

# Worldsource Commentary on CSA Position Paper

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There is no doubt that the investment industry is in the midst of significant change. The 2021 Client Focused Reforms (CFRs) continue to shape the way that Advisors engage with their clients; and now the long-awaited announcement by the Canadian Securities Administrators (CSA) on August 3, 2021 regarding the establishment of a new self-regulatory organization (SRO) that will oversee Canada's investment industry will ultimately reconfigure how both Dealers and Advisors are regulated.

The creation of the new regulator, which consolidates the functions of both the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA), is the result of more than 18 months of consultation from industry participants following the CSA announcement in December 2019 of the possibility of a merger of both entities. It is important to note that this is not the first time that consolidation of regulatory bodies has occurred in Canada. In 2008, the Investment Dealers Association (IDA), which was founded in 1916, and the Market Regulations Services (RS), which was founded in 2002, merged to form IIROC. At the time, the creation of this new SRO was viewed as a fundamental step to ensuring strong, streamlined, expert self-regulation of Canada's capital markets, which remains as a primary consideration for this current consolidation.

As a dual-platform Dealer, Worldsource has a long history of working with both the IIROC and the MFDA and was one of only 67 respondents to the CSA's Position Paper 25-404 - New Self-Regulatory Organization Framework, published for comment on June 25, 2020.

Our submission to 25-404 highlighted a number of concerns, all of which the CSA's position paper directly noted as being top priorities for implementation during Phase 1 of the establishment of the new SRO. We believe the CSA took our concerns into consideration given that we are not only a dual-platform Dealer that is directly impacted, but also one of the MFDA's larger member firms. Particularly, one of our noted concerns, and of great importance to our IIROC registrants, was the principal/agent relationship and the ability to direct commissions to corporations, which the CSA will be addressing in Phase 1 of the consolidation process. Additionally, we highlighted continuing education requirements, product availability to clients, and synergies between our Dealerships that could be realized and would inevitably result in a reduction in costs and confusion to both clients and Advisors.

Worldsource is a firm that believes in providing both Advisors and Investors with a wide range of product choice, and Advisors with the freedom to provide unbiased advice.

The CSA's proposed framework will specifically address Worldsource's concerns and includes solutions to achieve the CSA-targeted outcomes identified in the consultation paper by:

- eliminating duplicative costs and minimizing regulatory inefficiencies;
- promoting access to advice for all investors;
- reducing investor confusion;
- enhancing structural flexibility;
- acknowledging proportionate regulation;
- establishing a graduated proficiency model;
- streamlining the complaint process;
- increasing controls and improving transparency of enforcement mechanisms; and
- enhancing market surveillance.

The CSA specifically noted:

- In developing the new SRO rule book, a policy initiative will focus on the review of current IIROC and MFDA rules in order to identify differences and, if appropriate, propose changes to harmonize rules, policies and related processes;
- Implement a streamlined Continuing Education program for all Dealer members that is fair, consistent and proportionate;
- Enable a dual-platform Dealer to include its mutual fund Dealer and investment Dealer businesses within one legal entity and integrate similar back-office functionalities;
- Ensure that fees in the new SRO are proportionate to registrants' activities and do not carry over any duplications currently experienced by dual-platform Dealers;
- Oversee a policy review of the existing IIROC and MFDA rule books/guidance to increase harmonization of similar rules, as well as their interpretation and application. The focus will be to identify differences in the rules/guidance, arbitrage opportunities and overlaps and propose either to maintain necessary differences, or to seek appropriate amendments to harmonize or eliminate regulatory gaps; and
- The topic of directed commission arrangements is a complex matter with many considerations. Further work will need to be completed, including consultations with other CSA stakeholders, to reach definitive conclusions on the appropriate treatment under the new SRO model.

Worldsource, as a dual-platform Dealer, is well positioned to meet the changes to come. We will continue to engage regulators and introduce new technologies, product and service innovations in order to ensure that you, our Advisors and partners, continue to succeed and thrive going forward.

You can read the CSA's full paper [here](#).