

Report on the AMF Rendezvous

13 November, 2017

Montréal, Québec

Overview

On 13 November, 2017 the Autorité des marchés financiers (AMF) held its annual one-day Rendez-Vous event at which it organized discussions on some of its major initiatives.

The agenda for the session can be found here:

<https://lautorite.gc.ca/professionnels/rendez-vous-avec-lautorite-2017/programmation/>

Attending the session on behalf of CAFII were Brendan Wycks and Keith Martin, CAFII's co-Executive Directors. Also in attendance were CAFII EOC members Jason Beauchamp (BMO Insurance) and Moira Gill (TD Insurance).

The day was structured around an opening speech by AMF President Louis Morisset; a plenary session with three speakers on the potential impact of U.S. financial deregulation; a luncheon highlighted by a speech by Québec Minister of Finance Carlos Leitão; and one round of breakout sessions on a variety of subjects including managing conflicts of interest, investment strategies, and developments in fintech. The day concluded with a networking cocktail at which Messrs. Wycks and Martin were able to gather some valuable intelligence.

Opening Speech by President and CEO of the AMF Louis Morisset.

M. Morisset was introduced by AMF Corporate Secretary Anne-Marie Beaudoin. M. Morisset spoke with authority and confidence. A copy of his speech can be found at:

https://lautorite.gc.ca/fileadmin/lautorite/grand_public/salle-de-presse/discours/2017/discours-lm_rdv2017_2017-11-13.pdf

M. Morisset began by saying that the Québec financial ecosystem was sound and strong. He forcefully defended the AMF against recent allegations that it had, with Québec's anti-corruption unit (UPAC), engaged in a kickback scheme. He said that he and the AMF were "profoundly shocked" by these allegations, and that they maligned the AMF's reputation, its integrity, and its people. M. Morisset strongly stated that no concrete proof had been offered to backup these allegations. He added that he was entirely confident in the internal processes of the AMF, and the integrity of his staff, and was confident that the investigation of these allegations by the Auditor General of Québec would vindicate the AMF.

M. Morisset noted that the province's financial systems depend on the confidence of the public in business institutions and the authorities regulating them, and that the kickback corruption allegations were gravely worrisome because they at least momentarily cast some doubt on the integrity of the AMF, and therefore struck at the fundamental sense of confidence that is the foundation for the proper functioning of the financial system of Québec.

M. Morisset then turned to Bill 141, offering a strong defence of it. He said the long-awaited Bill, tabled 5 October, 2017 by the Minister of Finance Carlos Leitão, would strengthen and modernize Québec's financial framework, and he added that the AMF was satisfied by and enthusiastic about the Bill. M. Morisset stated that while the current system was functioning well, it was still subject to confusion and lack of understanding and the new Bill would rectify those deficiencies by completing the effort to make the AMF more completely the single integrated regulatory body for financial institutions in Québec.

The core reason for the existence of the AMF was the protection of the consumer, M. Morisset emphasized, and the new Bill would strengthen its ability to fulfil that mandate. Comments to the contrary were inaccurate, he asserted. Mr. Morisset then made a statement about the distribution of products on the internet which -- while subject to interpretation -- is potentially very important to CAFII, and so this statement will be quoted here, and translated into English:

<<Même quand on parle de distribution de produits d'assurance sans représentant, par Internet, il est acquis qu'un cadre de protection et des balises claires devront être mises en place, pour éviter que la protection du consommateur ne s'en trouve affaiblie. Sur ce point, il importe donc de préciser que l'encadrement proposé par le projet de loi sera complété par une réglementation à être développée par l'Autorité, et approuvée par le ministre des Finances.

<< N'oublions pas, par ailleurs, que le consommateur ne sera jamais « forcé » de se procurer une assurance par Internet. C'est une option qui s'ajoute à ses choix, sans plus. Il sera toujours possible pour le consommateur de se tourner vers un représentant compétent en chair et en os, certifié et encadré par l'Autorité. >> (p.3)

TRANSLATION : "When we speak about the distribution of products on the Internet without an advisor/representative, it is necessary to have protections and clear procedures, to ensure that there is no weakening of consumer protection. On this point, it is critical to point out that the framework proposed by the new Bill will be completed and finalized by regulations to be developed by the AMF, which will be approved by the Ministry of Finance.

