



255-55 St. Clair Ave West
Toronto, ON M4V 2Y7
Tel: 416-494-9224 Fax: 416-967-6320
Email: cafii@cafii.com www.cafii.com

May 23, 2003

Jim Hall
Chair, Joint Forum Sub-committee on Practice Standards for the Sale of Products and Services in the financial Sector
Joint Forum of Financial Market Regulators
5160 Yonge Street
Box 85, 17th Floor,
North York, On
M2N 6L9

Dear Mr Hall,

CAFII has had the opportunity to review the consultation package on *Principles and Practices for the Sale of Products and Services in the Financial Sector* and is pleased to offer comments. These relate to Point 7 General Information Disclosure, and Point 9, Compliance.

First, we would like to say that CAFII supports the goals of the committee and believes it is worthwhile to develop a common set of guidelines for intermediary sales practices. With a convergence in the functions of the various financial pillars, it makes sense to ensure that intermediaries undertake consistent sales practices across increasingly similar products and services for the benefit of consumers. The Practices Standards document will be very useful to any organization in the industry that undertakes the task of developing a code of conduct. It will provide a consistent and thorough guide to ensure all relevant aspects of sales practice have been included.

Point 7 - General Information Disclosure

On the Principles and Practices document, point 7 on disclosure, CAFII members question the degree to which all Intermediary/Business Relationships need to be disclosed. In particular we note that the intermediary must disclose "any relationship amongst the firms involved in the transaction". We recommend that this clause be deleted as it is covered by the statement which follows- "Any other direct or indirect relationships that are relevant to the transaction should also be disclosed by the intermediary". It may be difficult to assess which direct or indirect relationships are relevant to the transaction and need to be disclosed. Also, the degree of disclosure required may differ from sale to sale depending on the knowledge level of the customer, the type of product being sold and the experience of the intermediary. Intermediaries

with a long business history with their customers should not have to disclose their relationship to the same degree as someone who is new to the customer or to the business. It would be helpful to have more specific criteria outlining what constitutes direct or indirect relationships "relevant" to the transaction. We believe that only a relationship that would be relevant to a client's purchase decision should be disclosed. We were pleased to see that this is the phrasing used for the Consumer's Guide relating to point 7. It speaks of disclosing "information on the existence of any business relationships that the salesperson knows of, with other companies or people, which may be relevant to your purchase." This would help to clarify for industry the type of disclosure that is appropriate.

Paragraph (b) of Principle 7 also requires the intermediary to include the names of organizations that are directly or indirectly providing remuneration to the intermediary. The required relationship disclosure may become complicated and confusing for consumers if detailed information about company organization needs to be disclosed. This is particularly the case with large multinationals whose organizational structure may be complex. As long as meaningful information is provided on the parent or affiliated companies so as to identify the major organization, this should be sufficient for the purpose of disclosing significant and useful relationship information.

Point 9 – Compliance

CAFII's role is to provide professional monitoring and analysis of on-going and prospective government initiatives. CAFII is not an SRO and, therefore, is not involved in monitoring the sales practices of intermediaries of member companies. Therefore, CAFII would not be developing a code of conduct for its members. Instead, we would advise our members of the Principles and Practices document and note that this document sets out a guide that companies could use in setting their own policies and practices.

Thank you once again for the opportunity to input to this process. If we can be of further assistance in answering your questions, please feel free to contact us.

Yours truly,

Mr Oscar Zimmerman
Chair, CAFII