

INVESTOR ADVISORY PANEL

November 16, 2016

The Hon. William Morneau
Minister of Finance
House of Commons
Ottawa, ON
K1A 0A6

The Hon. Charles Sousa
Minister of Finance
Ontario Ministry of Finance
7 Queens Park Crescent, 7th Floor
Toronto, ON
M7A 1Y7

The Hon. Michael de Jong
Minister of Finance
Room 153, Parliament Buildings
Victoria, BC
V8V 1X4

The Hon. Currie Dixon
Minister of Community Services
Yukon Legislative Assembly
Box 2703
Whitehorse, YT
Y1A 2C6

The Hon. H. Wade MacLauchlan
Minister of Justice and Public Safety and
Attorney General
5th Floor, Shaw Building South
P.O. Box 2000
Charlottetown, PE
C1A 7N8

The Hon. Cathy Rogers
Minister of Finance
Chancery Place
P. O. Box 6000
Fredericton, NB
E3B 5H1

The Hon. Gordon Wyant
Minister of Justice and Attorney General
Room 355, Legislative Building
2405 Legislative Drive
Regina, SK
S4S 0B3

Re: Progress on the Cooperative Capital Markets Regulatory System

Dear Honourable Ministers,

I am writing on behalf of the Investor Advisory Panel, an initiative by the OSC to enable investor concerns and voices to be represented in its rule and policy making process. In December 2015, the Panel commented on the Revised Consultation Draft of the Capital Markets Act which was put out for consultation by the Cooperative Capital Markets Regulatory System in Canada. We understand that the group is working diligently to lay the groundwork for the common regulator to move forward while balancing the concerns and input of numerous stakeholders.

Robust stakeholder engagement ensures that Canadians' voices are heard and included in public policy-making and government decisions that affect their lives. We urge you to act to improve our

current investor protection system by ensuring investor involvement in the new common regulator.

Among the stated benefits of the Cooperative System is to *“provide increased protection for investors through a combination of more consistent and active compliance activities, more effective enforcement against misconduct and improved coordination with police and prosecution authorities both within and outside Canada.”*

The Panel would like to make it clear that the foundation of investor protection should also include strong and direct ties with investors themselves. We raised concerns in our December 2015 consultation response that there appeared to be no clear mechanism for investor input in the proposed Capital Markets Act.

We hope this will change for the better in the next iteration of the Act.

The Panel cannot stress enough the need to include an independent Investor Advisory Panel in order to ensure that the voice and perspective of retail investors is embedded in the new common regulator. This Panel must be structured so as to be independent and truly representative of investor concerns. We would also echo FAIR Canada’s recommendation that it be created by legislative provision to ensure its ongoing operation and role.

We recommend that the new regulator include a dedicated investor issues group, a practice of regulators who have made investor involvement a priority. The U.K. Financial Services Authority established a consumer section within the organization to put investor interests at the core of its regulatory policy making. The U.S. Securities and Exchange Commission has set up its own Office of the Investor Advocate while in Canada the Ontario Securities Commission has created its office of the investor, the Investor Office. We urge you to emulate these regulatory best practices.

The Panel would also like to reiterate our earlier call for greater inclusion of retail investor input at all levels of decision- and rule-making within the new regulatory body. Ongoing investor input at the most senior levels is needed to foster healthy capital markets - policy that is skewed to industry interests alone will weaken the system rather than strengthen it.

We hope that you, as senior ministers overseeing this process, will recognize the central role that investor input plays in effective regulation and that you will work to ensure that the voice of investors is a key part of the new Common Capital Markets Regulator.

Yours truly,

Ursula Menke
Chair, Investor Advisory Panel

cc: William Black, Capital Markets Authority Implementation Organization