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Ontario Securities Commission
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Submitted by email: rday@osc.gov.on.ca

2015-2016 Draft OSC Statement of Priorities: Request for Comments

Independent Financial Brokers of Canada (IFB) is writing to offer our comments on the OSC Draft Statement of Priorities. Our comments will focus on the goal of investor protection and the role of our members in supporting this goal. For example, IFB requires new and renewing members to agree to be bound by the IFB Code of Conduct and Statement of Principles, which require them to place the client's interest before their own.

IFB is a national, not for profit professional association representing approximately 4,000 licensed financial advisors across Canada. Our members are independent, in that they are able to offer clients products and services related to more than one company. We do not represent company/bank employees, or advisors who work in an exclusive relationship with one company.

Many IFB members are dual licensed – most frequently for mutual funds and life/health insurance, although many hold other complementary financial licenses such as in securities, mortgages, property insurance, etc. The majority of IFB members are located in Ontario.

Delivering strong investor protection.

IFB supports the OSC's regulatory goal to deliver strong investor protection, especially for retail investors.

Financial literacy/education: The web-based education and resources on the OSC website helps investors find accessible information, educate themselves and rely on impartial sources of information. This is an important role for regulators, and appealing to many individuals.

However, not all individuals have access to the internet or are inclined to use online resources. Targeted media campaigns, using TV, radio, and print, may be more successful at reaching a wider audience.

In this low interest environment, retail investors may be attracted to products that advertise returns that are unrealistic, thereby leaving themselves open to potential fraud. Education aimed at helping investors understand what constitutes a reasonable rate of return in today's economic environment would help them be better prepared to question unusually high rates of return or recognize promises that are unrealistic. One advantage of working with an advisor is that advisors support setting realistic financial goals, and provide a great deal of financial education with clients on an ongoing basis.

Cross-sector regulatory dialogue: In our view, consumers of financial products, and the financial services industry itself, would benefit by strengthened dialogue amongst financial regulators.

In the case of securities and insurance regulators, many of our members are licensed under both regulatory regimes, and need to be confident that they can provide services to clients that bridge both industries, within clearly defined parameters. Our dual-licensed advisors assist clients achieve better long-term financial stability through a comprehensive approach which uses both investment strategies and risk management tools. A coordinated, harmonized approach to regulation would support their ability to do so.

As noted in the recently released research study "Financial Life Stages of Older Canadians"¹, prepared for the OSC, unexpected costs in retirement due to health issues is a major concern of older Canadians. Bringing the perspective of issues related to critical illness and understanding the potential cost of sudden or long-term health care should be regarded as a valuable supplement to other types of investments, and be encouraged as leading to a broader, realistic component in sound planning for aging clients.

Both insurance and securities regulators today are working to raise awareness of the importance of dealing with a licensed advisor or firm by enabling access to the registration of individuals or firms, as well as those who have been subject to disciplinary action, on centralized websites. This has increased the ability of consumers to check the registration status and disciplinary history of advisors and firms. We recommend building on this to create a unified data base for consumers to access registration and disciplinary information for both insurance and securities registrants, as a progressive next step.

Review of a 'best interest' duty for retail advice and embedded commissions.

CRM2: Implementation of the next phases of CRM2 will continue to deepen the level of transparency and disclosure for consumers by including more specific information on the actual cost and performance of their investments.

IFB supports allowing this process to roll-out, and suggests further change should be delayed until its success, post-implementation, can be evaluated. CRM2, along with the point of sale documentation,

¹ http://www.osc.gov.on.ca/documents/en/Investors/inv_research_20150601_report-life-stages-older.pdf

such as the Fund Facts, for example, creates a standard of information for Canadian investors, beyond what investors in many other countries can rely on.

As well, consumers need access to advice at various stages of their lives and IFB remains concerned that options for how to pay for this advice is not limited to a fee-based model only. Some investors prefer a commission-based purchase model. CRM2 provides more expansive cost disclosure, and consumers should be able to choose to proceed with a transaction, with that knowledge in hand.

Choice: IFB supports choice in the marketplace so that consumers can access various levels of advice, depending on their need. Many advisors are committed to providing excellent customer service and provide years of advice that helps their clients be better prepared and knowledgeable about the choices available to them – whether it be RRSPs, TFSAs, RESPs, life insurance, disability or critical illness protection, etc.

Regulatory objectives should not create a situation where independent brokers, like our members, are forced out of the business. Our members serve clients in communities across Canada, including rural and smaller centres, where there is often less access to large integrated financial firms. Residents of these communities will be disadvantaged if they cannot access the same level of personalized advice that individuals and families residing in larger communities have.

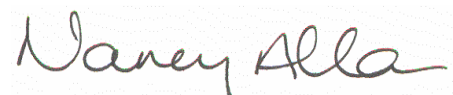
Regulation of financial planning: The Ontario Ministry of Finance’s project to review the need for more specific regulation of financial advisors and financial planners is underway. The Expert Panel is expected to hold consultations and present its recommendations to the Minister of Finance in early 2016. The results of this study may impact the direction of some OSC initiatives.

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IFB appreciates the opportunity to comment on the OSC priorities. We look forward to contributing to sensible and balanced solutions that will foster sound financial practices for all market participants.

Please contact the undersigned, or Susan Allemang, Director Policy & Regulatory Affairs, (email:sallemang@ifbc.ca) should you wish to discuss or have questions on our comments.

Yours truly,



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