**Sent via email** June 2, 2019

Charles Corlett
Director, Enforcement Litigation
Investment Industry Regulatory Organization of Canada
Suite 2000, 121 King Street West
Toronto, ON M5H 3T9
ccorlett@iiroc.ca

Market Regulation Ontario Securities Commission
Suite 1903, Box 55 20 Queen Street West
Toronto, Ontario M5H 3S8
e-mail: marketregulation@osc.gov.on.ca

**Request for Comment Minor Contravention Program (MCP) and Early Resolution Offers (ERO) Initiative**
https://www.osc.gov.on.ca/documents/en/Marketplaces/iiroc_20190425_notice-rfc-minor-contravention-program.pdf

I greatly appreciate the opportunity to comment on these proposals. It is very rare for the retail investor to have a chance at influencing IIROC rule making.

The proposals involve MCP which attempts to sanction Reps for contraventions where there the breach is more involved than that associated with a WARNING letter but apparently not worthy of the expense and effort of a full Panel Hearing. The ERO initiative is simply a financial incentive program for IIROC Members to settle quickly if they have satisfied a number of criteria.

The IIROC Board has determined that these implementing these two new tools is in the public interest. But how did they do that given the limited information provided?

**The MCP program**

An investor -centric Director would have the following questions:

- What happens now to cases where a Warning letter is not issued and a Hearing is not convened?
- How many MCP cases do Staff estimate will occur on average each year?
- What is the operational definition of " limited investor harm"
- If clients have been harmed, will they be informed?
- If the employee rule breach is inadvertent/ unintentional , is a $5K fine an appropriate way to deal with it?
- Why is it acceptable to not make the client whole if there has been client harm?
- Will Reps be charged Costs?
- Why do Staff recommend secrecy for breaches that exceed the limits of a WARNING letter?
- What rationale do Staff have that the MCP will have a robust deterrent value?
- What happens if the Rep refuses to pay the fine?

Without answers to these questions, how did the Board reach its conclusion regarding the Public interest?

**ERO**
An investor-centric Director would ask the following questions:

- How many such cases do Staff expect on average per year?
- Why is it in the best interests of investor protection to settle cases earlier in the disciplinary cycle if a material reduction in fine is required?
- Is there a staff budget issue that is driving this proposal?
- How will Staff confirm that all harmed investors have been made whole?
- Is the prevailing level of fines really a deterrent?
- What rationale do Staff have to support the 30% fine reduction's positive impact on general deterrence?

- Why do existing Sanction Guidelines not address the ERO situation?
- What are the possible downsides of ERO and associated risks?
- What other jurisdictions have used ERO successfully ?

Without answers to these questions , how did the Board conclude ERO was in the Public interest?

There is also a deeper question for the Board .Of all the investor protection issues facing the retail investor, how did this one rise to the top? Why is nothing being done to bring IIROC complaint handling rules up to date? Why have certain Members (Discount brokers) been allowed to fleece investors for over a decade by charging for advice they cannot provide? Why is there no rule regarding reverse churning, a growing issue in the wealth management industry? What is being done to protect senior/ vulnerable investors? Why do Staff focus more on individuals, when in the vast majority of cases the root cause is deficient or negligent Dealer supervision, control systems, compensation plans and compliance? Why is titles reform taking so long to implement?

It should be obvious that this Consultation is a distraction from the core investor protection issues facing IIROC as a trusted self-Regulator.

I leave it up to the participating CSA securities commissions to decide on the merits of these two tools. From an investor perspective, there simply are too many unanswered questions to have an informed opinion on this Consultation.

I hope this feedback has been useful. Please publicly post as soon as possible.

Sincerely ,

Larry Elford
Lethbridge, Alberta