"Let us also not forget that consumers will never be forced to purchase insurance on the Internet. It is simply an option among others available to the consumer. The consumer will always have the option of choosing a competent flesh and bones advisor, licensed and supervised by the AMF."

Turning to the issue of the absorption of the Chambres (la Chambre de l'assurance de dommages and la Chambre de la sécurité financière) within the AMF, M. Morisset stated that nothing in the new Bill reduced their obligations or responsibilities. Specifically, he stated that their supervisory responsibilities would continue.

He then spoke about the shift from personally obtaining information about the client (the current obligation) to the new Bill's wording that there was a need to inquire about the client's situation (new Bill's obligation), adding that

<<...l'objectif du projet de loi est d'offrir un modèle d'encadrement moderne, en phase avec la réalité d'aujourd'hui.

<<On parle donc ici entre autres de renseignements qui pourraient être donnés par le client lui-même sur une plateforme de soumission par Internet. Parce qu'il faut se rappeler, nous sommes en 2017... >>

TRANSLATION : « the objective of the Bill is to offer a modern regulatory/supervisory framework, in line with today's reality.

"We therefore envision the possibility that this sort of client information could be shared by clients themselves, through platforms on the Internet. Because we need to remember, it is 2017 ... "

This passage has been shared because, while some of M. Morisset's statements are subject to interpretation, the general thrust throughout M. Morisset's speech was that technology and innovation were a key feature of the modern economy, and that the Bill was developed to modernize the regulatory framework to reflect that reality, and to keep pace with new developments.

M. Morisset said further evidence of a consumer focus in the Bill was the development of a new Consumer Consultative Committee which would, among other things, comment on regulations from the perspective of consumers; and the Bill's providing for enhanced coverage for consumer compensation in the event of wrongdoing by a financial entity. In addition, the Bill significantly enhances whistleblower protections for individuals who reveal wrongdoing.

The next section of M. Morisset's speech focused on the new powers which the AMF would be granted to regulate the Mouvement Desjardins; before he then returned in more detail to the absorption of the Chambres within the AMF and the reasons why he felt this was highly beneficial for the province's regulatory framework and for industry.

M. Morisset stated that he had no doubt there would be consultations on Bill 141, and he added that the AMF would be actively involved to explain why it felt the Bill's merger of the two Chambres into the AMF was desirable.

M. Morisset also spoke in detail about developments around the regulation of investments and securities, before again emphasizing the critical role of technology and innovation in the economy.

He noted that in response, the AMF had developed an internal working group on Fintech, as well as an expert consultative committee on technological innovation, which consists of 12 leaders in the fintech community. M. Morisset also noted that the AMF representative is the current Chair of the CCIR Working Group on Fintech. He also stated his support for the concept of regulatory sandboxes (*un bac à sable réglementaire*).

Panel on the Canadian and International Implications of the Deregulation of the U.S. Financial Sector

The Rendez-Vous continued with a panel on the proposals for a significant deregulation of the United States' financial system. The panel consisted of Sheryl Kennedy, CEO, Promontory Financial Group Canada ULC (Canada); Pierre-Hugues Verdier, Professor at the University of Virginia; and Tiff Macklem, Dean, Rotman School of Management (University of Toronto), and former Senior Deputy Governor of the Bank of Canada. The panel was moderated by Jean-François Fortin, the AMF's directeur général du contrôle des marchés.

The expert panel explored the topic in detail, but because the discussion was not central to the issues CAFII is focused on, a short summary only is provided here. It was observed that while the existing Dodd-Frank regulatory framework has had some unintended consequences and was overly cumbersome for industry, it was created in the aftermath of the near collapse of the global monetary and financial system; a lack of regulatory oversight produced its own risks. The general conclusion was that while some modifications and lightening of the regulatory framework was possible, it was by no means certain in the current U.S. political environment, and a wholesale elimination of agencies and regulations was not likely politically possible.

