.

I won't get into the details – in part because we've just had our first look at the results ourselves and are in the process of digesting them, but there are a couple of highlights that are definitely worth noting.

In particular, a large majority of members believe that IIROC plays an important role and that our objectives are the right ones. And we believe these results are an accurate reflection of what firms think because 71% of firms participated.

Specifically a full 97% of participants indicated that being a trusted, respected and valued partner by our stakeholders is important; 96% indicated that making the delivery of securities regulation in Canada significantly more efficient is important; and 93% said that inspiring confidence and deterring wrongdoing by having and using robust and appropriate tools is important.

Today, I want to highlight in real terms how we are delivering on these objectives and of course I will also share the high level results of the survey with you in the coming weeks.

A good year for investor protection

Now many of you in this room have heard me talk about the importance of holding wrongdoers accountable and sending a strong deterrent message to those who might cause harm to investors.

We have made significant progress – particularly here in Alberta -
- in enhancing and making more consistent the standard of investor protection across Canada.

We've done this by working collaboratively with the Alberta Securities Commission, the Government of Alberta and their counterparts across Canada to obtain the enforcement tools needed to do the job we've been asked to do, and to do it well.

I want to take this moment to thank Stan Magidson, Chair and CEO of the ASC and all of his colleagues as well as the Government for their leadership. Once again, Alberta has taken a leadership role in Canada by providing IIROC with the full set of legal tools we need to pursue those who harm investors in this province.

It was in May that the Government introduced Bill 13, which gave IIROC the ability to enhance cooperation of non-IIROC registrants with investigations. We previously had the ability to require cooperation at the hearing stage but needed to complete the process. This Bill (which took effect in June) gave us the ability to obtain evidence from non-registrants during our investigations.

As you can imagine, it is very difficult to put together a case regarding a misappropriation of funds if an investigator can't follow the trail of money by, for example, getting direct and efficient access to banking or telephone records. Now we can.

Of course, these are significant powers and they come with significant responsibility. So we are working closely with the ASC to mirror its procedures in respect of these authorities so as to ensure appropriate governance, and appropriate checks and balances in their use.

Alberta's amendments also mean that IIROC staff and hearing panels have protection against lawsuits when acting in good faith in the pursuit of our regulatory mandate. As a result, in Alberta, it's not going to be so easy to throw us off the trail with the threat of a malicious legal action.

Alberta had also been the first in the country to give us the power to enforce fines through the courts many years ago. So Bill 13 continues to demonstrate Alberta's ongoing leadership when it comes to investor protection.

We have also made progress in Ontario and PEI this year. In April, the Ontario Government announced its intention to give us fine collection ability as part of its 2017 Budget.

As a result, we expect that collection rates in that province will go up to closer to Alberta's levels over time and, more importantly, there will be broader understanding that the system has integrity and that misdeeds have consequences.

Our efforts also resulted in changes in PEI. In January, the Superintendent of Securities in PEI issued an authorization order that now makes it possible to enforce fine collection by registering and pursuing final sanction decisions as court judgments. And PEI also gave IIROC the ability to require cooperation with our disciplinary hearings, similar to what we already had here in Alberta.

We are grateful to these governments and their respective securities commissions and we are continuing discussions with other jurisdictions so that we can achieve a consistent approach to investor protection across the country. This will continue to be a priority over the course of the next few years.

I think it is worth noting that the industry has been absolutely supportive of our efforts. Whether you ask IIAC, IFIC, firms and their executives or individual advisors, everyone wants the "bad apples" out of the industry – because we are an industry of

professionals who want to do what is best for our clients and those we protect.

But effective enforcement is not just about getting stronger powers. It's also having and using a range of tools so that the regulatory response is proportional to the infraction. As a result, we are also looking, as one of our strategic priorities for this coming year, at alternative sanctions.

Evidently, not every breach of our rules would cause imminent or significant harm to investors. So another form of disciplinary action may be more appropriate – and be far more timely and cost effective – than a full investigation and hearing.

We will consult with you – and with the public generally - on the proposal in early 2018 and ask you to participate in the process.

An efficient regulatory framework

I began by highlighting the degree of your support for our objective of making the delivery of securities regulation in Canada significantly more efficient, and also for being and being seen as a trusted and valued partner to all our stakeholders.

The work we have undertaken as the CSA's appointed Information Processor for corporate-debt securities is an example of how we delivered on that, and also of how we can leverage IIROC's unique position to benefit the system as a whole.

As you remember, we began in 2016 by publishing trade data on the most liquid corporate bonds from the most active dealers and expanded the list from there using a liquidity model that our Analytics Team developed (and published in August). As of this summer, all corporate debt trades by all IIROC-regulated firms are transparent and we are now working on ways by which we can provide an even more comprehensive view of Canada's debt market.

For example, conversations with dealers, the buy side and other market participants indicate that downloadable, bulk transaction data would be useful for risk management, monitoring of fair pricing compliance, and independent price verification, among other things. So we are working on that.

As well, if the CSA exemption from the transparency requirements for government debt expires at the end of this year as scheduled, there may be an opportunity for us to add further value to the system.

Understanding IIROC's role as a regulator

Now, I've spoken a couple of times already today about how we have engaged with you in pursuit of our strategic objectives.

We've also engaged directly with Canadians as they are, after all, who we all serve.

We've done this by connecting with an online pool of 10,000 Canadian investors in order to better understand their needs and perceptions.

For example, early this year we completed a survey of investors from coast to coast to determine their level of understanding, awareness and perceptions pertaining to the regulation of the investment industry.

We believed that the awareness level of regulators – and of IIROC in particular - would probably be low; sadly we were largely correct.

