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Canadian Foundation for  
Advancement of Investor Rights

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What has been completely overlooked in all the battling over the issue of a national securities regulator is how the dealers and persons who actually distribute and trade in securities on behalf of retail, corporate and institutional investors are regulated. The community of investment and mutual fund dealers, and their retail and institutional advisors, analysts, traders, investment bankers, etc., are primarily regulated by the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Mutual Fund Dealers Association (“MFDA”).

According to their respective 2010 annual reports, IIROC has 208 member firms employing 28,380 approved persons, and the MFDA has 139 member mutual fund dealers with 73,000 approved persons. Both are national self-regulatory organizations (“SROs”) which obtain their regulatory jurisdiction in each province by that province’s securities commission. What that means is that each provincial securities commission enters into a recognition Order or similar instrument, setting out the terms that allow the SRO to regulate its members in that particular jurisdiction.

The trenchant analogy is a child with many parents, who don’t live together, who don’t particularly get along, and whose disagreements frequently play out on the field of the SRO’s regulation of its members. These regulatory issues are sometimes local, but more often what is at stake are issues that transcend provincial boundaries involving dealers who carry on business in multiple jurisdictions with head offices located elsewhere in the country. As such, in many respects the two national SROs are national in name only, with a constant tension caused by provincial concerns exacerbated by the conduct of the provincial securities commissions. SRO rule changes require the agreement of the Canadian securities administrators, and obtaining consensus from the provincial commissions means that change is slow, politically motivated and inefficient.

My advice to all the naysayers to a national securities regulator – live in this world for a while, experience the frustrations and prejudices affecting proper regulatory oversight of our capital markets and the dealers, advisors and market participants caused by regulatory dysfunction, and then you will likely see the light now clouded by parochialism and petty provincial politics.

*The views expressed in this article are strictly personal.*

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