



May 5, 2021

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Manitoba Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Nova Scotia Securities Commission
Ontario Securities Commission
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Financial and Consumer Affairs Authority of Saskatchewan
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Superintendent of Securities, Nunavut

Delivered to:
The Secretary
Ontario Securities Commission
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Toronto, Ontario M5H 3S8

Me Philippe Lebel
Corporate Secretary and Executive Director
Legal Affairs, Autorité des marchés financiers
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Submitted via email: comments@osc.gov.on.ca ; consultation-en-cours@lautorite.qc.ca

Dear Sirs and Mesdames,

Subject: CSA Notice and Request for Comment – Modernizing Registration Information Requirements, Clarifying Outside Activity Reporting and Updating Filing Deadlines

Independent Financial Brokers of Canada (IFB) appreciates the opportunity to comment on the CSA's targeted changes to the registration requirements and clarifying the reporting of outside activities.

IFB is a national, not-for-profit professional association representing 3,000+ licensed financial advisors and planners who are self-employed, and who typically own or operate a financial firm in their local community. The majority of IFB members are both life insurance licensees and mutual fund registrants, although a growing number are securities (IIROC) registrants. These advisors provide an important community-based alternative to the financial advisory services offered by large integrated financial firms.



IFB supports its members, and the financial services industry more generally, by offering high quality accredited educational opportunities, a comprehensive and affordable professional liability insurance program for individuals and corporations, compliance and regulatory updates, and advocacy with regulatory bodies, industry stakeholders and others.

As a national association, IFB favours regulatory approaches which seek to harmonize standards across jurisdictions. This is important for the industry and its participants to reduce risk of confusion arising from different regulatory requirements, but, importantly, so that consumers of financial services can be assured of receiving an equal standard of care regardless of their jurisdiction of residence. We applaud the CSA, as a national policy group, in its work in support of this goal.

In general, IFB is of the view that most of the changes identified in the consultation are reasonable and will help to reduce regulatory burden on registrants, without any reduction in investor harm.

These are IFB's comments to the CSA's targeted changes set out in this consultation.

Outside Activities

Several the targeted changes are of interest to IFB members, particularly those seeking to clarify the reporting of Outside Activities. IFB members have long held that the current reporting standard is overly prescriptive and confusing.

Outside Activities are common among independent advisors. Many IFB members hold multiple financial licenses and related credentials to be able to provide their clients, whether individuals, families, or businesses, with access to more comprehensive advice and services. These advisors have chosen to pursue such additional proficiencies on their own time and at their own cost, in order to provide a higher standard of client care.

Today, many clients desire efficiency and convenience when considering financial plans and expect that their financial advisor can provide multiple services, such as insurance, financial planning, or other financial expertise, in addition to those permitted under their securities license. For independent advisors, this is also often reflective of the long-term relationship and trust that such clients have in their advisor. They may be reluctant to work with a different advisor, given their existing advisor's knowledge of their personal and financial situations, plans and goals. Client care is often at the root of an independent advisor pursuing an Outside Activity.

As noted at the outset, IFB members are self-employed small business owners, with small to medium-sized financial firms in their local community. In small or rural communities, the ability for the advisor to engage in an Outside Activity may be essential to serve the needs of these communities, and to make the advisor's business more financially sustainable. As small business owners, these advisors need to meet the operating costs of their business, pay staff, and the ongoing costs of multiple registrations and/or professional accreditations. Outside Activities can help make it possible for such advisors to offer access to several financial products and contribute to their local community in various ways.

Sometimes complaints or confusion arise with reporting Outside Activities when advisors are required to report community-based or volunteer positions which do not raise conflicts of interest or are not relevant to regulators when assessing an individual's suitability for registration. IFB members have noted that more clear, consistent direction on Outside Activities that is relevant to their role as a financial advisor would be welcome and support more meaningful reporting. IFB appreciates the CSA's recognition of this in the new reporting framework and guidance outlined in Appendix D, Companion Policy 31-103CP.

Q. 1. Are there other categories of Outside Activities that should be reportable to regulators?

We think the various categories proposed by the CSA are sufficient and agree that the change from "Outside Business Activities" to "Outside Activities" adds clarity and is more in line with current regulatory expectations.

Many not-for-profits, or other community-based organizations, rely on volunteers to help guide the affairs of the organization. We agree with the CSA that such uncompensated activities, when not related to financial services or a position of influence, would no longer be reportable. This will be a welcome clarification for IFB members.

Q. 2. Considering the proposed framework for reporting of Outside Activities, are there categories of Outside Activities that should not be reportable to regulators?

IFB generally agrees with the CSA's proposals to exempt certain activities, such as an advisor's involvement with non-active entities (e.g., a personal holding company) or acting as a landlord, provided they do not exceed a specified time threshold. Monitoring the time threshold, which may vary throughout the year or reporting cycle, could represent a new regulatory burden for the firm and advisor. The CSA may want to consider permitting averaging over a longer time period than monthly.

