Montreal, October 19th 2018

Ms. Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800 Square Victoria, 22nd Floor
C.P. 246, tour de la bourse
Montreal (Quebec)
H4Z 1G3

Dear Ms. Beaudoin,

PEAK Financial Group appreciates the opportunity to comment on the proposed amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) and to Companion Policy 31-103 CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (31-103 CP and, together with NI 31-103, the Proposals).

PEAK Financial Group is comprised of four companies:

- PEAK Investment Services Inc., a Mutual Fund Dealer;
- PEAK Securities Inc., an Investment Dealer;
- PEAK Insurance Services Inc., a firm offering insurance of persons and group insurance of persons; and
- PEAK Financial Services Inc., a firm offering financial planning services and insurance of persons

Peak is a national financial services firm with approximately $10 billion in assets under administration (AUA) and about 1,500 advisors across its four main lines of business, who serve more than 150,000 clients in Canada. As Canada's largest independent Dealer, PEAK Financial Group's success has been built on the high level of service advisers provide to their clients and the trust those clients have in their advisers to help them build their wealth to meet all of their life goals.

We are fully supportive of the objectives of the proposed amendments to better align the interests of investors with those of dealers and advisers. Our comments below are intended to ensure investors continue to have access to tailored and independent advice for many years to come.

Improving Financial Literacy

We would like to begin with a comment on the importance of building the financial literacy of Canadians nation-wide. It is clear that there is a large gap between the level of knowledge and the ability to absorb and comprehend information that is required and that which exists in the average investor. Regulatory requirements are designed to deal with that gap. Our advisors, who are closest to investors, observe that those investors who are most engaged in doing research, and staying informed work best with their advisors and report the greatest level of satisfaction in the services they receive. What distinguishes these individuals is often the higher level of financial literacy they possess.

Sadly many clients struggle with financial literacy concepts that should have been learned before they embark on an investment strategy. That's because there is a clear lack of effort to teach concepts of financial literacy beginning in grade school and continuing through high school and beyond. We believe this should be remedied and encourage you to press your Ministers to work with their departments of education to create a nation-wide financial literacy school program. Most decisions we make today involve a financial consideration, attaining financial literacy is therefore a significant competency we should strive to build in every one of our citizens as early as possible.

We are prepared to do our part and work with our regulators to develop financial literacy modules to deliver to our clients. We recommend that a joint industry/regulatory task force be created to work on such an initiative. This should not be part of the formal regulatory framework, but remain informal to allow piloting and experimentation with ideas. If we can build up the level of financial literacy, it will go a long way in building confidence and knowledge that will make the investor/client relationship more productive.

The investments industry has gone through several significant regulatory enhancements that were intended to increase client protection. Continuing to build more rules that results in delivering more forms to sign and more disclosure requirements will only increase the complexity for both clients and advisors, and not lead to the transformational change that improving financial literacy can deliver. We recommend to aim on finding simple and effective regulations for delivering advice to clients, while maintaining high standards, and at the same time work on improving financial literacy.

KYC - Know Your Client Requirements

PEAK supports the changes proposed to the KYC requirements as the broader set of information that will be collected will allow the adviser to better tailor services and products to the client. However the effectiveness of an enhanced process will be reliant on the client providing the needed information. **The rule should make it very clear that the onus to provide updated information around relevant changed circumstances rests with the client**. All we can do is ask for complete information, and we appreciate that the draft rule and the guidance allows us to make full use of technology to communicate with and collect information from our clients, this will make the task much easier. However, while many clients are willing to provide detailed information, some choose not to do so. In those circumstances, we simply will not be able to operationalize the concept that the adviser "reasonably ought to know" about changed circumstances as set out in subparagraph 13.2(4.1)(a)(i) of NI 31-103.

Longer term, facilitating the provision of financial information may lie with regulatory changes that will allow 'open banking' in Canada. This has gained traction in Europe and recognizes that increasing consumers' access to their financial data across platforms and institutions will lead them to demand, and to receive, better services across their providers. We appreciate this is not an area under the jurisdictions of securities regulators, but we want to encourage you to speak with your federal regulatory counterparts and encourage your ministers to speak to theirs to advance reform in this area.

KYP – Know Your Product

In our view, an unintended consequence of the proposed KYP requirements will be a narrowing of the dealer product shelf. As written they will require the Dealer and adviser to perform a level of product due diligence that is unduly onerous and duplicative. Much effort and time has been expended by regulators to have issuers clearly set out the product criteria and attributes so that dealers and advisers can confidently make appropriate decisions as to which product may be suitable to a client. The Fund Facts in particular has created a standard comparison on a set of criteria. We are puzzled as to why we cannot continue to rely on the fund manager's disclosure information. If there are other criteria the regulators feel are not part of the issuers' product disclosure regime, we encourage regulators to identify them and then require issuers to add those criteria to their descriptions so that as Dealers we are not unnecessarily duplicating efforts.

