



30 Eglinton Avenue West, Suite 740  
Mississauga ON L5R 3E7  
Tel: (905) 279-2727  
Website: [www.ifbc.ca](http://www.ifbc.ca)

May 23, 2017

Robert Day  
Senior Specialist Business Planning  
Ontario Securities Commission  
20 Queen Street West, 22<sup>nd</sup> Floor  
Toronto ON M5H 3S8

Submitted by email: [rday@osc.gov.on](mailto:rday@osc.gov.on)

Dear Mr. Day,

**Subject: OSC Draft Statement of Priorities 2017-18**

Independent Financial Brokers of Canada (IFB) appreciates the opportunity to comment on the OSC's 2016-2017 draft Statement of Priorities.

#### Introduction

IFB is a national, not for profit, professional association representing approximately 4,000 licensed financial advisors. IFB members are not career insurance agents or employees of a financial services institution. They are typically self-employed, and operate small to medium-sized financial firms in their local communities. The majority of IFB members are licensed to provide consumers with advice and products related to life and health insurance, and mutual funds. Many also hold other financial licenses or designations that permit them to better address their clients' financial needs, such as estate planning, financial planning, long term or critical care protection, mortgages, exempt products, and deposit instruments.

IFB encourages professional standards for advisors by providing high quality educational events, webinars, comprehensive individual and corporate professional liability insurance, regulatory updates, and compliance tools and resources for members.

Most IFB members are licensed in Ontario, by FSCO and the MFDA. As such, the activities of securities regulators, and self-regulators have a direct impact on our members.

Our comments focus on the OSC's Priorities as they relate to advisors and their client relationships.

## **Deliver strong investor protection**

1. Publish regulatory reforms to define a best interest standard and improve the advisor/client relationship.

The CSA is divided in its support for a best interest standard. We are concerned that without a harmonized regulatory approach to such a major initiative, there will be more confusion and risk for industry participants and investors. We are pleased that the OSC intends to undertake an impact analysis of the best interest standard. IFB shares the concerns of others that more clarity is needed around the best interest definition.

IFB supports transparency in the client/advisor relationship. It is one of the elements of the IFB Code of Ethics. Investor confidence in the financial system is of critical importance. Considerable improvements have been undertaken to address transparency by making disclosure protocols more fulsome. The most recent example is the implementation of CRM2 which has provided clients with more detailed information on the performance of their investments and the fees they have paid.

The Ontario government has indicated its desire for greater cooperation amongst its financial regulators so consumers can be better protected across regulatory platforms. In addition, we encourage the OSC, and other members of the CSA, to work with their federal counterparts to ensure clients enjoy a similar level of protection, regardless of the type of financial institution they deal with. One recommendation arising out of the FSCO mandate review was that provincial and federal regulators (such as the Financial Consumer Agency of Canada) should work to ensure that consumers can expect like products to be regulated similarly, even if they fall under both provincial and federal jurisdiction.<sup>1</sup> The recent allegations of misselling by bank employees further underscores the need for regulatory alignment.

2. Define regulatory actions needed to address embedded commissions.

IFB will address the issue of embedded commissions in greater detail in our response to the CSA Consultation Paper 81-408. However, a ban on embedded fees would represent a fundamental shift in how the industry compensates advisors. Many advisors have spent years building a financial practice, and their retirement plans are dependent on this compensation. While regulators quite rightly need to consider how, or if, changes are needed to this system, we must remember that many clients are satisfied with, and depend upon, the advice they receive from their advisor. Likewise, the advisor is dependent on the satisfaction of their clients in order to retain them. If change is deemed to be necessary, identifying an appropriate transition to a new system will be paramount for both clients (who may not want to transition to a direct pay arrangement) and advisors who depend on this compensation to provide for their families and their retirement. Companies and regulators must find fair and balanced solutions for advisors and clients. IFB looks forward to working with the OSC to accomplish this.

3. Advance retail investor protection, engagement and education through the OSC's Investor Office.

IFB supports an engagement policy where regulators receive balanced input from all stakeholders when responding to the development and ongoing monitoring of regulatory matters.

IFB further supports the OSC's involvement in improving the level of financial literacy and education for all consumers, as both are fundamental for individuals to better understand financial planning, financial

---

<sup>1</sup> Review of the Mandates of the Financial Services Commission of Ontario, Financial Services Tribunal, and the Deposit Insurance Corporation of Ontario. 60. March 31, 2016. Available at: <http://www.fin.gov.on.ca/en/consultations/fSCO-dico/mandate-review-final-report.pdf>

markets and become more informed investors. The combined influence of the new consumer office at FSRA and the OSC's Investor Office will strengthen this focus. Representatives should be chosen from a wide range of investors who can provide balanced input, including those with positive experiences.

While we agree with the focus on vulnerable investors, seniors themselves are not a homogenous group. Many are educated, sophisticated investors. Categorizing investors based on a single common attribute, such as age, while well-intentioned, removes the ability for some very capable investors to choose how they wish to receive investment advice.

4. Address independent evaluator's recommendation that OBSI be better empowered to secure redress for investors

Most advisors, and firms, carry professional liability insurance which is the first payee in the event of a client complaint. IFB supports better coordination on integrating this insurance with OBSI, to streamline the process for investors, advisors and firms.

**Deliver effective compliance, supervision and enforcement.**

IFB agrees that promoting a culture of compliance combined with effective, timely enforcement are requirements to protecting investors and fostering market confidence. Communicating the results of compliance reviews will help stakeholders support the OSC's efforts to reduce risk, and better market analytics will ensure more timely results.

**Deliver responsive regulation.**

IFB supports a cost-effective regulatory framework, and welcomes the OSC's intention to reduce the current regulatory burden where possible and appropriate. As noted above, technological developments, as demonstrated by the growing potential of distributed ledger technology, fintech, LaunchPad and the implementation of a regulatory sandbox, will present opportunities for registrants and the OSC to find more efficient ways to deliver innovative, yet compliant solutions.

**Identify, address and mitigate systemic risk and promote stability.**

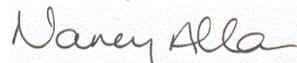
Responding effectively to the ever-growing threat of cyber security risks, both domestically and globally, needs to be a priority for regulators and market participants alike, given the impact a cyberattack could have on the stability of the capital markets.

**Be an innovative, efficient and accountable organization.**

We agree that the OSC needs to have the resources and systems in place to operate efficiently. IFB will continue to monitor developments in the implementation of the Capital Markets Regulatory Authority.

IFB appreciates the opportunity to provide this input, and looks forward to working with the OSC in the coming year.

Yours truly,



Nancy Allan  
Executive Director  
Email: [allan@ifbc.ca](mailto:allan@ifbc.ca)  
Tel: (905) 279-2727