

OSC Investor Advisory Panel
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August 8, 2016

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The Investor Advisory Panel is pleased to respond to the new Strategic Plan of the Investment Industry Regulatory Organization of Canada (IIROC).

IIROC is an industry-focused, industry-facing regulator which excludes retail investors from playing any role in its governance, ongoing operations or policy development. For a regulator whose mandate is to act in the public interest, it has never included these stakeholders as part of its ongoing activities. Its Strategic Plan makes no serious effort to address this failure.

An organization with a public interest mandate which does not fairly and effectively engage all its stakeholders lacks independence, credibility and legitimacy. At a time when Canadian governments and courts are seeking to make public consultation more effective and inclusive (most notably through current demands for 'social licence' in energy development) we are dismayed by IIROC's apparent disregard for full stakeholder inclusion. We believe that unless IIROC, under the direction of its Canadian Securities Administrators (CSA) overseers, reforms its culture and governance, it will continue to fail in its mandate to protect investors.

In our response to IIROC's Strategic Plan we called on it to take a leadership role in the current discussion about improving advice standards for Canadians. IIROC makes the new assurance that "taken together our Dealer Member Rule Book and guidance put the best interests of the client before the interests of IIROC dealers." We find this unconvincing – in fact, it has been widely contradicted by investors' experience. IIROC members routinely deny this assurance when responding to IIROC regarding investor complaints and in litigation before the courts. Nonetheless, IIROC fails to take any action against such denials. The Panel is therefore concerned that IIROC might erroneously conclude that it need not support the OSC call for a best interest standard.

Furthermore, we call on IIROC to make "*fairly, honestly and in good faith*" and timely complaint handling a strategic priority for itself and the firms it regulates. IIROC's silence and inaction with regard to disciplining its firms' refusal to cooperate with the Ombudsman for Banking Services and Investments (OBSI) is unacceptable and underscores its lack of

commitment to investor protection. The recent independent OBSI review provides compelling evidence of regulatory passivity in the face of industry rule-breaking.

IIROC must raise the bar and improve its performance as a self-regulator responsible for investor protection for Ontario retail investors. Investors must be able to rely on it to act in the public interest.

Yours truly,

Ursula Menke
Chair, OSC Investor Advisory Panel