
October 16, 2018

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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 of New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
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Re: **CLIENT FOCUSED REFORMS**

We appreciate the opportunity to comment on the proposed amendments relating to "Client Focused Reforms" announced on June 21, 2018, particularly since the amendments relating to referral arrangements could have a profoundly negative effect on our clients and our business.

Based on the importance to us of the various proposals, our response will focus on the amendments relating to referral arrangement amendments. We also have comments relating to some of the other amendments, which we provide in Appendix C.

We have organized our comments as follows:

A. Impact of Proposed Referral Arrangement Amendments on IAIC

B. Consultation with Industry

C. Role of Referral Arrangements

D. Referral Arrangements as Conflicts of Interest

E. Analysis of the Problems the Amendments Seek to Address

F. Comments on the Proposed Referral Arrangement Amendments

G. Unintended Consequences of the Proposed Referral Arrangement Amendments

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Appendix A – About IAIC

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Appendix C – Comments on other Client Focused Reforms proposed amendments

## A. Impact of Proposed Referral Arrangement Amendments on IAIC

For almost 20 years, our business model has delivered high quality integrated financial services to our clients that meet the 10 outcomes listed by the OSC in Schedule 1 of Annex E in the June 21 2018 CSA Notice (see Appendix B). We feel we act with fiduciary responsibility in the client's best interest and yet the amendments as written would appear to eliminate our ability to operate under our current business model. *As a result, we are strongly opposed to the proposed referral arrangement rule amendments which put the future of our business in danger despite IAIC having provided discretionary investment management services to clients for almost 20 years and now managing more than $2 billion for our clients, who are clearly satisfied with the integrated services they receive from us, their accountant and their financial planner.*

## B. Consultation with Industry

We note that "referral agreements", unlike KYC, KYP, suitability and other topics, was not a subject under review in the CSA's discussion paper in 2016. As a result, the CSA's proposed amendments relating to referral agreements have taken us and, as we understand it, the industry, by surprise. As a result, we urge the CSA to consider carefully the feedback it receives now from industry and the impact the proposed amendments would have on the landscape of the financial services industry. *We believe additional discussion would provide the CSA with information and useful ideas about how to address its concerns with referral arrangements in a more precise manner that would have far less unintended consequences for the investor and industry service providers.*

## C. Role of Referral Arrangements

*Referral arrangements are important marketing tools for small and mid-sized PM firms* – For many smaller and medium-sized portfolio management companies, referral parties represent a critical pathway to locating potential new clients without having to incur expensive marketing initiatives, the effectiveness of which can rarely, if ever, be known until after the marketing investments are made.

- We believe it is safe to presume that referral parties would not survive in our highly competitive financial services industry if the PM firms didn't perceive their services to be valuable. If referral fees are too costly, a PM firm will look for other alternatives.
- PM firms who use referral parties (often smaller firms that cannot afford expensive business development programs) must compete with PM firms who do not use referral agreements. We are not aware of evidence that PM firms who do not use referral agreements would reduce their fees to clients if referral arrangements in use by other firms were effectively eliminated.
- If referring parties were making poor quality referrals for their client, we can presume their businesses would suffer – and therefore they are motivated to make good quality referrals.

*Referral arrangements can be important to new entrants in the industry* – Entrants into the industry face the challenges of no investment track record and no or limited existing visibility with prospective clients. As a result, referring parties can play a key role in helping entrants into the industry begin to grow their businesses. Indeed, the birth of IAIC almost 20 years ago, which now manages more than $2 billion for its 2,500 household clients, was dependent upon referrals from CPAs who co-owned the business.

*Referral agreements with Certified Financial Planners and Accountants increase the chances the client receives high-quality breadth and coordination of services* -- We believe it has been the experience in Canada that clients typically do not want to pay separately for a financial plan (and subsequent updates) and ancillary advice, including coordination of more detailed plans (e.g. tax, succession and estate plans) with the accountant, but will gladly accept these services if the services are bundled into the single investment management fee the client pays to the PM firm. *Since ARs normally do not have the skills to provide financial, tax, estate and succession planning to clients, the elimination of referrals from financial planners and accountants will greatly increase the chance that clients do not receive the financial planning advice that they need.*

## D. Referrals as Conflicts of Interest

We acknowledge that referral agreements constitute a potential conflict of interest for the referring party and we understand the CSA's concerns that some investors are not made fully aware of the conflicts of interest and the impact on the advice being delivered; however, we believe that proper disclosure of conflicts to the client, along with regulations and controls that currently exist today, are sufficient to manage the conflict.

