

CSA Staff Notice and Request for Comment 25-304 *Application for Recognition of New Self-Regulatory Organization*

May 12, 2022

1. Background

Following extensive public consultations, the Canadian Securities Administrators (CSA) published [CSA Position Paper 25-404 – New Self-Regulatory Organization Framework \(CSA Position Paper\)](#), recommending amalgamation of the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA) into a single self-regulatory organization (SRO), known at this time as New SRO, in order to provide a framework for efficient and effective regulation in the public interest, including an enhanced governance structure, improved investor protection and education, and strengthened industry proficiency. The CSA also recommended to amalgamate the two current investor protection funds, the Canadian Investor Protection Fund (CIPF) and the MFDA Investor Protection Corporation (MFDA IPC), into a single protection fund which will be independent from the New SRO. Amalgamation of the protection funds and related request for comment are addressed in a separate notice (CSA Staff Notice and Request for Comment 25-305).

IIROC and the MFDA have been working collaboratively to amalgamate their regulatory activities into the New SRO. IIROC and the MFDA have applied on behalf of the New SRO for its recognition as an SRO by the securities regulators in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and Yukon (**Recognizing Regulators**).

The Recognizing Regulators are publishing for comment the following documents:

- **Appendix A** - Application for recognition of the New SRO (**Application**), which includes the below schedules:

Schedule 1 – Draft By-Law Number 1 of the New SRO

Schedule 2 – Draft Interim Rules of the New SRO¹

- i. Introduction
- ii. Investment Dealer and Partially Consolidated Rules
- iii. Mutual Fund Dealer Rules
- iv. Mutual Fund Dealer Form 1
- v. Universal Market Integrity Rules

Schedule 3 – Draft Terms of Reference for New SRO's Investor Advisory Panel²

¹ Please refer to FAQs on Interim Rules at IIROC website (<https://www.iiroc.ca/new-sro-interim-rules-frequently-asked-questions>) or MFDA website (<https://mfda.ca/new-sro-rules-faq/>).

² Please refer to FAQs on New SRO IAP at IIROC website (<https://www.iiroc.ca/new-sro-investor-advisory-panel-questions-answers>) or MFDA website (<https://mfda.ca/new-iap-faq/>).

Schedule 4 – Québec Requirements (unofficial translation)

- **Appendix B** – Draft Recognition Order for the New SRO setting out the terms and conditions of recognition as well as reporting requirements for the New SRO. Following the comment process and resolution of any issues, each Recognizing Regulator will issue a substantially similar order recognizing the New SRO.
- **Appendix C** – Draft MOU among the Recognizing Regulators regarding oversight of the New SRO. The MOU includes detailed protocols for: Recognizing Regulators' non-objection process for certain changes to the New SRO governance structures; processes for the review and approval of the New SRO rules, policies and other similar instruments; and procedures for performance of periodic oversight reviews of the New SRO.

The above documents reflect the recommendations from the CSA Position Paper and provide the basis for an enhanced regulatory framework, which will include the following key features:

- Clarifying and reinforcing New SRO's public interest mandate;
- Improving New SRO's governance structure by ensuring the board of directors and board committees are composed of a majority of independent directors and independent chairs, and the governance committee is composed of all independent directors;
- Articulating clear criteria for independent directors;
- Ensuring New SRO's appropriate cooperation with the Recognizing Regulators, including alignment of strategic and business plans, annual statements of priorities and budgets;
- Transforming the current IIROC District Councils into Regional Councils to be tasked with an advisory role to staff of the New SRO on regional regulatory policy matters;
- Establishing formal investor engagement mechanisms such as an investor advisory panel and investor office and ensuring investors are represented on appropriate advisory committees; and
- Improving access to advice by providing an opportunity for introducing / carrying broker arrangements between mutual fund dealers and investment dealers

The Autorité des marchés financiers (**AMF**) is publishing simultaneously for comments its proposed transition plan for mutual fund dealers registered in Québec (**Québec MFDs**) and their registered individuals. Following the comment period, any required amendments with respect to the Québec MFDs and registered individuals will be incorporated into the Interim Rules of the New SRO to be effective upon the close of the amalgamation.

2. Recognition of the New SRO

The Application, published below, outlines how the New SRO will meet the criteria of recognition outlined in Schedule 1 to the Draft Recognition Order for the New SRO attached below in Appendix B.

3. Comment Process

We are seeking comments on all aspects of the New SRO Application and related documents. Please submit your written comments on or before June 27, 2022. If you are not sending your written representations by email, please send us an electronic file containing submissions provided (in Microsoft Word format).

Please address your submission to all of the CSA as follows:

Alberta Securities Commission

Autorité des marchés financiers

British Columbia Securities Commission

Manitoba Securities Commission

Financial and Consumer Services Commission of New Brunswick

Office of the Superintendent of Securities, Digital Government and Services,
Newfoundland and Labrador

Office of the Superintendent of Securities, Northwest Territories

Nova Scotia Securities Commission

Office of the Superintendent of Securities, Nunavut

Ontario Securities Commission

Prince Edward Island Office of the Superintendent of Securities

Financial and Consumer Affairs Authority of Saskatchewan

Office of the Yukon Superintendent of Securities

Please send your written representations only to the addresses below. Your written representations will be forwarded to the other CSA member jurisdictions. Your comments relating to the schedules will also be shared with IIROC and the MFDA.

The Secretary
Ontario Securities Commission
20 Queen Street West 22nd Floor
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
Email: comments@osc.gov.on.ca

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
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Fax : 514- 864-638
Email: consultation-en-cours@lautorite.qc.ca

Certain CSA jurisdictions require publication of the comments received during the comment period. All written comments received will be posted on the websites of each of the ASC at www.albertasecurities.com, the AMF at www.lautorite.qc.ca and the OSC at www.osc.gov.on.ca. Please do not include personal information directly in written representations to be published and state on whose behalf you are making the submission.

Questions

If you have any comments or questions, please contact any of the CSA staff listed below.

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