Luncheon Speech by Minister of Finance Carlos Leitão

Finance Minister Carlos Leitão's luncheon speech focused on two broad themes. The first was an emphatic, forceful, and unequivocal support of the AMF and of CEO Louis Morisset against the allegations of impropriety recently leveled at them. The Minister repeatedly said that he had complete confidence in the integrity of the AMF and of M. Morisset, even at one point saying that since the media tend to occasionally misunderstand him, he wanted to repeat that same statement again. At the end of the speech, M. Morisset came to the stage and the two of them shook hands, with the Finance Minister embracing Mr. Morisset warmly.

The bulk of M. Leitão's speech was a spirited defence of Bill 141, including some of the more controversial elements such as the absorption of the Chambres within the AMF.

But from CAFII's perspective, especially notable were the Minister's emphasis on the importance of recognizing the relevance of new technology, including the Internet. He stated that the whole thrust of the new Bill was to position Québec for the new economic environment where technology and innovation are paramount, and to give the regulator modern tools and enhanced flexibility to respond effectively to emerging economic developments. He emphasized the importance of a modern regulatory approach that reflected the reality of these emerging technologies and supported innovation.

Informal Dialogue and Networking Cocktail Reception

By way of more informal contacts, discussions and dialogue, at the luncheon, Keith Martin was seated at a special VIP table hosted by Marie-Claude Soucy, AMF Vice-President, Administrative Services. Brendan Wycks and Moira Gill were seated at a special VIP table hosted by Maryse Pineault, AMF Senior Director, Distribution Practices.

During the lunch, Keith Martin was seated next to Geneviève Mottard, President and CEO of the *ordre des comptables professionnels agréés du Québec*, the Quebec chapter of the association representing CPAs (Chartered Professional Accountants). This is one of the largest associations in Canada, with over 39,000 members in Québec alone. Ms. Mottard told Keith Martin that despite being regularly consulted on Bill 141, there were many surprises in it and she was very disappointed that she was not made aware of some of these clauses. Notably concerning her were much stronger whistle-blowing provisions in the Bill than she had expected, and auditing requirements on CPAs that were more onerous than she had expected.

At the networking cocktail which concluded the Rendez-Vous, Keith Martin and Brendan Wycks met and spoke with CAFII's Québec legal counsel Sylvie Bourdeau of Fasken Martineau DuMoulin. We agreed to try to speak to some AMF representatives on some of the clauses that were concerning to our members about Bill 141 and the ensuing and related Bill 150 which was tabled on October 31/17.

We were able to speak to Eric Stevenson, Superintendent, Client Services and Distribution Oversight, and pointed out to him some of the specific clauses that were of concern to our members, specifically because they seemed to restrict their existing distribution practices and the ability to sell insurance products through alternate distribution channels. Eric said that the intention of the Bill was to modernize the regulations, and he said that there was no intention to restrict any existing business or distribution rights. Rather, the opposite objective of recognizing the internet as a legitimate distribution and sales platform was the intention. He said that **Louise Gauthier**, Directrice principale des politiques d'encadrement de la distribution, was more knowledgeable about some of the specific issues we were raising, and he was fully supportive of our legal counsel Sylvie Bourdeau arranging a call with him and Louise Gauthier to discuss these issues in more detail. (That call was then arranged and occurred between Sylvie Bourdeau and Louise Gauthier a few days later.)

At the networking cocktail, Brendan Wycks introduced Keith Martin to AMF CEO Louis Morisset; and they had a 7-8 minute conversation in French. K. Martin noted how supportive the Finance Minister was of the AMF in general and M. Morisset in particular, and M. Morisset seemed very pleased about that and said that he truly appreciated the support. He said that the kickback allegations had truly shocked him, and the person making them had been accused in the past of false allegations. He said he was very supportive of the Auditor General reviewing the case and he was looking forward to the release of the ensuing report.

K. Martin also raised with M. Morisset the issue that some of the clauses of Bills 141 and 150 worried some of our members, and he provided some detail on how they might appear to restrict some of their existing sales practices. M. Morisset listened carefully and said that the Bill was not intended to restrict existing practices, and that we should share our detailed concerns through the consultative process. Then, at the end of the conversation as he prepared to leave, he touched K. Martin on the shoulder, paused, and said “don’t worry.”