



60 Adelaide St. East,
Suite 1300, Toronto,
ON, M5C 3E4

T 416-548-4223
F 416-340-9977
E info@CAILBA.com

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Via email to:

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
comments@osc.gov.on.ca

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
Fax : 514-864-6381
Consultation-en-cours@lautorite.qc.ca

To Canadian Securities Administrators:

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Re: CSA Consultation Paper 81-408 – Consultation on the option of discontinuing embedded commissions

The Canadian Association of Independent Life Brokerage Agencies (CAILBA) wishes to briefly comment on the consultation paper.

CAILBA is a voluntary trade association that acts as the single voice for Managing General Agents (MGAs) across Canada. Working closely with our insurance carrier counterparts, we help our members to stay abreast of change and to effectively implement compliance and regulatory updates that support fair treatment of consumers. We foster best practices across Canada in order to better the insurance industry and build unity in the MGA community nationally.



MGAs contract with independent advisors who work with Canadians to help them plan for their financial futures, including selling risk and investment products. The majority of our contracted advisors are also securities licensed through MFDA or IIROC. We are, therefore, interested in the CSA's concerns that embedded mutual fund commissions raise issues of potential conflicts of interest, impeded investor compensation cost controls and misalign compensation relative to the services provided to consumers.

Having considered your detailed consultation paper, and having discussed the issues with (and in consideration for and in support of the position of) other industry stakeholders such as Advocis and IFB, we feel a move to discontinue embedded fees eliminates Canadians' choice in how they pay for advice and is not the solution. Banning embedded fees presents the very real risk of limiting access to investment advice to middle-income Canadians (the majority of Canadians), a consequence seen in other jurisdictions who've taken similar measures, at a time when data clearly shows Canadians are not saving enough for their financial futures.

We would instead encourage regulators and industry stakeholders to collaborate, to provide:

- Choice for consumers, including offering funds without embedded fees and options to move to fee-based compensation models
- Time to allow recent CRMII measures to take effect
- Financial education to improve Canadians' financial literacy and empower consumers to make informed choices
- The Canadian Council of Insurance Regulators (CCIR) an opportunity to launch enhanced disclosure measures for segregated funds, and as appropriate, to work toward greater harmonization with existing mutual fund conflict of interest disclosure requirements and existing sales practice prohibitions and rules (addressing unsuitable investment recommendations and a duty to act honestly, fairly and in good faith)

We feel strongly that without solid plans in place to manage and mitigate the risk of harm to consumers that result from discontinuing embedded fees, unintended or not, the consequence to Canadians are far too grave.

We appreciate the opportunity to provide input on the consultation paper.

Best regards,

Earleen Moulton

CAILBA Board, Regulatory Compliance

Eric Wachtel

CAILBA Board, Legislative Matters