

Sussex Centre, Suite 401, 50 Burnhamthorpe Rd. West, Mississauga, Ontario L5B 3C2
Telephone: (905) 949-4920 ? Fax: (905) 896-9380

By E-Mail

May 29, 2003

Stephen Paglia
Senior Policy Analyst
Joint Forum Project Office
Joint Forum of Financial Market Regulators
5160 Yonge Street, 17th Floor, Box 85
North York, Ontario M2N 6L9
email: spaglia@fSCO.gov.on.ca

Dear Mr. Paglia:

Re: Joint Forum Practice Standards Project – Stakeholder Consultation

The member companies of the Association of Canadian Financial Corporations (ACFC) have been serving Canadians for more than 70 years.

Membership in the ACFC is open to companies that act as financial intermediaries, or that finance retail installment sales and inventory, make or purchase unsecured and secured loans to consumers or industrial and commercial enterprises, own and lease property, and factor and finance industrial and commercial accounts receivable.

The current members of the Association are¹:

- CitiFinancial Canada, Inc.
- Household Financial Corporation Limited
- Trans Canada Credit Corporation

Finance companies provide important financial services to Canadians including such products as small balance loans, private label retail sales financing and mortgages. Combined, the member companies serve 1.74 million customers and have \$6.3 billion in assets.

/2

¹The ACFC has five associate members: Assurant Group, Equifax Canada Inc., First Canadian Title Company Limited, Sykes Canada Corporation, and Trans Union of Canada Inc.

The ACFC has reviewed the proposed principles and practices and has the following comments:

1. Definition of Intermediary

Intermediary is defined as follows:

“Intermediary” means a participant in the financial services industry who markets products or provides financial advice or services to clients. In particular instance this could be a person, firm and/or financial institution.

Although the principles and practices seem to apply to financial services professionals such as life insurance agents and brokers, and employees of financial institutions who market financial products such as creditor insurance, the language in the definition is very broad, referring to anyone participating in the financial services industry. Our members have retailers and car dealers offering creditor insurance through affiliated or non-affiliated insurance companies during the course of financing sales. The insurance transaction is incidental to the sale transaction. We do not believe these retailers or dealers are “participants in the financial services industry.” However, we would like some clarification in the definition to ensure that insurance transactions that are incidental to a sale on credit are not captured by the definition.

2. Disclosure of the Intermediary/Business Relationships

Paragraph (b) of Principle 7 – General Information Disclosure 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. The ACFC believes that as long as meaningful information is provided on the parent or affiliated companies so as to identify the major organization, this is sufficient for the purpose of disclosing significant and useful relationship information.

It may also be difficult to assess which direct or indirect relationships are relevant to the transaction and need to be disclosed. It would be helpful to have more specific criteria outlining what constitutes direct or indirect relationships “relevant” to the transaction.

3. Definition of “Personal Information”

This definition should directly refer to existing or future legal privacy protection requirements to ensure a consistent approach to regulation. To introduce a different or more onerous standard would result in a more complicated regime to address privacy concerns in the financial services sector.

4. Overlap or Conflict with Existing Federal and Provincial Regulation

Since these standards and practices will be in addition to existing federal and provincial regulation, any overlap or conflict may further complicate the applicable regime regulating financial services providers, resulting in additional administrative burdens for the financial services industry. Harmonization with existing legal requirements is necessary in order to streamline regulation.

We look forward to receiving a revised draft of the standards and practices, once input from stakeholders participating in the consultation has been reviewed and considered.

Yours truly,

Rita Minucci

Rita Minucci
Corporate Secretary

RM/sa