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September 23, 2011

To:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission
Office of the Attorney General, Prince Edward Island
Financial Services Regulation Division, Consumer and Commercial Affairs Branch, Department of Government Services, Newfoundland and Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

Attention:

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto ON M5H 3S8
Email: jstevenson@osc.gov.on.ca

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
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Montréal Quebec H4Z 1G3
Email: consultation-en-cours@lautorite.qc.ca

Submitted via Email.

Dear Sirs and Mesdames:

Subject: Proposed Amendments to National Instrument 31-103: Cost Disclosure and Performance Reporting

Independent Financial Brokers of Canada (IFB) is pleased to comment on the proposed amendments to NI31-103 *Registration Requirements and Exemptions: Cost Disclosure and Performance Reporting*, published June 24, 2011.

Independent Financial Brokers of Canada (IFB) is a national, not for profit Association representing approximately 4,000 licensed professionals who make their living in the financial services sector as independent agents of the companies they represent. They have specifically chosen not to be in an employee relationship or operate under an exclusive contract with a single provider because they believe that this flexibility provides them with the best opportunity to recommend the most suitable investment for their clients.

IFB has been an active contributor to these CSA consultations over the past number of years as many of our members are licensed as Approved Persons of a mutual fund dealer or an IIROC dealer. Many will also be licensed to sell life insurance products as well as providing various financial planning services. Accordingly, reporting to their clients often involves discussion of a mix of investments which have been structured to address their personal investment objectives. By its nature, then, the mix of investments will often involve products which extend beyond the reach of securities regulators.

It is a continuing concern of our members that new securities regulations not impinge upon or restrict their ability to provide clients with a true and comprehensive view of their portfolio. Our Members fully support the regulatory goals of insurance and securities regulators and self-regulators that clients should be provided with clear and transparent reporting on the costs associated with their investments and the performance of their investments. They feel strongly that this is a substantive value they add to this relationship that investors who use self-directed accounts or invest directly do not have.

As it stands today, however, at the outset of the client relationship, advisors are already required to use a mixture of industry standard disclosure reporting forms intended to “Know the Client”, set out the relationship between the advisor, dealer and client, identify the client’s investment risk tolerance, meet suitability guidelines, disclose that the advisor may receive a commission or referral fee and the circumstances under which such commissions/fees may be triggered, and the advisor’s outside business activities, if any. Most advisors will also use a letter of engagement and undertake a needs analysis. Added to this are privacy consents and permission to telephone or email them. Clients must sign off on these forms as proof that the advisor has explained these details and, as part of the process, clients are invited to request further information. In reality, our Members report that their clients are often overwhelmed by the sheer number of forms they have to sign and rarely show interest in expanding upon such details; however, they are interested in the overall performance of their portfolio.

It is interesting to note that the Brondesbury survey¹ (research commissioned by the CSA in support of the CRD) supported that investors who have their own advisor are more likely to have discussed the costs associated with their investments and exhibit the highest level of understanding of costs associated with these investments. This emphasizes the value that an advisory relationship has for clients in helping them to decipher often complex material, such as that in a prospectus or simplified prospectus and the terminology specific to investment transactions.

While there may well be areas where the existing communication tools could be improved, we urge the CSA to focus on streamlining these tools, reducing and simplifying them for investors and not add to this burden by layering on more forms.

We are troubled by the requirement in the Companion Policy, section 14.2 that “*registered individuals spend sufficient time with clients as part of an in-person or telephone meeting to adequately explain the written documents that are delivered under subsection 14.4(2)*”. This discussion is generally understood to form part of the client-advisor relationship, and indeed, as pointed out above, adds value for clients. We seek further clarification on this proposal and how the CSA envisions monitoring and enforcing it, as it will clearly affect our Members and their relationship with their clients.

Proposals Focus on Mutual Funds

Many of our Members’ clients invest in mutual funds because they represent an accessible and affordable opportunity to participate in the stock market, with access to professional portfolio managers that would be unavailable to them if investing smaller amounts on an individual basis. We support IFIC’s position in this matter, that emphasizing the costs of these investments on a per item basis will detract investors and perhaps lead to unequal comparisons with other types of investments.

We also add our voice to those of others in the industry who have commented on the MFDA rules on cost disclosure which are set to come into effect for new clients on September 28, 2011. This Rule was approved by the CSA. We are concerned that any lack of harmonization or standardization between the MFDA and CSA proposals will result in increased costs and confusion for dealers, advisors and clients.

Duplication with Point of Sale (POS) Regime

IFB and many other stakeholders in the securities and life insurance industries have commented extensively on the Point of Sale Disclosure regime for mutual funds and segregated funds. We are concerned that if the CSA proceeds with mandating specific disclosure requirements under NI 31-103, without recognizing or making an exception for the POS regime already in place, that mutual fund investors will receive duplicative materials from even more sources that will serve to undermine the improved clarity and comparative information represented by this initiative.

Increased Regulatory Costs

¹ Report: Performance Reporting And Cost Disclosure

Prepared for: Canadian Securities Administrators The Brondesbury Group Sept. 17, 2010

We are concerned that the increased costs associated with these proposals will be passed on to advisors and eventually to investors. We again, as we often have in the past, wish to draw the CSA's attention to the reality that higher costs will make serving the smaller investor less economical for advisors and dealers. This is not in the best interests of consumers. It has been repeatedly shown by research studies that those consumers who work with an advisor are more likely to meet their investment goals, make regular contributions, understand the investment process and invest more successfully over the long term. The 'value' of this advisory relationship should not be undervalued – especially with the burgeoning senior population and reduction in employer sponsored defined pension plans.

In conclusion, IFB thanks the CSA for the opportunity to present the concerns of its Members and we trust you will find them useful as you consider the input you receive.

Should you require further information on any of the above, please contact the undersigned.

Yours truly,



John Whaley
Executive Director
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