BY EMAIL: comments@osc.gov.on.ca**,** consultation-en-cours@lautorite.qc.ca

September 23, 2016

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumers Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Nova Scotia Securities Commission

Attention:

Josée Turcotte
Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON, M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3

Dear Sirs / Mesdames:

Re: CSA Consultation Paper 33-404: Proposals to Enhance the Obligations of Advisers, Dealers and Representatives toward Their Clients

InvestorCOM is pleased to provide our comments to the Canadian Security Administrators' (CSA) *Consultation Paper 33-404 – Proposals to Enhance the Obligations of Advisers, Dealers and Representatives Toward Their Clients* (the "Paper") published on April 28, 2016.

InvestorCOM is an affiliate member of the Investment Funds Institute of Canada (IFIC) and having participated in IFIC's 33-404 Advisory Task Force, we support IFIC's comment letter submitted to the CSA on September 20, 2016.

As a regulatory technology ("regtech") solutions provider for the investment funds industry, InvestorCOM's primary focus is to leverage technology and innovation to deliver clear and accurate client communications to investors in compliance with rules and policies. In addition to the comments summarized in IFIC's letter, we wish to emphasize the following points.

InvestorCOM is in full support of recent changes to the regulation to provide more transparency and disclosure to investors through Point of Sale (POS) and CRM2 reforms. We believe that the CSA should give the industry and investors time to see the positive impact of these significant changes before imposing additional targeted reforms as outlined in the Paper.

We also feel that the CSA should now turn their focus to leveling the playing field with other investment products including Exchange Traded Funds (ETFs) and Segregated Funds before adding additional legislation to the mutual fund industry. This will provide a consistent and transparent regulatory framework across the majority of investment products.

Unintended Consequences

We are concerned that enforcing an enhanced best interest standard in a “one size fits all” model as suggested in the Paper, will result in a reduction of service and advice for small and medium size investors – the exact audience for which the reforms were intended.

The regulatory framework that is in place today provides access to advice for all investors. Canadian investors already have access to a wide range of financial products and services at a low fee. The CSA should consider the unintended investor outcomes in other jurisdictions including the UK and Australia where significant changes to regulation have resulted in restricted access to advice, at the detriment to the investor.

Market Evolution

Technology, including InvestorCOM’s regtech offerings, is introducing new ways to deliver products and services. It is also introducing new players to the market including the Robo-Advisor. Demographics are bringing a new generation of investors with different expectations of access to advice and services.

Regulators should respond to, not lead, market developments. The unintended consequence of targeted reforms may disadvantage some of these innovative, low-cost models for access to advice for small or independent investors. We have a framework in place today - the Self Regulating Organizations (SROs) – that continue to regulate these developments and ensure investors are treated fairly in the face of market evolution.

One Size Does Not Fit All

We do agree that there is room for improvement to the KYC and suitability requirement, however “blanket” enhanced suitability requirements for all clients as proposed in the Paper is not appropriate, especially considering that 75% of Canadians have less than $50,000 in funds to invest. These small and medium size investors are looking for a cost-effective way to gain access to advice and investment products; this exists today under the current regime.

The proposed level of enhanced oversight is not practicable for basic financial planning. It may create the expectation that all advisors will provide comprehensive financial planning services to all clients, regardless of their needs or amount of money they plan to invest. It may result in more advisors/firms changing to a fee-for-service model or restricting access to advice for medium to large investors. The unintended consequence is that fewer small investors will be able to be serviced by an advisor.

Limits to Know Your Product Shelf (KYP)

With over 35,000 current Fund Facts in the InvestorCOM repository, which represents the universe of Fund Facts in Canada, it is virtually impossible for a single advisor to know the entire product shelf.

The proposed enhancement to the KYP process – requiring advisors to have knowledge of the entire shelf of mutual funds in order to provide advice to their investors – is impractical. However, it is reasonable to expect an advisor to have knowledge of the products they are recommending and are licensed to sell.

With increased complexity and oversight required, it makes sense for an advisor or dealer firm to optimize their range of product and product shelf. This will result in a narrower shelf and further industry consolidation – an unintended consequence of KYP changes.

Summary

Under the current regime, advisers provide broad and lasting benefits to investors, particularly small and medium size investors. The CSA recognizes that recent CRM2 and POS 3 changes need to be measured and monitored over a period of years to understand the full effects of the changes. The result of this research should identify what works and what remains to be done. Proceeding to implement additional changes to the mutual fund industry, without first leveling the playing field with other investment vehicles namely ETFs and Segregated Funds, and second, waiting to know the results of CRM2 and POS 3, seems contrary to the CSA's long-standing prudent approach to implementing an evidenced based regulatory framework.

Thank you for giving the industry an opportunity to comment on the Paper and we look forward to your response.

Sincerely,

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