*Conflict of Interest in a Vertically-Integrated Environment* – When originally conceived, the purpose of accountants setting up IAIC was to create a portfolio management company to which the accountants would be comfortable referring clients. Through oversight, sound hiring

practices and the establishment of systems, policies and procedures that would allow IAIC to perform well for its clients and comply with securities regulations and the rules of professional conduct that govern accounting firms, IAIC's owners (and their financial planning subsidiaries) are comfortable making client referrals to IAIC.

Is it a conflict of interest for an owner of multiple businesses to refer clients of one of its businesses to another line of its businesses? In that sense, IAIC and the accounting firms that own it are similar to the banks and life insurance companies. If one assumes that any company selling any product to a prospective customer is in a conflict of interest (i.e. the company is financially incentivized to sell its own product rather than lose the customer to a competitor) then yes, it is a conflict of interest for one branch of a corporate group to refer a client to another branch of a corporate group – but how is it in any greater a conflict of interest than a solitary PM firm simply trying to win a new client? The mitigating control in any economic transaction is properly informed clients choosing among viable options in the marketplace, and we believe that control exists under today's rules.

*Disclosure of the facts* – IAIC follows the requirements laid out in NI 31-103 for disclosure of facts to prospective clients and we believe these disclosures provide the prospective client with the relevant information needed to make an intelligent decision.

*Clients are capable of making intelligent buying decisions* – Our clients consist mainly of successful owner-managers and professionals who make intelligent buying decisions on a regular basis in their own business activities. The selection of their accountant/financial planner/investment manager is yet another important buying decision they make. In our case, before they choose to open an account with IAIC, prospective clients are made fully aware of the details of the referral agreement and that the accounting firm and/or its financial planning subsidiary has an ownership interest in IAIC. Armed with this information, the prospective client is free to choose IAIC or one of the many other alternatives available in the marketplace. Some of our clients choose IAIC *because* it is owned by a group of accounting firms, as they believe their trusted accountants' oversight of the investment manager will ensure it is professionally and competently operated with the client's best interest in mind.

*Referrals are made to registered parties, who must then ensure that their investment strategies are suitable for the client* – A PM firm that accepts clients from referring parties is subject to the standard regulations (auditable by the OSC) requiring it to ensure the investments it makes for a client are suitable to the client. If a non-registered referring party were referring clients for which the PM could not make suitable investments, under existing rules the PM would have to decline the referral or be in breach of its suitability obligations. As a result, we see no "suitability" reason why non-registrants should be prevented from referring clients to PM firms.

*Additional measures?* – Although we believe the current measures in NI 31-103 are sufficient to provide appropriate mitigation of conflict of interest risk, there may be additional reasonable disclosure measures that could specifically address the CSA's concerns.

## E. Analysis of the Problems the Amendments Seek to Correct

In Annex E to the June 21 notice, the OSC highlights three problems. Our comments on these concerns are as follows:

1. *Referral fees provide an incentive for registered individuals to give up their registration.*

    - We acknowledge the CSA's concerns in this area, particularly if non-registered individuals are doing registerable work or are not otherwise subject to professional standards. In our case, the referral fees are being received by the financial planning subsidiaries of CPA firms, who employ Certified Financial Planners and deliver valuable financial planning services to clients. The CFPs must comply with the professional standards set out and enforced by the Financial Planning Standards Council. Because they are employed by a company owned by a CPA firm, the CFPs must also comply with the CPA Ontario Rules of Professional Conduct. We regularly inform the non-registered referring parties of the registerable activities that must be carried out by IAIC's ARs and AARs and not by the referring parties. We have designed our procedures, including client on-boarding, KYC information collection and updating and communications of investment performance with the client, to ensure registerable activity is performed by registered IAIC staff and not the referring parties. All of the foregoing is auditable by the OSC under the current rules and its jurisdiction.

2. *Referring parties sometimes receive the bulk of the investment management fee / An individual receiving the bulk of a referral fee should be registered*

    - In our case, it is true that the referring party receives the majority of the investment management fee. For us, this is not reflective of referring parties performing registerable activity, but a function of the significant level of on-going non-registerable work done by the financial planners and accountants in the non-registered firm and of our ownership structure and vertical integration.

