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# Canadian Regulatory Structure Survey Report

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## **Executive Summary**

### *Background*

The Canadian Federal Government recently passed legislation with respect to a National Single Securities Regulator. The Canadian Advocacy Council for Canadian CFA Societies felt it important for members to have an opportunity to voice opinions about a new securities regulator structure. The findings of this survey will provide the Government with feedback as it looks to review the current regulatory structure.

### *Response Rate*

1,335 CFA Institute members responded to the survey, for an overall response rate of 11.7 percent. The confidence interval is  $\pm 2.5$  percent at the 95 percent confidence level.

### *Demographic Summary*

94 percent of respondents currently carry out their profession in Ontario (58 percent), Alberta (13 percent), British Columbia (11 percent) or Quebec (11 percent). 31 percent work as an investment advisor/fund manager, 27 percent as an investment practitioner/consultant/financial officer in the investment field, and 13 percent as an investment analyst. On average, members have been in their current role for 9 years. Over 86 percent of respondents have worked in the capital markets for at least five years. Either currently or in the past, 33 percent of respondents have been a compliance officer, senior executive, or regulator. 35 percent of respondents have experience with the capital markets in other countries.

### *Canadian Securities Regulatory System*

19 percent of respondents have a limited understanding of the securities regulatory system in Canada, 61 percent have a good understanding, and 20 percent have a very good understanding.

Nearly 92 percent of respondents agree that the current securities regulatory system in Canada should be reformed. Compared to members in Quebec (43 percent), a higher proportion of members in Ontario *strongly agree* (61 percent) that the current securities regulatory system in Canada should be reformed. In addition, those that have been in the capital markets more than 20 years most strongly agree (71 percent) that the system should be reformed, followed by those working in the capital markets for 11-20 years (61 percent). Those in the capital markets for 10 years or less agree less strongly.

37 percent think the reform should be led primarily by the federal government, while 35 percent think it should be led equally by the federal government and the provinces/territories.

Respondents indicate the current provincial securities regulatory system does not serve the interests of market participants very well (in terms of market accessibility, ease of use, cost and efficiency, etc.). Over half (57 percent) say the current system serves domestic large-cap companies (over \$1 billion) well, and 50 percent say it serves institutional investors well. For all other market participants, less than



half of respondents feel the system serves them well. Those that respondents feel are served most poorly are domestic companies that issue securities across multiple provinces/territories and foreign issuers seeking to access Canadian capital markets.

The majority of respondents feel the amount of duplication in the system (in terms of regulatory requirements) is high. A significantly higher proportion of respondents who have worked in the capital markets more than 20 years think the amount of duplication in the system is *very high* than do those who have worked in the capital markets for 20 years or less.

25 percent of respondents think the fairness, consistency and strength of enforcement in Canada is good or very good. 24 percent think it is neither good nor bad, and 51 percent think it is poor or very poor. A lower proportion of members in Quebec rated the fairness, consistency and strength of enforcement in Canada as *very poor* (10 percent) than those in Ontario (19 percent) and British Columbia (21 percent). Compared to those with 10 years or less in the capital markets, those with more than 20 years were more likely to rate the fairness, consistency and strength of enforcement in Canada as *very poor*. In addition, a higher proportion of current compliance officers, senior executives, and regulators (24 percent) rated Canadian enforcement *very poor* than did those with no experience working as a compliance officer/senior executive/regulator.

30 percent said the ability of Canadian capital markets to compete internationally is good or very good, 29 percent neither good nor bad, and 41 percent poor or very poor.

The majority of respondents (73 percent) think securities regulation in Canada should be a combination of principles and rules-based.

62 percent of respondents think the best solution for improving the securities regulatory system in Canada would be to replace the current provincial system with a single federal regulator (i.e., transfer all or most of regulatory authority and jurisdiction to the federal government). 18 percent are in favor of a full “passport” system, in which all provinces and territories would participate and where each market participant would deal with only one regulator with respect to market access rules. Compared to Alberta and Quebec, a higher proportion of members in Ontario (67 percent) think the best solution for improving the securities regulatory system in Canada would be to replace the current provincial system with a single federal regulator. The majority of respondents (76 percent) believe the overall cost of compliance, in terms of time, money, complexity and effort required, would decrease if their preferred regulatory structure were adopted.

82 percent of respondents feel it is important to improve the existing structure of the securities regulators in Canada. 79 percent said it is important to improve the way the police and judicial system deal with fraud and 74 percent said it is important to improve the content of regulation overall as to better protect investors.





### **Response Rate**

1,335 members responded to the survey, for an overall response rate of 11.7 percent. The confidence interval is  $\pm 2.5$  percent at the 95 percent confidence level. Margin of error varies by question as the number responding to each question varies.



**Aggregate Results**

**Demographics**

94 percent of respondents currently carry out their profession in Ontario, Alberta, British Columbia or Quebec.

<b><i>In which province or territory do you currently carry out your profession?</i></b>	<b><i>Count</i></b>	<b><i>Column %</i></b>
Alberta	136	13%
British Columbia	123	11%
Manitoba	23	2%
New Brunswick	2	0%
Newfoundland and Labrador	3	0%
Northwest Territories	0	0%
Nova Scotia	17	2%
Nunavut	4	0%
Ontario	631	58%
Prince Edward Island	1	0%
Quebec	124	11%
Saskatchewan	16	1%
Yukon	0	0%
<i>Sample Size</i>	<i>1,080</i>	

31 percent work as an investment advisor/fund manager, 27 percent as an investment practitioner/consultant/financial officer in the investment field, and 13 percent as an investment analyst. On average, members have been in their current role for 9 years.

<b><i>What is your current role in the capital markets?</i></b>	<b><i>Count</i></b>	<b><i>Column %</i></b>
Investment advisor or fund manager	408	31%
Investment analyst (buy or sell side)	171	13%
Investment banker / corporate finance officer	96	7%
Investment dealer / sales / marketing / client service	96	7%
Compliance officer	36	3%
Senior executive of an investment firm or division	96	7%
Other investment practitioner, consultant or financial officer in the investment field	358	27%
Regulator	49	4%
Academic	25	2%
<i>Sample Size</i>	<i>1,335</i>	





































































