Q. 3. Are there any challenges that Regulated Persons may face to administer the proposed reporting regime for Outside Activities?

Overall, firms and individuals should see a reduction in reporting to regulators, and more accurate and timely reporting when required.

Training and communication on the revised expectations will be a key component of success. Firms should be proactive in reminding individual registrants of their duty to report both new and changes to their outside activities and provide context to the due diligence requirement. Firms should periodically re-evaluate the approved and denied outside activities of their advisors and supervisory or compliance staff should receive regular training on the Outside Activities that are acceptable or denied, so they are better able to detect and spot red flags for follow up action.

Although these changes are likely to reduce the incidence of reporting OAs to regulators, it is unlikely to result in a reduction in regulatory burden for firms, since they must continue to monitor and supervise outside activities. For example, Appendix D, *Proposed Changes to Companion Policy 31-103CP*, offers a list of oversight practices that firms should employ, such as performing internet searches to identify non-disclosed outside activities. Social media and other internet activities are, by their nature, fluid. We suggest that firms that can demonstrate they have documented procedures, and have evidence that their supervision of their advisors' outside activities was conducted in a reasonable manner and at

reasonable intervals, should have some comfort that they followed prudent business practices in the event of a regulatory audit. Alignment between IIROC and the MFDA on such matters would be welcome.

Q. 4. Is 7 years an appropriate amount of time to report on past Outside Activities that involved raising money for an entity through the issuance of securities or derivatives or promoting the sale of an entity's securities or derivatives?

This seems a reasonable time frame.

Q. 5. Is 30 hours per month (based upon 7.5 hours per week for 4 weeks) an appropriate cumulative minimum time threshold for reporting all Outside Activities?

The CSA may want to consider a more principles-based approach to the hourly threshold where it suggests 30 hours as a guideline. Continued accumulation of hours above this threshold would require the firm to consider if the registrant is able to appropriately serve their clients.

Q. 6. Will Regulated Persons have sufficient time to report Outside Activities given the Proposed Revisions?

The extension of the deadline from 10 days to 30 days should permit firms time to follow up on missing or incomplete information and reduce the number of incomplete or erroneous filings to the CSA.

Q. 7. Are there other positions that should be considered positions of influence?

IFB has no other suggestions.

Q. 8. Is "susceptibility" the appropriate term to describe the impact of the influence on the individual subject to influence?

This seems an appropriate and reasonable term.

Q. 9. Are there any aspects of the new rule on position of influence that you expect will be difficult to administer?

As per our comments above, advisor education and training will be a key component for firms to engage in.

Q. 10 – Q. 17

IFB has no comment on these questions as they are more aptly directed at registered firms.

Q. 18. Do you see any challenges in reporting the title(s) used by Individual Registrants?

IFB is surprised by the new requirement for firms to report the title being used by their individual registrants. It is not consistent with the goal to reduce the regulatory burden, and advisors could change titles many times over their careers, each of which would become reportable.

We also wonder how this will apply to registrants with multiple titles, such as those who hold other financial licenses for insurance or other products. Will a firm be required to report multiple titles per registrant? In another example, Ontario intends to restrict the use of the titles Financial Advisor and Financial Planner. Many of these individuals will be securities registrants, but not all.



More importantly, however, is that the issue of titles has been the subject of discussion for many years yet lacks a comprehensive regulatory response.

Rather than engage in an exercise to collect titles, IFB encourages the CSA to move forward with a more comprehensive position on titles and designations to enhance the protection of consumers, particularly those vulnerable or inexperienced investors, who may unduly rely on advice from a registrant who uses a title which is misleading, or reflects a proficiency the individual does not, in fact, have.

IFB, along with many industry stakeholders and investor advocates, has supported improved clarity around title usage for years. Requiring firms to report titles used by advisors does not advance the need to address this issue at a more fundamental level.

Q. 19. Registered firms are required to keep accurate records, including copies of forms submitted to the regulators. Are there any circumstances where an Individual Registrant will need to request a copy of their Individual Registration Form from the regulator to update information that is not complete or accurate? If so, please describe these circumstances.

Not that we are aware of.

Q. 20. What are your views on the transition plan for the proposed amendments to NI31-103 relating to positions of influence?

IFB has no objection.

Q. 21. Are there any significant operational issues that you need to make to implement the Proposed Revisions?

No comment.

IFB appreciates the opportunity to comment on the Proposed Revisions. Please contact the undersigned or Susan Allemang, Director, Policy & Regulatory Affairs (sallemang@ifbc.ca) should you have questions or wish to discuss our comments in further detail.

Yours truly,

A handwritten signature in black ink that reads 'Nancy Allan'. The signature is written in a cursive, flowing style.

Nancy Allan

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