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Delivered By Email: cfp@assnat.qc.ca

Mr. Félix Fortin-Lauzier
Secretary of the Public Finance Committee
National Assembly of Quebec
Pamphile-Le May Building 1035, rue des Parlementaires
3rd Floor Quebec City (Quebec)
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Telephone: 418 643-272

Dear Mr. Fortin-Lauzier:

RE: Consultation on Bill 92

The Securities and Investment Management Association (SIMA) appreciates the opportunity to comment on Bill 92, *An Act to amend various provisions mainly with respect to the financial sector* (Bill 92).

Our General Position

Our comments focus on the proposed changes to the financial sector regulatory structure, primarily the future of the *Chambre de la sécurité financière* (CSF). We support the merger of the CSF with the *Chambre de l'assurance de dommages* (ChAD) to create the *Chambre de l'assurance* (the Chambre). We also support the withdrawal of the Chambre's powers and duties with respect to mutual fund representatives and scholarship plan representatives. We recommend that the oversight of mutual fund representatives be transferred from the Chambre to the Canadian Investment Regulatory Organization (CIRO) for greater regulatory harmonization and improved investor protection.

Who We Are

SIMA empowers Canada's investment industry. The association, formerly the Investment Funds Institute of Canada (IFIC), is now the leading voice for the securities and investment management industry, which oversees approximately \$4 trillion in assets for over 20 million investors and participates in the Canadian capital markets. In Quebec, the industry serves more than 4.5 million investors. Our members—including investment fund managers, investment and mutual fund dealers, capital markets participants, and professional service providers—are committed to creating a resilient, innovative investment sector that fuels long-term economic growth and creates opportunities for all Canadians.

We operate in a governance framework in which we gather input from our member working groups. The recommendations of these working groups are submitted to the SIMA board or board-level committees for direction and approval. This process results in a submission that reflects the input and direction of a broad range of SIMA members.

Reasons Supporting the Transfer of Mutual Fund Representatives' Oversight from the CSF to CIRO

Background

The securities industry is constantly evolving, which creates challenges for securities regulators. Both investors and the industry require a self-regulatory organization (SRO) with in-depth expertise in the field. Given the current regulatory environment, CIRO is the SRO of choice to address and overcome these challenges.

CIRO was created from the merger of the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA) and began its operations in January 2023. It is an SRO already recognized in Quebec. CIRO was created in particular to harmonize regulatory oversight in the securities sector. Harmonization means clearer, more transparent and consistent rules and practices, which benefit investors, the industry and securities regulators. CIRO is currently working to consolidate the rules for mutual fund and investment dealers and is therefore well positioned to have an overview of the sector's regulatory needs and ensure the protection of individual investors.

CIRO has a regional office in Quebec with on-site staff, ensuring French-language service for investors and the industry. CIRO also has a regional council for Quebec, whose primary mission is to monitor local issues in Quebec in the development of regulatory policies.

CIRO already oversees all the activities of investment dealers and their representatives in Quebec. CIRO is expected to take over the full supervision of mutual fund dealers in Quebec once its consolidated rulebook comes into effect in the coming years. Already, through delegations of powers, the Autorité des marchés financiers (AMF) has entrusted or will entrust to CIRO extensive responsibilities in the areas of registration, inspection, and proficiency.

Outside Quebec, CIRO already supervises investment dealers, mutual fund dealers and their respective representatives. Consequently, Quebec is an outlier in that the CSF oversees mutual fund representatives (rather than CIRO). There is therefore an opportunity to integrate the oversight of mutual fund representatives in Quebec under CIRO and create the one-stop shop for regulatory oversight that exists in the other jurisdictions. As we elaborate below, this possibility has significant advantages in several respects:

- Enhanced ethical oversight
- Improving consistency in the continuing education of representatives
- Efficient oversight

In short, the integration of ethics and continuing education for mutual fund representatives in Quebec under CIRO would result in better protection for Quebec investors and greater efficiency for markets and stakeholders in Quebec, which would reduce costs and make our industry more competitive.

Enhanced Ethical Oversight

The current model, with the CSF overseeing mutual fund representatives (individuals) and CIRO overseeing dealers (firms), imposes considerable limitations that are likely to harm investor protection. Transferring responsibilities to CIRO regarding ethics and continuing education for mutual fund representatives would address this shortcoming for the following reasons:

- CIRO is a specialized SRO in the securities industry, with qualified and experienced staff who have a significant understanding of industry issues and trends and will be better able to quickly understand situations and intervene when necessary.
- Since CIRO would oversee both dealers and mutual fund representatives, their approach during an investigation into a representative would involve the dealer and take the opportunity to validate the measures in place to prevent misconduct. Currently, the CSF does not involve dealers, which does not allow them to act preventively or proactively, much less to correct systemic deficiencies that could allow other representatives to commit misconduct. Furthermore, investors would have the advantage of working with a single SRO (CIRO) when filing a complaint.