3. *Referring parties have the power to extract fees in excess of what registrants would prefer to pay*

    - We understand the CSA's concern with built-in unnecessary costs that might inflate prices that investors are required to pay. This concern does not apply to IAIC, given our vertically–integrated structure and since IAIC pays the same referral fee rates to all of its referring parties.
    - As a general comment, however, we question whether this matter should be dealt with by the CSA through regulation. In our view, a referring party plays an important role in the industry and should be allowed to negotiate with the PM firms whatever referral rates the referring party is able to command in an open market – this is everyday business. If a referring party begins demanding excessively high rates from a PM firm, the PM firm will be motivated to explore other ways of attracting new clients.

## F. Comments on the Proposed Amendments

Our comments on some of the key provisions in the proposed amendments are as follows:

1. *The prohibition of referral fees to non-registered firms and individuals* – This provision would eliminate referral fees to financial planners and accountants (unless they became

registered). As outlined above, while we understand the CSA's concerns, we believe referring parties are important to the industry and its clients and the amendments would essentially eliminate referring parties from the industry. We also feel this is an inappropriate result since CFPs and CPAs are subject to their own rules of professional conduct and are well-positioned to be able to make informed referrals while still providing their own valuable services to clients. This integrated approach truly serves the client's best interests. We do understand the OSC's concerns relating to ensuring non-registrants are not conducting registerable activity and believe that the OSC currently has jurisdiction to investigate any non-registrants who appear to be violating the rules. It might be helpful for the OSC to supplement its existing guidance on what it believes is non-registerable work versus registerable work, particularly where CFPs, CPAs and ARs are working together to serve the client.

2. *The limitation of referral fees to 25% of the investment management fee* – As outlined in our comments above, we do not believe a limit should apply in vertically integrated circumstances. In addition, we believe the CSA should not insinuate itself into the "free market" environment by legislating the fees of referring parties. We feel that PMs are capable of making decisions about the magnitude of referral fees they are willing to pay.

3. *The limitation of referral fees to 36 months after the date of the referral* – We feel this limitation will essentially eliminate the use of referring parties in the industry, while also giving other firms incentive to churn amongst registrants once the time period has expired. Combined with the 25% limit, it is unlikely that referring parties could earn sufficient fees over the long term to sustain a business. As previously noted, we believe referring parties (registered or not) play an important role in the industry and the elimination of them is harmful to clients and the industry, especially small- and medium-sized PM firms. The proposed limitation will likely have the effect of reducing the amount of ongoing service that CFPs, CPAs and other professional non-registrants perform for their clients.

4. *Referral fees must not increase the fees or commissions that would otherwise be paid by the client for that product or service* – While this amendment would not impact our model, we note that clients vary greatly (e.g. as a result of age, gender, occupation, family demographics, financial literacy, time availability, etc.) in terms of their use of services of a PM firm and the referring party. It may be difficult in practice to compare a particular fee paid by a client to a fee paid by another client.

## G. **Unintended Consequences of the Proposed Referral Arrangement Amendments**

1. *Insufficient Discourse* – Unlike other proposed amendments in the June 21, 2018 release, the referral arrangement amendments had not been part of the CSAs public discussions in 2016 and therefore the appropriate amount of discourse prior to enactment may not occur.

2. *Reduced Financial Planning Services* – We believe the proposed amendments would dramatically reduce the ability of non-registered financial advisors to provide valuable financial planning services to clients.

3. *Vertically Integrated Organizations* – The amendments would eliminate referral arrangements in vertically integrated organizations, which is not an appropriate result – a referral within a corporate group creates no more conflict of interest than the conflict any PM firm experiences when marketing to a prospective client.

4. *Competitive Disadvantage* – The amendments will create a competitive disadvantage for small- and medium-sized PMs who do not have the marketing budgets or infrastructure to market adequately without using referral parties.

5. *Material Costs to Comply* – In IAIC's case, in order to fully comply with the proposed amendments, we might have to "de-consolidate" IAIC and instead create new PM firms as subsidiaries of each of the accounting firms – which creates substantial one-time reorganization costs, additional on-going compliance costs and increased ongoing costs to the OSC of monitoring all the new PM firms – and with no discernable benefit to the client (in fact, non-essential services to the client may be reduced or curtailed because of increased costs to our firms).

6. *Barrier to Entry into the Industry* – Contrary to the OSC's claim in Annex E of the June 21 announcement, we believe the referral arrangement amendments, which would effectively eliminate referral arrangements, will create an additional barrier to entry into the industry for new firms.

