

## Via Email

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

**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 Advisers, Dealers, and Representatives Toward Their Clients**

Rogers Group Financial ("RGF") is a financial planning organization located in Vancouver, British Columbia. All of our financial advisors are dually licensed for securities and insurance, providing financial planning and implementation to our clients. Some of our advisors are licensed for securities in provinces other than British Columbia, namely Alberta and Ontario.

We appreciate the opportunity to provide input to this Consultation Paper.

We have participated in the working group with the Investment Industry Association of Canada (IIAC) to provide a detailed response. For the most part we agree with the comments of the IIAC.

However, there are three areas that we wish to make specific comment on:

1. Know Your Product (KYP) – The Representative and Firm (Question 7)
2. With regard to Proprietary Product (Questions 8 – 15)
3. Statutory Fiduciary Duty and Regulatory Best Interest Standard (Questions 35 and 36)

### Know Your Product (KYP) – The Representative and Firm

The proposed requirements for advisors to comply with the KYP obligation are far-reaching and vague. If the intention is for advisors to understand and consider the structure, product strategy, features, costs and risks of each security available on our firm's shelf, the expectation is untenable. The proposals do not specify unique applications for the various registrations of dealer and advisor.

We support the principle that it is incumbent upon each advisor to know and understand these aspects for any product recommended to a client. Our firm exercises rigor to determine the risk and role of any new product to our shelf. In addition, we utilize thorough processes to supervise our advisors to ensure that *they* know and understand the features, risks, and costs of any product they recommend to their clients. When there is harmony between the advisor, advisor practice, firm and client, the principle of KYP is best managed.

The selection of product to meet clients' needs is an evolving process – performance and pricing already dictate a continual search for best selection of market product for our clients.

We believe that sufficient rules and guidelines exist today to enable firms to deliver choice and manage risk.

### Proprietary Product

In our opinion proprietary products by definition are a conflict of interest. Not only does the member firm receive compensation from the sale of the product but also receives the profit from the production of the product. The member firm is better off when their advisors use their proprietary products. This is a conflict of interest that is much worse than many of the other areas where there is perceived or possible conflict of interests rather than the actual conflict of interest that exists with the use of propriety products.

Anecdotally we are aware of firms that provide enticement to advisors for their proprietary product by way of either a higher stated trailer fee on a wrap account or mutual fund, or by way of reduced advisor costs for certain sales achievements of proprietary product.

Our experience is that clients who have come from such firms did not understand the disclosure of the non-arms length arrangement – effectively higher compensation/lower costs to advisor and potential conflict of interest.

### Statutory Fiduciary Duty and Regulatory Best Interest Standard

The proposal references the term "fiduciary duty" as distinct from the regulatory "best interest: standard.

We echo the IIAC questioning what, if any, problem exists with the existing civil liability standard in the majority of provinces without the statutory standard, why only a minority of provinces adopted a best interest statutory provision originally, and what the impact will be of imposing multiple standards that in some cases employ the same terminology but mean different things.

We agree with the BC Securities Commission that the application of a best interest standard is incompatible with the fundamental conflicts of interest that are currently permitted.

The standards set out by IIROC, the current statutory duty to act "honestly, fairly and in good faith", along with the newly introduced measures of CRM 2 and POS already call advisors to act in a manner that demonstrates investment advice that is in the client's best interest. A best interest standard should not be implemented until these newly implemented measures are evaluated as planned in the multi-year study.

In summary, we call upon the CSA to carefully consider the impact of introducing new rules in areas where satisfactory guidance exists, and to consider the cost of imposing additional regulation that will only add administrative cost to business and provide no greater value to the consumer. We believe that competition is healthy to our business by way of heightened awareness and disclosure. The economy is fragile and the industry is weighed down by sufficient change. It is our belief that the effect of CRM and POS initiatives will bring about positive results that will allay some of the questions raised in the Consultation Paper.

We welcome the opportunity to discuss our comments with you further and respond to any questions you may have.

Sincerely,

**ROGERS GROUP FINANCIAL**



Clay Gillespie  
Managing Director