CANADIAN WESTERN FINANCIAL

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BY ELECTRONIC MAIL: comments@osc.gov.on.ca & consultation-en-cours@lautorite.qc.ca

Josée Turcotte, Secretary
Ontario Securities Commission
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Me Anne-Marie Beaudoin, Corporate Secretary
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Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
The Manitoba Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Nova Scotia Securities Commission
Ontario Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan

RE: CANADIAN SECURITIES ADMINISTRATORS CONSULTATION PAPER 33-404 PROPOSALS TO ENHANCE THE OBLIGATIONS OF ADVISERS, DEALERS, AND REPRESENTATIVES TOWARD THEIR CLIENTS

Dear Sirs / Mesdames:

Our firm, Canadian Western Financial Ltd., would like to thank you for the opportunity to comment on the Canadian Securities Administrators Consultation Paper 33-404 Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives Toward Clients.

Canadian Western Financial is writing to provide comment that we support and agree with the comment letter (copy enclosed) submitted to you by the **Association of Canadian Compliance Professionals** on September 28, 2016 with respect to the above captioned Consultation Paper.

In addition to the aforementioned comment letter provided by the Association of Canadian Compliance Professionals we also want to reiterate and highlight the following concerns raised by **IFIC** in their response to Consultation Paper 33-404:

> "The requirement for firms to choose products which will "*most likely meet the investment needs and objectives of its clients*" will put the regulator in the position of deciding what investment products and services will meet the needs of individual clients."
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> "The KYC requirement to identify other financial strategies and asset allocation strategies will impose a "one size fits all" approach that may create the expectation that firms will provide financial planning services to all clients, regardless of their actual needs. We agree that enhancements can be made to KYC and suitability requirements, but maintain that clients are best served by KYC requirements that allow fit-for-purpose assessments and tiered services that meet their individual needs."
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> "The requirement that advisers must know every product their firm sells is impractical and likely unachievable, especially in mixed/non-proprietary firms with thousands of mutual funds and other products."
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> "The requirement for an agreed-upon target rate of return for every size of investment and account will likely be misinterpreted by clients as a guaranteed rate of return."
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> "The requirement for firms with mixed/non-proprietary products to perform an "unbiased" market investigation of all products and to sell only those "most likely" to achieve client objectives will be difficult to comply with."
>
> "The regulatory standard of care governing the registrant-client relationship contained in the securities rules requires registrants to "*act honestly, fairly and in good faith*". The CSA proposal (except for the BCSC) adds the words '"*and act in their clients' best interest*". The Paper does not explain what these additional words mean."
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> "The proposed best interest standard of conduct will create an unmanageable and perhaps unnecessary degree of regulatory, compliance and legal uncertainty. We share these concerns as expressed by the BCSC, and question further how the industry would supervise compliance with an aspirational overarching rule. What is prohibited under a best interest standard of care that was permitted under a duty to act honestly, fairly and in good faith?"

> ”We support a limitation on the number of titles a firm and adviser can use, and agree that the CSA should include rules in NI 31-103 establishing a principles-based approach to regulate titles. Titles should be consistent across a registrant category and not be differentiated by product shelf.”

Most of our accounts are small and medium sized accounts, these proposals do not take into consideration the wide variety of client needs and expectations. The “one size fits all” nature of these proposals may result in clients receiving services not suited for them, which they may not want, and are not prepared to pay for.

The proposed Know Your Product requirements would force our dealer to significantly reduce and limit our product shelf. The supervisory requirements that these proposals would require are considerable. We could be forced to reduce our number of representatives and impose a minimum account size on clients.

Clients are already reluctant to provide KYC information and do not understand the time it takes to properly collect and review this information. Expanding the KYC to include basic tax position or tax strategies would be challenging and may not be relevant for most situations. Requiring suitability assessments every 12 months, and after “*significant market events*” would be unrealistic and may not be beneficial for all clients.

The current CRM2 and POS3 initiatives need time to be fully implemented and tested before new initiatives are designed. Any new proposals must be thoroughly investigated as they may result in unintended consequences causing more harm than good to both clients and the industry.

Thank you for the opportunity to provide our comments. Please contact me with any questions you may have.

Sincerely,

CANADIAN WESTERN FINANCIAL

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