

**Mark Wright**

VIA EMAIL ONLY

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Dear Mr. Wright,

**Re: OBSI Governance Review – request for public comment**

The Federation of Mutual Fund Dealers (“Federation”) has been, since 1996, Canada’s only dedicated voice of Mutual Fund Dealers. We currently represent dealer firms with over \$124 billion of assets under administration and greater than 24 thousand licensed advisors that provide financial services to over 3.8 million Canadians and their families. As such we have a keen interest in all that impacts the dealer community, its’ advisors, and their clients.

**General comments on the included recommendations from the 2021 Review**

**a) add other metrics to the Governance & Human Resources Committee’s diversity deliberations for recruitment purposes, including indigenous ancestry, membership in a visible minority community and disability;**

We support the Board's Director Recruitment policy that 'it is important for the organization to be governed by a mix of highly qualified directors ... The key aspects of diversity for the success of the OBSI board are skills/experience needed to achieve our strategic objectives; geographic - to ensure we represent all parts of Canada; gender; and community, consumer and social engagement.'

**b) transition towards having a board with no specific categorical requirements regarding the number of Industry and Community Directors and amend its bylaws to remove the requirement that industry directors be nominated by the Canadian Bankers Association (CBA), the Investment Industry Regulatory Organization of Canada (IIROC), and the Mutual Fund Dealers’ Association (MFDA), respectively;**

We strongly disagree with the proposal to eliminate industry seats on the Board. With the requirement for a majority of non-industry directors, we believe the consumer advocates and independent directors will be prone to appoint additional consumer advocates and independent directors over future industry candidates. Over time there will be reduced or even nil industry representation, offsetting the necessary balance for an impartial arbiter. Further, we note that the industry - which isn't a single perspective but a spectrum of stakeholders with diverse interests - brings a swath of directors who fulfill the Board's policy for 'highly qualified directors' and also the 'skills/experience needed to achieve our strategic objectives; geographic - to ensure we represent all parts of Canada; gender; and community, consumer and social

engagement'. With the merger of IIROC and MFDA into New SRO, we would like to see the language updated to reflect and retain the representation of MFDA and IIROC firms while also incorporating the new concept of 'Dual Platform Dealers'.

**c) amend and update its skills matrix and use it as the basis for recruitment to ensure that directors have the skills and competencies needed to effectively oversee OBSI. The skills matrix should include experience in the range of relevant industry sectors discussed in this section, as well as important consumer and investor perspectives; geographic and linguistic diversity; and a diversity of backgrounds should also be explicitly accounted for;**

We support the skills matrix representing Canada's official languages, perhaps by having a director from Quebec, and welcome further detail. Key perspectives from the whole of Canada are included in the Board's Director Recruitment policy.

**d) establish roundtables with industry and consumers, including advocacy groups for both, to receive their perspectives and opinions on key issues of importance to OBSI and current developments and trends; and**

We agree with the idea of having a roundtable for industry, and a roundtable for consumers that include advocacy participants.

**e) in light of the above, carefully consider whether it is necessary or desirable to continue having a Consumer and Investor Advisory Council (CIAC), given that the recommended governance structure described above would see an OBSI board that has balance in industry and investor backgrounds and where the OBSI board would receive input from industry and consumer stakeholders through other means.**

We agree regarding the CIAC insofar as the replacement input opportunities are formalized and the provided input is taken forward 'as is' and not 'summarized' for Board review. The Board must retain its essential character of appropriate sectoral representation, holding the balance for stakeholders affected by the direction of OBSI. We don't want to see important voting positions on the OBSI Board relinquished in exchange for an opportunity to provide input.

### **Governance consultation questions**

**Question 1 - Should OBSI's board continue to have designated board positions for current industry participants and/or consumer advocates, or transition to a system without such designated positions?**

We refer the reader to our response above (b), that it is imperative to retain industry seats on the board. In addition there is need for current, accurate, first hand information from executives with their hands on the wheel. The allowance for general, consumer, and legacy knowledge is supported via seats on the Community Director side.

**Question 2 - If designated industry and consumer board positions are continued, what is the appropriate composition of OBSI's board with respect to the proportion of positions designated for those with specific industry or consumer expertise or who are independent?**

We would like to see the board offer an industry seat to the Exempt Market/Scholarship dealers alongside the ones for a Mutual Fund Dealer, IIROC, and Bank seats. This would offer improved representation of industry and align with the 2021 Review observation that: "it is crucial for OBSI's board to have clear lines of sight into issues and perspectives relevant to all of its stakeholders...". That retains four seats for independent directors plus one for a Consumer Advocate. These consumer representatives will still hold the majority on the board, and this solution adds representation for an industry segment that is currently enumerated separately in OBSI's industry statistics but doesn't enjoy Board representation.

**Question 3 - If designated industry and consumer board positions are continued, should Industry Director positions continue to be nominated by specific industry organizations, or should OBSI transition to a system of more general nomination of current industry participants?**

Given that the two SRO's are merging, we support the concept of seeking nominations for each Industry Director seat directly from each of the Mutual Fund Dealer and Securities Dealer stakeholders. We also support channel nominations for the other industry seats.

**Question 4 - If designated industry and consumer board positions are continued, how should Consumer Interest Director nominees be identified?**

We have no comment.

**Question 5 - Beyond designated board representation, how should OBSI ensure that the interests and expertise of industry and consumer stakeholders are incorporated into the organization's decision-making process?**

As an industry association we welcome any and all opportunities to discuss or participate in OBSI events.

**Conclusion**

As we have put forward on numerous occasions, including the 2021 Independent Review, we hold that Advisors should be added to the Terms of Reference in order for them to be named in addition to the dealership in OBSI complaints, the 'naming and shaming' process and settlements. This change would increase fairness to the process overall and dealers in particular. If changing the Terms of Reference is not possible even during this period of substantial review, we suggest having advisors sign an agreement with the OBSI based upon the MFDA's 'Schedule G - Agreement of Approved Person' to accomplish this enhancement.

We thank OBSI for the opportunity to provide comments.

Respectfully,

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