Oversight matters can be complex, involving the activities of both the dealer and the representative, each of which have separate but interrelated roles. These oversight matters should be addressed comprehensively by a single regulator with knowledge of all the relevant facts and circumstances pertaining to each relevant party. This would simplify the investigation process and make it more effective by informing an appropriate resolution of the matter. A single regulator would also avoid misunderstandings and confusion that can occur between two separate regulators. The avoidance of such pitfalls could also result in much more effective regulation overall.

- Having CRO conduct the investigation alone could expedite its conclusion. This would benefit all stakeholders, particularly investors. Currently, CRO and the CSF must work on coordination protocols. Sharing information prolongs an investigation while losing the overall picture of the representative's conduct and the systemic issues facing the firm.
- Fostering consistency in the interpretation of the applicable rules through CRO as the specialized regulator.
- The sanctions imposed on representatives under ethics regulations would be consistent across the country because they would come solely from CRO. If the CSF remains in place, there would be a risk that, for similar alleged acts, the sanctions imposed by the CSF in Quebec would be different from the sanctions imposed by CRO outside Quebec. This would risk diminishing the desired deterrent effect and create situations of inequity and inconsistency.

Improving Consistency in the Continuing Education of Representatives

CRO recently consulted¹ on its proposed continuing education model. The advantage of this model is that it aims to harmonize the criteria for mutual fund and investment dealer representatives in the future, thus requiring consistent skills for all representatives serving individual investors.

There is no guarantee that the final CRO model would be harmonized with that of the CSF or that these two parallel regimes would evolve in the same way over time (for example, the number and type of credits required, the duration of the training cycle, the reference period, etc.). This would cause several misalignments given the disparity in the requirements of each:

- In Quebec, mutual fund representatives would have different continuing education criteria than their counterparts outside Quebec, therefore dealers operating in and outside Quebec would have to manage two continuing education systems.
- In the long term, in Quebec, mutual fund dealer representatives would have different criteria than investment dealer representatives, creating a two-tiered continuing education system for all individuals who advise Quebec investors.
- A mutual fund dealer representative who operates in Quebec and outside Quebec would also have to manage two continuing education systems with different requirements, which would make this exercise very difficult. Currently, there is no agreement between the CSF and CRO for the recognition of continuing education credits, and there is no guarantee that one will be in place in the short or long term.

Putting continuing education for both registration categories (mutual fund and investment dealer) under the oversight of CRO would avoid the multiplicity of different training programs and the significant administrative burden associated with them. This would also ensure harmonized skills among representatives serving individual investors, promote the emergence of quality training and trainers by ensuring a critical mass, and thus increase investor protection.

¹ <https://www.cro.ca/newsroom/publications/rule-amendments-request-comments-proposal-harmonize-cro-continuing-education-ce-programs>

Efficient Oversight

Currently, all representatives who are under the oversight of the CSF must pay annual membership fees². CIRO published its integrated fee model³ in January 2025. This model does not provide discounts for mutual fund representatives in Quebec, that would properly reflect the CSF being responsible for overseeing their ethics and continuing education. There is therefore a duplication of fees for the industry in Quebec with no added value for investors⁴ in light of CIRO's existence. Having mutual fund representatives in Quebec under the supervision of CIRO would avoid these additional fees and would allow the Quebec industry to remain efficient, competitive and invest more in innovation. The administrative burden would also be reduced, which would give the industry more time and resources to improve the client experience.

Supervision of Insurance Activities

We believe it is appropriate to combine the CSF and the ChAD to create the Chambre to ensure a critical mass for the provision of adequate services. We recommend allowing the exchange of certain information between the Chambre and CIRO so that representatives—who operate in both securities and insurance and/or financial planning—are adequately supervised for better public protection.

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CONCLUSION

SIMA is pleased to have had this opportunity to provide feedback as part of this consultation. Please email Kia Rassekh, SIMA's Regional Director, Quebec, at krassekh@sima-amvi.ca. He would be pleased to answer your questions.

Yours sincerely,

THE SECURITIES AND INVESTMENT MANAGEMENT ASSOCIATION

Marie Brault

By: Marie Brault
 Chair of the Board of Governors
 SIMA's Regional Council in Quebec

² <https://lautorite.qc.ca/en/professionals/representatives/obligations/annual-contribution-to-the-chambre-de-la-securite-financiere-csf>

³ <https://www.ciro.ca/newsroom/publications/integrated-fee-model>

⁴ We understand that mutual fund representatives who have licenses in personal insurance or financial planning will have to continue paying contributions to the Chambre.