More positively, we were a little surprised to learn that when investors learned of investment advisors being disciplined or had received information about IIROC regulation from their advisors directly, they actually felt more informed, more confident in the

regulatory system and more likely to invest. This is good news for all of us.

This past January, our new mandatory disclosure policy took effect – a policy that requires dealers to clearly communicate to their clients that they are regulated by IIROC.

I mention this because we also learned from our research that when investors want to learn about regulation, one of the top places they go is to the professional on whom they rely for investment advice. So, this truly should be a joint effort to inform, educate and protect investors. It sends a strong message to clients that your firm and the advisors you employ are regulated and held to high standards – something that can be viewed as a competitive advantage that gives clients confidence in the investment advisors with whom they work.

Understanding IIROC's market supervisory role

Another interesting finding in both our investor survey and the member survey is the lack of understanding of IIROC's role as a market regulator and an information resource.

While firms are well-informed about how we regulate them, there were a number of members who did not feel qualified to comment about our market-oversight role and the value we deliver to the overall regulatory system.

Let me give you a specific example.

In July, we reached an agreement with Nasdaq's SMARTS that will enable us to significantly enhance our market-surveillance capabilities resulting in increased investor protection.

The system will enable us to use leading-edge surveillance technology to oversee all securities trading and more effectively detect and respond to potential market abuses on debt and equity markets across Canada.

It provides us with a solid foundation for the evolution of IIROC's market supervision in the years ahead and brings us one step closer to our vision of providing leading-edge market surveillance, another key element of our Strategic Plan.

For example, this state-of-the-art system offers new tools and approaches including machine learning and artificial intelligence that our team will leverage as a market regulator, so we can

focus our surveillance and analysis capabilities where they are needed most.

Doing so is an important component of ensuring our capital markets operate fairly and with integrity, which helps instill investor confidence.

It is also important to note that we carry out this market oversight both in support of our mandate and that of the CSA to help ensure compliance with trading rules and applicable provincial and territorial securities regulation – another example of how leveraging our expertise, technology and role provides value to our partners and the system as a whole.

Providing value to dealer members

Since we last met, cybersecurity has continued to be a complex issue facing not just our industry but all industries and sectors around the world. Just take the recent Equifax breach, an attack on a company whose role, ironically, includes monitoring people's credit status for breaches of their personal information.

At IIROC, we have not only worked steadily to enhance our system's security but to support firms so they too can enhance their level of preparedness.

We recognize that not all firms have as many resources and as much expertise in this area as they would like. So, over the past year we've worked with IIROC dealers to evaluate their level of preparedness and we've dedicated resources to providing expertise and practical support to those that are more vulnerable.

This is an area that will continue to be a priority as it is consistent with our commitment to protecting investors and fostering confidence in the integrity of the markets.

Working in the client's "best interest"

Now, before I conclude my remarks I want touch on another subject I raised last September in Vancouver. I know there is a specific session this afternoon on this topic.

I'm talking of course about the CSA work on targeted reforms and, in some jurisdictions, on a best interest standard.

Let me first say that we at IIROC continue to work with all CSA members through their related regulatory process on best interest and targeted reforms because we believe it is critical to

ensure a consistent, high standard for all regulatory platforms – a standard that in many cases IIROC registrants are already required to meet.

You may recall that last year we concluded a comprehensive review of compensation-related conflicts, something we did because we believe that compensation-related conflicts represent the majority of the issues at the heart of the best-interest debate.

Our rules say explicitly that any conflict of interest between a registrant and their client must be resolved in a fair, equitable and transparent manner, and consistent with the best interests of the client.

In April, we published details of the key findings of this review and issued new, supplementary guidance for dealers to clarify what is required by our rules.

We also enhanced our Business Conduct Compliance examination procedures with a view to putting a greater focus on compensation grids and programs, the quality of disclosures, sales targets and compliance with National Instrument 81-105 (mutual fund sales practices). Our goal is to ensure that firms

follow clear and appropriate policies and procedures to mitigate compensation-related conflicts, or avoid them altogether.

The proper management of conflicts, particularly those related to compensation, can only improve public confidence in our markets and our financial system and contribute to their health and vibrancy.

Closing

I'd like to close by underlining how important it is for us as a self-regulatory organization to have your support for our mission and our vision.

The results of the member survey noted room for improvement in some areas to be sure, but they also suggested that you believe we have made important strides towards being a more effective and efficient regulator and one that recognizes the importance of proportionate regulation.

Equally important, the results show that there is strong alignment with you around what we want to accomplish, how and why.

Your ongoing engagement – not only in surveys but in the various IIROC advisory committees and district councils and

events like today's conference demonstrate your commitment to serving Canadians and to ensuring that IIROC registrants meet the highest professional and ethical standards.

We a full agenda today; I hope you find it useful and that you take the opportunity to actively participate as your views are important to us.

Introduction of Stan Magidson

Now it is my pleasure to introduce our special guest – Alberta Securities Commission Chair and CEO Stan Magidson.

Stan was appointed by the Government of Alberta in March 2016 and so this is our first opportunity to have him join our biennial Alberta conference.

Prior to his appointment Stan served as President and CEO of the Institute of Corporate Directors or ICD. His previous experience also includes being a partner for 15 years with the national law firm of Osler, Hoskin and Harcourt LLP. He spent 10 of those years in Calgary where he spearheaded the successful growth of the firm's Calgary office.

He also previously served as Chair of the ASC's Securities Advisory Committee and also spent some time working with the Ontario Securities Commission around the turn of the century. So his knowledge of and experience with securities markets and the regulatory landscape here in Alberta and across Canada is second to none and we are fortunate to have him here with us today.

Stan....

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