RAYMOND JAMES®

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September 30, 2016

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

Via Email to:

Attention: Robert Blair, Secretary (Acting)
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

Me Anne-Marie Beaudoin, Corporate Secretary
Autorité des marchés financiers
800, rue du Square-Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec, H4Z 1G3
consultation-en-cours@lautorite.qc.ca

Dear Sirs / Mesdames:

Re: Canadian Securities Administrators ("CSA") Consultation Paper 33-404 – Proposals to Enhance the Obligations of Advisors, Dealers, and Representatives Toward Their Clients ("Consultation Paper")

Raymond James Ltd. ("Raymond James") is pleased to have the opportunity to comment on the CSA Consultation Paper published April 28, 2016, relating to proposals to enhance the obligations of Advisors, Dealers and Representatives toward their clients. Raymond James is a full service investment dealer registered in all the provinces and territories in Canada. It is a member of both IIROC and the Investment Industry Association of Canada ("IIAC"). Raymond James provides both an employer and employee relationship model and a principal and agent relationship model for its various registered representatives. In both platforms, we are committed to excellence in both service and putting the needs of our clients first.

Raymond James has participated in the IIAC's working group that prepared the IIAC submission to the CSA dated September 30, 2016 responding to the proposals set forth in the Consultation Paper. We agree with and endorse the comments made by the IIAC on behalf of the investment dealer industry. We do not intend to repeat those comments by responding to each question posed in the Consultation Paper. However, we wish to highlight generally our concerns and comments arising from the Consultation Paper.

Overview

The investment dealer industry has been in a state of regulatory reform since the introduction of the Fair Dealing Model that became the Client Relationship Model (CRM). The securities industry is in the process of implementing the second stage of the Client Relationship Model after considerable rule changes, system enhancements, costs and implementation. We are not aware of a cost-benefit analysis or an impact assessment conducted to date. We consider that CRM 1 and CRM 2 rules read together with existing IIROC rules such as Rule 42, already represent a regulatory client best interest standard adopted as the regulatory standard for investment dealers. We appreciate that the securities regulatory regime for other categories of securities registrants is not the same as the regulatory regime for member rules under IIROC's self –regulatory organization (SRO). We are supportive of the Canadian Securities Regulators raising the standards of other securities registrants to be consistent with that already in place under IIROC's member rules and codes of conduct which require advisors to deal fairly, honestly and in good faith with clients. IIROC's regulatory standard of care and the SRO Rules and Guidance are designed to put the interests of the clients ahead of the interests of registrants and that is the business environment in which IIROC members operate. If the CSA considers that any uncertainties remain about any aspects of the client-advisor relationship, the recommended approach would be to clarify rules and guidance to meet objectives set out in the Consultation Paper or to provide more education or enforcement of the standards already in place to prioritize the interests of client's over the interests of registrants.

Some of the proposals in the Consultation Paper represent significant further and somewhat broad and vague changes to the regulatory environment without a clear or practical cost – impact or investor benefit analysis. We question whether smaller independent dealers will be able to withstand the financial regulatory burden of further expansive regulatory overhauls of securities regulation. The CSA must be mindful that costs of regulatory reforms or changing requirements may ultimately be borne by the investor. The question that needs to be asked is what part of the CRM regulatory reforms were inadequate? i.e. what are the residual problems that the CSA considers need to be fixed?

The Consultation Paper is written from the vantage point that all investor clients have the same needs, levels of service and requirements for advice. The blanket approach introduces another layer of regulation with a "one-size fits all approach". Common law case law and even IIROC investigations focus on the particular facts and circumstances of the client-investor and the client-advisor relationship. We consider that to be the more prudent approach. There are differences in the level of engagement, client knowledge, sophistication, experience, mandate and whether or not there is a discretionary managed account involved. Investors providing trading instructions should have some responsibility for reviewing trade confirmations and client account statements so that an investment dealer is not expected to be an insurer for investment losses. The unintended consequence of "one size fits all" approach may well result in the smaller client most in need of advice being unable to open an account and obtain desired investment advice. You might also expect higher minimum account sizes in the investment industry as the Compliance costs of doing business continues to rise.

Proposals

Conflicts of Interest

IIROC Rule 42 Conflicts of Interest outlines policies to identify conflicts of interest. The rule articulates both the firm and advisor responsibilities for identifying and managing conflicts of interest. The Code of Ethics found in the Conduct and Practices requires that registrants be trustworthy, honest and fair and it specifically requires that the client's interest must be the uppermost consideration.

The Consultation Paper uses vague concepts such as the requirement to "prioritize" the interests of the client ahead of the interests of the firm resulting in uncertainty for application, implementation and regulatory expectation. If adopted, we would expect that considerable written guidance would be necessary to provide clarity of expectation in specific circumstances. Further, the expectation that a firm obtain "informed and specific consent" from a client before entering into a transaction is unclear as to the considerations necessary and how the measure of "informed" will be determined. We understand that a separate paper with a focus on compensation-related conflicts of interest in the securities industry is underway and is expected to be published in the fall of 2016.

Know Your Client

IIROC minimum KYC requirements are set out in Rule 1300 and Form 2. The Consultation Paper is written with an underlying assumption that a registrant or firm has all of the assets of a client for investment purposes and that is not always the case. It is not uncommon for a client to maintain investment accounts at more than one investment dealer. The Consultation Paper's targeted reform to collect additional information such as tax information may be challenging for compliance when investor clients refuse to provide that information. It is not uncommon for clients to refuse to provide information of that nature. Furthermore, financial planning services are not always sought by, or provided to, all clients of an investment dealer. Fully managed discretionary investment accounts are not always sought by, or provided to, all clients of an investment dealer. The level of ongoing due diligence prescribed in the proposals may have the unintended consequence of registrants accepting only higher net worth clients and fewer clients. Given demographics and the average age of registrants in the industry, these proposals may result in too few registrant advisors and too many clients as "seniors" being unable to access investment advice.

