

May 29, 2015

**BY EMAIL**

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Dear Sirs/Mesdames:

**Re: OSC Notice 11-771 – Statement of Priorities – Request for Comments  
Regarding Statement of Priorities for Financial Year to End March 31, 2016  
(the “Statement of Priorities”)**

The Canadian Advocacy Council<sup>1</sup> for Canadian CFA Institute<sup>2</sup> Societies (the CAC) appreciates the opportunity to comment on the Ontario Securities Commission’s draft Statement of Priorities.

We support a number of the OSC’s important initiatives included in its list of priorities for the upcoming fiscal year. It is helpful that the Statement of Priorities includes specific timeframes and steps in which many of the proposals will be considered.

The Statement of Priorities acknowledges the importance of a well-functioning investor/advisor relationship to the economic well-being of Ontarians. As CFA charterholders, we have agreed to uphold the Code of Ethics, which requires us to put the best interest of our clients ahead of our own. With respect to the best interest standard, there does not appear to be a set time limit for the proposed publication of the OSC’s preliminary findings, only that the analysis of possible approaches will be completed. We believe that a specific deadline should be set and we would welcome action to move this initiative forward as quickly as possible. As noted in past comment letters, we are of the view that the OSC should continue to consider its analysis of implementing a best interest standard on advisers and dealers as a high priority, as well as its review of mutual fund fees and the potential conflicts that may be raised by the use of trailing commissions. We urge the OSC to try to work with its counterparts in other jurisdictions to complete their analysis

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<sup>1</sup>The CAC represents the 14,000 Canadian members of CFA Institute and its 12 Member Societies across Canada. The CAC membership includes portfolio managers, analysts and other investment professionals in Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. See the CAC’s website at <http://www.cfasociety.org/cac>. Our Code of Ethics and Standards of Professional Conduct can be found at <http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx>.

<sup>2</sup> CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors’ interests come first, markets function at their best, and economies grow. CFA Institute has more than 119,000 members in 147 countries and territories, including 112,000 CFA charterholders, and 143 member societies. For more information, visit [www.cfainstitute.org](http://www.cfainstitute.org).

as soon as possible such that new rules, if any, can also be published for comment as soon as possible.

The OSC is in an excellent position to assist with the government's examination of policy alternatives for the regulation of financial planning, and we would encourage the OSC to engage in early outreach with market participants in anticipation of any new regulatory framework or proficiency requirements.

With respect to potential systemic risk, we agree that a priority should be to develop recommendations to implement Principal 14 – Segregation and Portability under the CPMI IOSCO Principles for Financial Market Infrastructures. The potential bankruptcy of a systemically important market participant would by its nature have a large impact on the market, and thus clear and robust guidelines with respect to segregation and portability are important, particularly as it relates to the re-hypothecation of customer collateral.

We are also of the view that the OSC should prioritize and expand its efforts with respect to the transparency of the corporate bond market in Canada. While the Statement of Priorities notes that the OSC intends to publish a regulatory plan that addresses key issues identified in its now published fixed income review, including requirements to increase post trade transparency, there is no concrete deadline set for the next steps in the rule making process.

There are a number of urgent issues with respect to the current functioning of our proxy voting system, and we share concerns raised by others on the reliability and accuracy of the proxy voting infrastructure, which is not currently referenced in the Statement of Priorities. We would like to see timelines set for the next steps in the rule making process.

We continue to believe it would be helpful for market participants if there were clear, published criteria for measuring the success of a particular new rule or guidance, beginning with a discussion in the notice accompanying any proposal of what the OSC would consider a successful outcome, followed by an open forum for consistent feedback subsequent to the implementation of the proposal. If the success of a new rule is measurable and monitored, consideration of any necessary amendments can take place in a timely manner.

We wish to continue to emphasize the importance for both issuers and investors for the regulator in each province and territory to harmonize the content and application of securities rules across the country. The increasing complexity and expense of compliance with a myriad of different rules in each jurisdiction is a continuing hurdle for international issuers and investors for participation in our capital markets.

Roundtables are a practical, efficient method of collecting information from market participants when formulating new rules or amendments, and we would be pleased to continue to participate on a going forward basis.

## **Concluding Remarks**

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have and appreciate the time you are taking to consider our points of view. Please feel free to contact us at [chair@cfaadvocacy.ca](mailto:chair@cfaadvocacy.ca) on this or any other issue in future.

(Signed) *Cecilia Wong*

**Cecilia Wong, CFA**  
**Chair, Canadian Advocacy Council**