



CREDIT UNION CENTRAL OF CANADA

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July 3, 2003

Mr. Jim Hall
Chair, Sub-committee on Practice Standards
Joint Forum of Financial Market Regulators
c/o Financial Services Commission of Ontario
5160 Yonge Street, Box 85
North York, ON M2N 6L9

Dear Mr. Hall,

Principles and Practices for the Sale of Products and Services in the Financial Sector

I am writing to provide the Joint Forum with a brief comment from the perspective of Credit Union Central of Canada regarding the proposed "Principles and Practices for the Sale of Products and Services in the Financial Sector".

As you are aware, credit union regulators and the credit unions are not participants in the Joint Forum. Nevertheless, credit unions are an active and important part of the Canadian financial services sector. Consequently, we have an interest in monitoring the work of the Joint Forum since this work may have implications for the sector as a whole.

In general terms, we view the proposed Principles and Practices to be reasonable and consistent with good business practice. There are two aspects of the proposal that cause us some concern. Both of these concerns relate to the use of the word "intermediary".

Firstly, section 4 of the document, on the subject of "Professionalism", sets a high standard of training and education for "intermediaries". It is not clear to us what the term "intermediaries" is intended to cover in this context. The standard seems appropriate to investment representatives, securities advisers, etc.. The standard seems high when applied to staff who handle routine transactions in credit unions and other deposit-taking organizations. These staff require training, but not to the extent suggested by the standard.

The problem, in general terms, seems to be that the meaning of "intermediary" shifts throughout the document. In some cases, the term refers to organizations while in other cases it pertains to individuals.

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In some instances, the term appears to be relevant only to intermediaries that provide financial advice, and in other cases the terms seems to have broader application.

A second example of this issue is the following. Section 7(b) of the document, under the heading of "General Information Disclosure", suggests that financial intermediaries should disclose a range of information about compensation and remuneration arrangements with respect to the sale of specific products, including the names of organizations and persons who are providing remuneration to the intermediary.

This provision seems to be aimed at financial services providers who hold themselves out as providing independent advice on financial products so that recipients of the advice are in a position to ascertain whether the advice might be affected by compensation considerations. In our view, the pricing of financial products commonly sold by credit unions is sufficiently transparent. To the extent that legislated disclosure requirements are in place, such as with mutual funds, the credit union system complies with these requirements.

For this reason, we would not support, for financial transactions undertaken by credit unions, the suggested level of detailed disclosure regarding names of organizations and persons whose product is being considered, as well as indirect relationships that may be related to the transaction. Provided that the credit union member has a clear understanding of the fees that will be charged with respect to a product and provided that the sale of the product otherwise complies with legislated disclosure requirements, it should be left to the intermediary to determine whether any additional information about a supplier or other relationship affecting the product is relevant to the transaction.

We agree, in the case of an intermediary that holds itself out as providing independent advice, that the fee structure should be disclosed. We would also agree that this disclosure should only apply to the type of compensation that the intermediary receives and not the specific amount.

Thank you for this opportunity to comment on the proposed Principles and Practices. We would be pleased to respond to any questions from the Joint Forum.

Yours Sincerely,

David Phillips
Vice President, General Counsel & Corporate Secretary