Know Your Product – Firm and Representative

IIROC member firms are subject to IIROC guidance related to KYP a part of the suitability obligation. The targeted proposals go much further and require advisors to understand every product on a firm's product list. This could include as many products as securities listed and traded on an investment dealer's securities master. Expecting an advisor to be proficient in relation to the entire universe of products permitted to be sold by the firm may be an unachievable objective. Maintaining proficiency related to all securities listed and trading on a stock exchange would be a full-time task. We expect a rule of that nature may have the

unintended consequence of reducing the number of products firms would permit to be sold to clients. Furthermore, the requirement for firms to engage in a market investigation, product comparison and optimization process for all clients will be a costly process. That proposal does not appear to recognize current investment dealer product due diligence processes, systems and tools already in use in the investment industry.

Suitability

Expansion of suitability requirements by the introduction of the three new proposed requirements do not align with current basic proficiency requirements for registered representatives today. The proposal requiring an advisor to conduct a "basic financial suitability" assessment requiring advisors to provide non-securities product strategies, including whether a client is better off paying down interest debt or placing cash in a savings account may be difficult when a client is unwilling to provide full information regarding his/her debt. Providing non-securities financial advice is outside the activity contemplated by registration categories in place for investment dealers today. Financial planning or credit counselling proficiency may be necessary to meet the requirements of these proposed reforms. The requirement for advisors and firms to identify a target rate of return for each investor client is customarily an assessment performed by financial planners or a certified financial analyst. What if any additional proficiency requirements are proposed to fulfill these proposed KYC regulatory requirements? Is the CSA forecasting attrition of registrants from the investment industry if new or additional proficiency requirements are introduced?

Relationship Disclosure

CRM 1 has recently implemented Relationship Disclosure. IIROC Rule 3500 set outs requirements surrounding the nature of the disclosure necessary to ensure the relationship disclosure is clear and meaningful to clients. We think IIROC standards meet the CSA objectives in this subject area.

Proficiency

We support and encourage potential changes to proficiency requirements of securities registrants (e.g. MFDA, EMD's) to ensure that all securities registrants meet education and proficiency standards that raise the professionalism that currently exists in the investment dealer industry today.

Titles

We support standardizing the range and number of titles currently used in the investment industry. However, we think permitted titles should better align with the products or services that an investment advisor is registered to offer and the advice that an advisor is expected to provide. We suggest that titles such as investment advisor, financial advisor, portfolio manager, associate portfolio manager, registered representative and investment representative are appropriate. We think the proposals outlined in the Consultation paper are too limited. Furthermore, the title "salesperson" is not in keeping with the regulatory expectations for investment advisors to provide advice other than for a registrant of a mutual fund company. IIROC Guidance Note 14-0073, published in March 2014, outlines IIROC regulatory requirements such that member firms already have policies and procedures adapted to their

firm's business model and account offerings in respect of the business titles and financial designations which may be used.

Role of UDP and CCO

The proposed reforms appear consistent with current UDP and CCO practices. IIROC Rule 38 and Guidance Note 12-0379 set out the duties, requirements and expectations for UDPs and CCOs.

Statutory Fiduciary Duty & Regulatory Best Interest Standard

It is unclear how the CSA views the difference between a statutory fiduciary duty and a regulatory best interest standard. The common law does not make a distinction between a fiduciary duty and best interest obligation. Once a fiduciary duty is found to exist the legal standard is to act in the best interest of the client first and foremost above one's own interest. In fiduciary law, conflicts are to be avoided, rather than managed. The common law fiduciary duty applies in fact specific circumstances where elements of trust, reliance and vulnerability are present. The "blanket" approach does not recognize the particular facts and circumstances present in a relationship between an advisor and his/her clients and arguably, the introduction of new regulatory standards without the benefit of common law application may have the effect of increasing the liability of advisors and diminishing defences regarding experienced and sophisticated investors otherwise available to investment dealers in common law. The proposed regulatory best interest standard is not articulated leaving it unclear how this standard would be developed, interpreted or applied. Considerable guidance and carve-outs may be necessary to permit investment dealers to continue to provide the types of accounts and services currently offered in the investment industry today. (Some examples are commission based accounts and principal bond trades in the fixed income market.)

Summary

Raymond James believes in providing advice that is best for their clients. The securities industry has been undergoing client relationship model reforms to the regulatory regime to provide clients with investor protections, clear and fulsome disclosure as well as to enhance communication and delineation of roles and responsibilities in the client-advisor relationship. The proposed "regulatory best interest standard" is vague and is not clearly defined. Without being able to articulate what constitutes a "best interest standard", the proposal leads to uncertainty and demonstrates the need for both guidance and exemptions from application of the rules intended to be proclaimed. Uniform "one size fits all" standards do not take into account the different business models, products and services, client sophistication and experience and the registration categories in the securities industry. We anticipate that these proposals if implemented may result in reduced choice, reduced access to and affordability of investment advice.

To the extent that the proposals outlined in the Consultation Paper increase standards to the levels already in place for IIROC registrants and member firms, we support the proposals for enhancing investor protection and promoting a level playing field between registrants. Exemptions from proposed new CSA rules may be warranted for IIROC member firms and registrants where those rules are duplicative of IIROC standards already in place, to avoid

duplication of regulatory requirements and to manage the regulatory compliance burden on IIROC members.

Yours truly,

RAYMOND JAMES LTD.

Paul D. Allison
Chairperson, Chief Executive Officer