**7.** *Incentive to churn referrals* – The three-year limit on referral arrangement payments provides incentives to referring parties to recommend clients move PM firms every three years.

## H. Our Recommendations

*Referral Arrangements – In General* -- We believe referral arrangements, including and especially arrangements with non-registrants such as CFPs and CPAs, are important to clients (helps ensure they receive the financial planning advice they need) and to the industry (external sales agents can be a much cheaper and more successful marketing approach for small- and medium sized PM firms). We believe the three concerns with referral arrangements expressed by the OSC in Annex E of the announcement are relatively minor in terms of negative impact on clients, while the proposed amendments would essentially eliminate referral agreements altogether – i.e. the magnitude of the proposed solution far exceeds the magnitude of the problem. We believe the securities regulators, through enforcement of existing rules – in particular the registration rules (non-registrants cannot perform duties that must be performed by registrants), the "suitability" rules for registrants and the disclosure rules for referral arrangements – possess the ability to address the three major concerns outlined by the OSC in Annex E. ***We believe no changes need to be made to existing sections 13.7 through 13.10 of NI 31-103.***

*Referral Arrangements from Professional Non-registrants* - If the CSA were to proceed with referral arrangement rule changes, ***we recommend that the amendments provide exemptions for referrals from non-registrants who are members of specified professional financial services organizations, including CFPs and CPAs.***

*Referral Arrangements – Vertically Integrated Business Models* – If amendments to the referral arrangement rules are made, ***we recommend that the amendments provide exemptions for referrals from one entity in a controlled group (including non-registrants) to another.***

We appreciate the opportunity to provide our comments on the proposed amendments and look forward to future discussions.

Sincerely,

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# APPENDIX A

## About IAIC

- Commenced operations in 1999
- Manages investments for more than 2,500 households – mainly owner-managers, professionals (starting out, active or retired) who are typically not members of a pension plan and rely on IAIC for investment of their life savings
- More than $2 billion in client assets under management
- All accounts are discretionary accounts
- All accounts hold segregated assets and/or ETFs
- The main objective of our group (which includes the accounting firms that own IAIC) is to provide to the client the effective integration of:
    - Accounting, tax, succession and estate planning
    - Financial planning
    - Investment management

    The proper integration of the above services to the client is essential for owner-managers who often have operating companies, holding companies, family and/or non-family fellow shareholders, family trusts, etc.
- We take regulatory compliance very seriously – including compliance with securities regulations and with CPA Ontario's Professional Code of Conduct
- We are very careful about non-registered parties (the financial planners and accountants) not performing registerable activity

# APPENDIX B

**Our observations on the 10 outcomes listed by the OSC lists in Schedule 1 of Annex E in the June 21 2018 CSA Notice:**

**We believe our current business model, which would not comply with the proposed referral arrangement amendments, meets the 10 outcomes listed in Annex E.**

1. Raise the standard of conduct for registrants towards what clients expect it to be
    - Our 20-year track record of investment performance, client retention rates, client referrals and overall account growth all indicate we are meeting our clients' expectations
    - We set high expectations for ourselves and for our clients – i.e. not just solid investment performance, but also the effective integration of that investment performance with the client's financial plan and tax, insurance, succession and estate plan strategies
2. Result in more specific and more useful advice for clients
    - Because of the easy and standardized access our ARs have to the client's financial planner and accountant, we believe our advice is highly specific and useful to our clients
3. Result in better engagement between clients and registrants
    - Our model, in which clients routinely engage with the accountant, financial planner and investment manager together, creates an environment in which the client gains assurance that his or her team of professional advisors are not only acting together, but also acting in the client's best interest
4. Result in portfolios with better diversification, lower costs and higher risk-adjusted returns over time
    - The Investment Policy Statement that we create with the client clearly lays out the diversification strategy for the client across industries and worldwide markets – we stick religiously to the IPS parameters, rebalancing on a regular basis throughout the year to ensure the diversification parameters are adhered to
    - Costs are clearly laid out for the client in the investment management contract and discussed with the client prior to opening accounts – fees are clearly disclosed in client account statements and in the year-end mandatory "CRM2" reporting – we believe our track record of client retention and continuous growth indicates that clients see great value for the money in the services that we provide

5. Increase the probability that clients will reach their investing and savings goals

    - Our experience over almost 20 years is that our clients meet their goals as outlined in the financial plans we prepare with them

