



What Canadian investors want in a modern SRO

September 8, 2020



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The financial services sector in Canada is operating in a rapidly changing and dynamic environment. These changes have been brought about through significant world events, new technologies and innovative business models. In addition, the need to maintain and enhance investor confidence in Canada's capital markets and the regulatory system that protects them has never been greater.

There are currently two significant assessments of Canada's securities regulatory system underway: **(1) the Canadian Securities Administrators' (CSA) review of the framework for self-regulatory organizations (SROs); and (2) the review by the Ontario Capital Markets Modernization Taskforce (the Taskforce) of Ontario's capital markets, which includes a review of the SRO framework.**

In order to assist both the CSA and the Taskforce in their respective reviews, the MFDA undertook a comprehensive independent research survey to examine Canadian investors' expectations, priorities and hopes for the future of the SRO framework in Canada.

The resulting insights highlight what Canadians think about the current regulatory environment and how their views support meaningful change that is both transformative and forward looking. This research revealed that investors prefer a comprehensive SRO review to a simple merger, and a model that emphasizes accountability, government oversight and investor protection. Ultimately, Canadians believe that such a comprehensive approach would increase public confidence.

The Current Environment

Canadians assume government is most responsible for protecting investors

When it comes to which organizations are most responsible for the regulation of the financial markets, the market participants and for ensuring investor protection, the majority (**more than half**) believe it is the government.

In particular, they believe the government is the most responsible for ensuring investor protection.

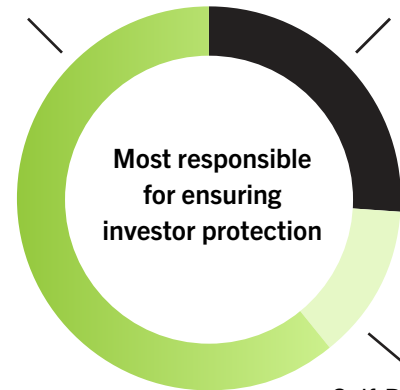
Government:

62 %

(made up of Government Securities Regulators: 38 % and Federal Government: 24 %)

Other:

25 %



Self-Regulatory Organizations:

13 %

(made up of investment industry members)

48 %

Less than half trust the investment industry to make decisions that are in the public interest and not their own.



76 %

Three-quarters think conflicts of interest among board members who govern these SROs happen frequently and are not declared or eliminated before making important decisions.



60 %

Believe the current regulation model of the investment industry is **not working** and think the government securities administrators need to be more directly involved in regulating the investment industry.



Investors lack trust in current SRO framework – A majority have concerns and want greater government oversight

There are concerns and an apparent lack of trust among Canadian investors with the status quo of having two SROs that set and enforce rules regarding the business and financial conduct of their dealer firms and their registered agents and employees.

88 %

Believe that Canadian regulators should provide **more oversight** of the investment industry.



The time is now

*Given the clear concerns and apparent lack of trust with the structure of the current SRO framework, **the vast majority (88 per cent)** believe that it is time for Canadian regulators to get tougher in the oversight of the investment industry.*

Canadian investors want meaningful and consistent protection

*When asked about the overall regulation of the financial and investment marketplace and what is in place to protect investors that participate in those markets, the vast majority of Canadians agree that regulatory protection should be consistent across all products, services and dealer types. **The majority believe:***

91 %



Financial products and services that are alike should be regulated in the same way.

84 %



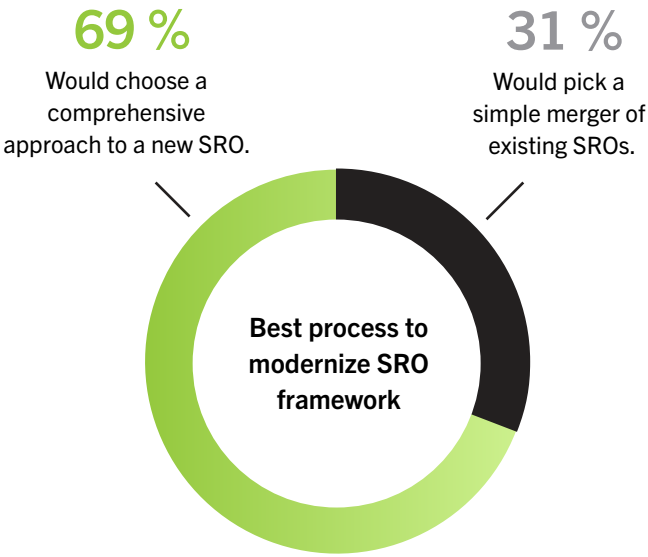
If an advisory firm goes bankrupt, investors should be covered by a protection plan regardless of the kind of firm that they have their products with.

The Future Environment

Canadians feel real change is required, not a simple status quo merger

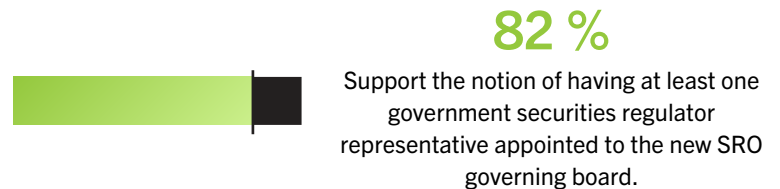
When explained there is currently a process underway to modernize the SRO framework, **more than two-thirds (69 per cent)** of Canadians think that designing a new SRO through a comprehensive review is preferable to a merger of the two current SROs.

In designing a new SRO Canadians prefer a comprehensive public interest approach that is focused on accountability, governance and investor protection, as compared to a merger that focuses on the reduction of red tape, regulatory burden and costs. Canadians believe that obtaining these efficiencies for the investment industry should not be the driving force of regulatory reform, but rather, should be derived from, and follow, a public interest first approach.



Investors believe that the CSA having a direct role in SRO governance is critical

When told the two current SROs are industry member funded and represented, but the government is not directly involved in their day-to-day management, operation, or governance, **the vast majority (82 per cent)** said they support the notion of having at least one government securities regulator representative appointed to sit on the new SRO's governing board where they would contribute to deliberations and decisions.



Reasons Canadians are supportive of CSA having a direct role in SRO governance include:



Enhanced public confidence

Ultimately, a **significant majority** of Canadian investors believe having a CSA statutory regulator involved in the governance of a new SRO would enhance public confidence in that SRO.

82 %

Think having a government securities regulator representative on the board **would bolster public confidence** in the new SRO.



Conclusion:

What Canadian investors want in a modern SRO

Enhancing public confidence in Canada's SRO framework will require meaningful change achieved through sound policy analysis based on a public interest first approach.

These research insights indicate Canadians' strong support and desire for a strengthened SRO accountability and governance framework and for consistent regulatory protections across investment products, services and dealer types.

About the survey

The MFDA's online public opinion poll was conducted by Maru/Blue with a sample of 2,000 Canadians that have a mutual fund or investment account. The sample was balanced to represent the entire Canadian retail investor population. The survey was conducted between July and August 2020.

Maru/Blue: www.marublue.com/public-opinion is a research channel for one of North America's leading premium quality data services firms. www.marublue.com provides reliable global data for private, public, and not-for-profit sector clients. It is part of the www.marugroup.net that operates from ten centres within four continents.

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