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Robert Day
Manager, Business Planning
Ontario Securities Commission
20 Queen Street West
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Toronto ON M5H 3S8

Submitted by email: rday@osc.gov.on.ca

Dear Mr. Day:

Subject: Ontario Securities Commission Draft Statement of Priorities for Fiscal 2009/2010

Independent Financial Brokers of Canada (IFB) is pleased to offer our comments on the Ontario Securities Commission's *Draft Statement of Priorities for Fiscal 2009/2010*.

IFB is a voluntary, not for profit association representing approximately 4,000 licensed financial advisors. While many of our members are licensed to sell life/health insurance and/or mutual funds, a significant number are also securities registrants. It is, therefore, with interest that we reflect upon and respond to issues related to the governance of the securities industry.

Our comments will primarily be directed at the potential effects of the Commission's priorities on financial intermediaries, like our members, who are the front-line providers of securities advice and products to consumers.

Goal 1 – Identify the important issues and deal with them in a timely way.

We support the Commission's objective to be a strategic leader for Ontario investors and in the financial marketplace. Clearly, the ability to anticipate industry trends and emerging issues is paramount to ensuring investors and other participants in the marketplace are not exposed to undue risk.

We remain concerned about the lack of harmonization amongst Canadian securities regulators and that Ontario has identified a number of exception areas related to National Instrument 31-103, Registration Reform, which will result in different implementation rules for Ontario.

We believe that ultimately this lack of coordination negatively affects the Commission's ability to achieve its stated goals. Most market participants do not operate in a single jurisdiction. The requirement for them to comply with different provincial rules creates a regulatory burden and

confusion that may manifest itself in unintended gaps in compliance. A single set of rules is fundamental to increasing consumer protection, reducing industry costs and increasing market efficiencies.

In addition, we observe a growing frustration amongst financial advisors, like our members, with the current regulatory system. All of us appreciate the valuable role that regulation plays in protecting the public interest and preventing unsuitable persons to act in positions of trust. However, regulators must appreciate that the continued formulation of rules, demands for regulatory paperwork and proof of compliance represent a significant erosion of time spent conducting and building a successful business, including servicing clients.

This burden is greatest on small and single, owner-operated businesses, which do not have the resources to hire staff dedicated to compliance. To help manage this growing problem, we ask that provincial regulators look to coordinate their work to prevent overlap or duplication. In addition, we ask you to exercise caution when considering adding new rules. New rules should only be considered after a fulsome understanding of the magnitude of the problem has been acquired, regulators are assured that a change in rules is necessary to address a real regulatory gap and a cost-benefit analysis has been conducted, along with an assessment as to whether the rules will have an impact beyond the target group (to ensure that others are not inadvertently, adversely affected).

IFB is concerned that current regulatory trends favour large financial institutions with the ability to staff in-house compliance departments and absorb these increasing costs due to their size. We believe this trend will result in consumers having less access to personalized financial advisory services. This will be particularly acute for small retail clients and those situated in smaller or geographically isolated communities. Regulatory policy should promote financial inclusion for all levels of investors and any new governance models should be subjected to this test prior to implementation.

We also encourage you to include more opportunity for intermediaries and their member associations to participate in a process of open dialogue. Since advisors are the front-line providers of financial advice and the primary link to the investing public, they offer a different perspective - one geared to the everyday challenges of conducting business for their clients in today's regulatory regime.

Goal 2 - Deliver fair, vigorous and timely enforcement and compliance programs.

We agree that *“timely and appropriate compliance and enforcement are integral to fostering confidence in capital markets and preventing harm to investors”*. “Vigorous” enforcement should be reserved for egregious conduct.

We repeat our earlier comment that the underpinning of a solid regulatory system is the adoption of a uniform approach to regulation by all jurisdictions and SROs.

IFB supports the Commission's intent to work internationally and within Canada with other bodies responsible for securities regulation to improve the level of co-operation and the detection and enforcement for securities fraud and other economic crimes. In today's increasingly borderless financial community, and the specific challenges presented by the world-wide economic downturn, sharing information on fraudulent, or potentially fraudulent, situations is a key measure in reducing the exposure of investors.

Goal 3 – Champion investor protection, especially for retail investors.

In general, we support your plan to improve the investing public’s understanding of the range of financial products available and the risks associated with such products. Offering impartial, plain language educational materials on the Commission website and through print materials is, in our view, an appropriate allocation of resources. Ultimately, this knowledge will increase a consumer’s ability to make sound financial decisions, which is to the benefit of all market participants – including advisors, like our members. In this regard, we are pleased with the initiative to establish an Investor Secretariat to co-ordinate issues of interest and concerns of investors. However, in establishing membership of this Secretariat, we urge the OSC to seek investor representation from a wide range of candidates. In the past, such positions have frequently been filled by those with legal, regulatory or academic expertise in financial services, and less so from the investing public. It is important that for the Commission to successfully tap into investors’ experiences, it must deal directly with clients and fully engage them in the consultative process. Furthermore, we note that this lack of direct investor experience occurs at the SRO level as well and over which the Commission has oversight.

Advisors, who are the most frequent point of contact for clients, are also lacking in representation. The OSC can put into place initiatives to remedy this situation in its own organizational structure and, through its regulatory authority, the SROs. For example, the MFDA has established a task force to review its current governance model. This presents an excellent opportunity for the MFDA to change its current model to include representatives of a full range of market participants, including advisors. Clearly, it is the advisor who deals most directly with clients and yet they continue to have no direct representation on its Board. The input provided by dealer members cannot be construed as reflecting the views of their advisors and may even conflict. Without consulting advisors, the SROs and the Commission itself lack a fundamental voice at the table.

IFB has commented extensively in the past on the point of sale disclosure framework. We look forward to commenting on the rules when published, and trust that they will address the impediments that IFB and other industry stakeholders identified, particularly as they relate to the delivery of point of sale materials.

Goal 4 – Support and promote a more flexible, efficient and accountable organization.

We agree that the Commission must be staffed by knowledgeable and suitable individuals who understand the market and are committed to fair and equitable treatment. We encourage the Commission to do so in the most cost effective and efficient manner possible.

In conclusion, Independent Financial Brokers appreciates the opportunity to have submitted our comments and looks forward to receiving the final copy of the OSC Statement of Priorities when it becomes available.

Yours truly,



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