6. Increase market transparency and confidence and increase trust in registrants

    - Our fees, referral arrangements, conflicts of interest, etc. are fully disclosed to clients before they open accounts with us in accordance with NI 31-103
    - The only fees we earn are investment management fees from the client
    - IAIC must conduct itself in a way that satisfies:
        i. regulatory obligations as a registered portfolio manager
        ii. contractual obligations, most importantly the investment management agreement with the client and proper implementation of the client's Investment Policy Statement
        iii. obligations under the CPA Ontario Code of Professional Conduct, which include the maintenance of integrity, due care, objectivity and identification and appropriate management of conflicts of interest

    If IAIC were to breach any of these obligations, not only may IAIC lose its registration and/or an investment client (and possibly more clients), the accounting firm could lose an accounting & financial planning client (and possibly more).

7. Allow registrants the flexibility within the new framework to re-evaluate business models and business practices to find those that best meet their circumstance

    - We believe the proposed changes to the referral agreement rules would force us to exit our current business model without a corresponding improvement in investor protection. In fact, we believe there would be a detrimental impact on investors
    - Any restructuring of our current operations to comply with the proposed rule changes would involve substantial restructuring costs, repapering of all client contracts, increased operating and compliance costs and additional oversight costs for the OSC – all with no benefit to the client

8. Make it easier for new entrants and less well-known registrants to compete in the market

    - We are uncertain about how the proposed changes, which will create substantially higher on-going compliance costs for all registrants and may force smaller registrants out of business, will make it easier for new entrants to compete in the market – in fact, we see the proposed changes as creating additional barriers to entry in the market

9. Make it easier for registrants to compete based on their unique value proposition, and

    - We believe we currently present a unique value proposition to our clients and that the proposed amendments eliminate our ability to continue to provide that unique service to clients under our existing business model or under an alternative model

that does not result in substantially more complexity and one-time and on-going compliance-related costs

10. Support enhanced market oversight and enforcement

- As a Portfolio Manager, the OSC has full ability to audit IAIC's compliance with its regulatory obligations, including KYC, KYP and suitability rules
- The OSC has jurisdiction over non-registrants who are performing registerable activity

# APPENDIX C

## Comments on Other Client Focused Reforms Proposed Amendments

1. Know Your Client

In general, we support the proposed changes to enhance KYC obligations in terms of codifying certain KYC obligations. However, we have a number of concerns:

- The expanded scope of information collected may cause confusion in regards to services provided by the AR. Clients may feel they are getting tax advice or full-scale financial planning advice from their AR when these matters should be handled by their Financial Planner and/or Accountant. We feel that the client is better served if the information can be shared between Accountant, Financial Planner and AR and that these three parties work together in managing the client's overall finances. Otherwise, the client may not be best served if there is confusion regarding who should be providing such advice.

- We are concerned with the 12-month update requirement being a "hard" rule since despite a PM firm's best efforts, not all clients choose to make themselves available or see the requirement for providing updates where they know nothing has changed within the 12-month time period. We believe firms should have the ability to provide evidence that best efforts were made to collect annual KYC updates, but understand that clients may be less responsive towards an annual requirement or may choose not to provide certain information (see further comments on this concern under "Suitability" below). We believe the KYC rules need to provide flexibility to allow an AR to exercise professional judgement in how to discharge the fiduciary duty towards the client, rather than solely "ticking a checklist box".

- If the rules do not allow for the professional judgement of the AR, we would seek further clarification from the regulators, including examples, on defining:

    - "personal circumstances"
    - "financial circumstances"
    - when the registrant "reasonably ought to know" about a significant change in the client's KYC information

- If KYC obligations are to become more onerous, we fully support PMAC's recommendation to add a registration category for client-facing Advising Representatives and Associate Advising Representatives. We feel that this change would lead to more efficient and client-friendly meetings and allow further efficiencies for non-client facing Advising Representatives and Associate Advising Representatives in managing client's portfolios. We also support an approval process in which information is collected by the PM firm and provided to the Advising Representative in those situations where there is a (defined) material change to a client's KYC material. At our firm, the majority of annual KYC updates result in no material changes (the most common being a cell phone number or email

address updated) and we feel the Advising Representative's time could be better served in performing other professional obligations for the client.

