



**The Institute of Internal Auditors  
L'Institut des auditeurs internes  
Canada**

September 3, 2020

Sent via email to: [CMM.Taskforce@ontario.ca](mailto:CMM.Taskforce@ontario.ca)

Mr. Walied Soliman  
Chair  
Ontario Capital Markets Modernization Taskforce

Re: Consultation — Modernizing Ontario's Capital Markets

Dear Mr. Soliman,

The Institute of Internal Auditors (IIA) and its affiliate, The Institute of Internal Auditors Canada (IIA Canada) would like to express our support for the public policy, and regulatory proposals, and recommendations found in the *Capital Markets Modernization Taskforce – Consultation Report*.

Internal auditors play a unique role for market participants by providing independent assurance over the effective management of key business risks, including compliance with legislation, and regulations. A strong internal audit function provides monitoring beyond financial statements, by delivering sound advice, assurance, and guidance on governance, corporate culture, and ethics; all of which form the underlying foundation of effective risk management, and internal control. Effective governance, internal controls, and risk management promote efficiencies, and competitiveness, and serve to foster confidence in Ontario's capital markets.

For nearly 80 years, The IIA has been the global leader for the internal audit profession, encouraging strong governance, internal controls, leadership, rigour, and an enterprise-wide approach to risk management. Globally, The IIA represents more than 200,000 members in more than 170 countries and territories. As the internal audit profession's standard bearer for learning, training, and certification, its mandate is to foster transparency by providing independent, and objective insight into all facets of an organization's activities, performance, and position. The IIA Canada represents, serves, and supports 7,400 Canadian internal auditors across all industry sectors, and is the leader for the Canadian internal audit profession. More than half of The IIA Canada's membership is based in Ontario.

Many of the 47 public policy and regulatory recommendations put forward in the Taskforce Report will require changes in regulation, governance practices, business processes, and/or technological advancement and innovation. In our view, the effective, and efficient management of the risks

associated with these changing processes is critical to successfully modernizing Ontario's capital markets.

Best practices for efficient risk management, and internal control are focused around principles of the "Three Lines Model", an update to the widely followed "Three Lines of Defense." These principles effectively, and efficiently delineate the roles and responsibilities around risk management, as follows:

1. *First line roles* are most directly aligned with the delivery of products and/or services to clients of the organization and include the roles of support functions.
2. *Second line roles* provide assistance with managing risk (these functions typically include areas such as compliance, cybersecurity, sustainability, etc.).
3. *Third line roles* provide independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management.

All roles working effectively and efficiently together contribute to the creation and protection of value, when aligned with the prioritized interests of stakeholders. This is achieved through communication, cooperation, and collaboration, and may reduce duplication and compliance costs. Further, this ensures the reliability and transparency of information needed for risk-based decision making.<sup>1</sup>

**Taskforce Report Section 2.2, *Regulation as a Competitive Advantage*, is a key principle to effectively modernizing Ontario's capital markets. The IIA Canada supports these recommendations. Regulation, in concert with sound governance practices, provides a strong competitive advantage, and promotes investor confidence in capital markets.**

**Taskforce Report Recommendations 3 and 4** relate to improving oversight over Self-Regulatory Organizations (SROs) by the Ontario Securities Commission (OSC), and ultimately moving to one SRO to cover all registered firms providing investment advice. **The IIA Canada supports these recommendations. This "new" regulatory model will streamline, and simplify the oversight process. Consideration should be given to compliance activities, and reporting, and to the level of assurance required over these activities. Streamlining compliance reviews and reporting requirements should also consider the scope, and quality of internal audit work already being performed. Where the OSC can rely on internal audit work, a reduction in duplicative audits, compliance reviews, and regulatory burden will be realized.**

**Taskforce Report Recommendations 6, 9, 12, 15 and 32** will significantly reduce duplication, and regulatory burden when fully implemented. Implementation will require business processes, and information systems changes, including addressing cybersecurity risks. A strong Three Lines Model approach is an effective enabler for efficiently making these necessary changes. **The IIA Canada supports these recommendations. Consideration should be given to the level of assurance expected over the risks, during both the implementation, and post-implementation periods. Internal auditors**

<sup>1</sup> *The IIA's Three Lines Model – An Update of the Three Lines of Defense*, published by The Institute of Internal Auditors, July 2020, [Three Lines Model](#)

are well-positioned to provide independent assurance, which helps to reduce duplicative oversight and regulatory burden.

**Taskforce Report Recommendations 13, 16, 17 and 36** specifically address the issues around integrity, ethics, and conflict of interest. **The IIA Canada supports these proposals. Consideration should be given to the scope of internal audit work being conducted within these areas, as reliance on that work will reduce regulatory burden in compliance, and in reporting.**

As the global leader, chief advocate, standard-setting, and certification body for the practice of internal audit in Canada and around the world, The IIA is dedicated to supporting quality, professional, and ethical practices across all industries and public enterprises.

Thank you for the opportunity to provide The IIA's input into the CMM Taskforce's consultation process for further modernizing Ontario's capital markets, its public policies, and regulatory framework. Should you have any questions regarding the content of this letter or about the vision, and mission of The IIA, and The IIA Canada, please do not hesitate to contact The IIA Canada's Executive Director, Paul Forgues, at [paul.forgues@theiia.org](mailto:paul.forgues@theiia.org).

Sincerely,



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