2. Know Your Product

We invest client accounts directly in publicly-listed securities – we do not use pooled funds, proprietary product, third-party product, alternative investments, etc., and have the following concerns:

- We are uncertain how to assess ""how the security compares to similar securities available in the market" in our context. If interpreted broadly – i.e. that securities must be compared against not only those within their respective economic sectors, but also against all investment products available on the market – we believe this creates an onerous and almost impossible task. We would support a more practical approach of comparing types of securities ("buckets") within each sector and against similar types of investment options (e.g. a stock vs. a stock, a bond vs. a bond, or an ETF/pool vs an ETF/pool, etc.).

- We feel that in our context a product review committee, as proposed, should not be necessary, provided we can illustrate that we conduct thorough investment research on all securities selected for clients.

  We believe that our fiduciary duty to our clients already requires us to perform and document sufficient product research and therefore the imposition of additional evidentiary or record-keeping obligations on an already robust system would create greater compliance costs with no real benefit to the client.

3. Suitability

We support the underlying rationale of the proposed suitability enhancements and believe that a properly undertaken suitability analysis is a cornerstone of professional investment advice in a client's best interest. We generally agree with the CSA that a holistic approach to suitability analysis is critical to making decisions that further our clients' investment goals.

Nevertheless, we have the following concerns with the proposals:

- The suitability obligation is on-going and of paramount importance to the AR's discharge of his or her fiduciary duty toward the client and should not be subject to specific and prescriptive requirements. Since a fiduciary obligation already exists between the adviser and client, the proposals in Section 13.3 which set out the multiple areas of consideration that a registrant must determine have been met prior to taking any investment action on behalf of a client, are unduly onerous from a compliance and resource standpoint and can be met by a more principle based approach.

- We are concerned if the regulators believe that the lowest cost product is always the most suitable for a client. In any industry, clients and customers may value expertise, quality, convenience, personal relationships and many other factors as heavily or more heavily as price. In our industry some firms may provide only portfolio management services, whereas others may offer additional services such as financial planning, tax planning, and estate work.

- We believe that the determination of the amount of cash held in a client's account is a portfolio management decision to be determined by the respective AR. Such determinations must be tailored specifically to a client's unique circumstances and cannot easily be prescribed by regulation. In determining appropriate cash levels, our ARs consider many factors including the client's short-term financial requirements, liquidity constraints, comfort level with the markets, the client's specific risk profile, trading costs of cash alternatives and speed of portfolio implementation.

- In our context, we are uncertain how to apply the requirement to consider product costs with respect to suitability analysis, since we earn fees solely based on the type and size of the client's account. We do consider cost to the client when considering making a security trade and we also consider ETF and index fund costs where applicable, but otherwise we really have no costs to consider. Additional clarity in the regulations or companion policies may be required.

- We would like to clarify what an adviser should do if a client declines to provide information to support the suitability determination in the context of disclosing the clients' total net assets or other "financial circumstances". At our firm, we find the following examples that would make this difficult:
    - High net-worth clients have multiple managers, some of which have different portfolio-management mandates and strategies. Clients sometimes will not divulge what is going on in these outside portfolios, nor do they want us to monitor this.
    - New clients will sometimes 'test' us over a certain time period to see how we perform and serve them before they allocate further investment dollars to us. In these cases, assessing outside investments and suitability will be difficult, and clients will not want to share much information (at least until they become more comfortable with us)
    - Where multiple managers are working for the same client, who is really in charge of the overall suitability? For example, if we perform an outside asset review and find that as a result the client was far overweight in Canadian financial equities – who is in charge to make adjustments in their respective portfolio mandates to correct this? All could be registrants responsible for this type of analysis, but won't want to change their specific investment style. Even further, should one of the PM firms involved be invested in pooled products, they may not even be able to make the adjustment needed as their products may not allow that level of customization.

To conclude, we are concerned that prescriptive "one solution fits all'' suitability rules would restrict ARs from exercising professional judgement in performing their fiduciary duties and add significant compliance costs (and, due to lack of clarity, increase the risk of non-compliance) without benefit to the client.

4. Conflicts of Interest

We support transparency and meaningful disclosure with respects to conflicts of interest, and support continuous disclosure; however, we have the following concerns:

- by not having a materiality threshold, the proposals create onerous requirements on firms and inefficiencies that do not benefit clients

- inundating clients with unnecessary disclosure for both non-material and all potential conflicts of interest will result in information overload and remove focus from any material conflicts of which the client *should most importantly* be made aware

We recommend the CSA include a materiality threshold to make the conflict of interest amendments workable for firms to implement.