We would also note that the SROs have developed a clear set of rules around the KYP requirements. Again, if there are gaps, the CSA should work with the SROs to close those gaps.

In addition, we are concerned that these proposals impose new requirements on mutual funds, resulting in an unlevelled playing field with other investment products.

We believe it is much more reasonable for the regulator to refine the current regime so that we can continue to utilize the issuer disclosure regime, rather than creating a new, onerous burden on the dealer and adviser which will lead to narrowing the product choice for clients.

Focus on Costs

In making a suitability assessment when choosing a product, the proposed rule favours choosing low cost products as the default option for the client. This approach is flawed and potentially harmful for several reasons.

First, it discounts the detailed analysis and considerations that the suitability, best interest, KYC and KYP requirements entail. Once the advisor works through these steps the product choice may very well not be the one with the lowest cost.

Second, it does not recognize the value of advice. Clients come to advisers to build their wealth over time – usually at an early stage in their lives. The cost of the product, while a factor, is not the most important criteria that will drive the building of wealth. As extensive research has shown, the differentiating factor is choosing to work with an adviser to provide guidance on setting and sticking to

savings goals, maximizing participation in tax advantages programs, product mix, and re-evaluating those goals as life progresses.

Third, it inserts the regulator in the role of the adviser by arbitrarily determining that 'cost' is the most important criteria regardless of individual client circumstance. This is a level of second-guessing by the regulator that strikes us as quite inappropriate.

The focus on costs in the draft rule should be eliminated.

Referral Fees

We understand that the prohibition of referral fees is meant to apply in situations where individuals choose to give up their registration while to continue to engage in registerable activities and receive fees. We agree with prohibiting referral fees in these circumstances. However, we are concerned that the language is unclear and may capture referral arrangements which are ongoing and designed to provide the client with the best advice and resources possible. **We therefore encourage that the language be made clear and specific and that it is not intended to apply to those arrangements which enhances the services to be provided to clients.**

Requirement for Training by the Dealer

We note a new enhanced requirement for training of advisers by Dealers. While we are generally in agreement with this requirement, we underline that it is important that Dealers be able to utilize external resources to accomplish this objective. In Quebec, where some training is provided by the Chambre, it is desirable that the Chambre provide access to the training they have delivered to advisors connected to the Dealer. Currently we do not have that access. Under an enhanced regulatory regime where Dealers will be responsible for demonstrating training has occurred, access to the Chambre's information is critical in order to prevent duplication of effort.

Conflict of Interest - Concept of Materiality

The concept of materiality is well understood in the industry; it denotes some element of consequentiality and allows firms to focus on areas of risk. The draft rule takes us into a new concept which requires the consideration of all matters of conflict, including trivial matters. This seems a retrograde step and creates the risk of delivering confusing messages to the client that all conflicts are of equal weight. We fail to see the value or the logic of such an approach. **We strongly recommend to maintain the focus on material conflicts of interest.**

Anticipating Conflicts of Interest

We appreciate the need to anticipate conflicts of interest and mitigating the circumstances. The concept does suggest that there may be some element of assessing whether this was done appropriately by the Dealer by using hind-sight and current information that was not available at the time of the original assessment. We trust this is not the case as no one has a crystal ball. We recommend some clarification be made in the guidance on this issue.

AMF & MFDA Requirements

Those of us who operate in Quebec as well as the rest of Canada and come under the regulatory jurisdiction of both the AMF and the MFDA, often find there are some differences between their requirements for the same activity. This creates inefficiencies as well as confusion in how we structure compliance. The proposed changes addressed this to a certain extent, but only as long at both the AMF and MFDA revise their policies and provide additional guidance consistently. We ask that the two entities work together to better harmonize those rules.

Sharing of Commissions by Quebec Reps with their firms

We agree with the comments and recommendations made by the Conseil des fonds d'investissement du Québec regarding both the sharing of commissions and referral arrangements.

Quebec Immigrant Investor Program (QIIP)

We agree with the comments and recommendations made by the Investment Industry Association of Canada regarding the QIIP, including that the proposed amendments are not meant to impact this program.

Other Comments

There are several other areas where changes or clarifications would be helpful.

There are a number of inconsistencies between the end rule and the Companion Policy, in particular the CP seems to expand the regulatory requirements set out in the draft rule rather than simply further explain the rule. IFIC has identified several examples with which we agree.

As Dealers the relationship we have with our SROs is the most granular and the most impactful on day-to-day operations. Allowing certain elements of the client focused reforms to be informed by existing SRO guidance would be extremely helpful. As an industry this would allow us to build on the strong foundation of well understood and recognizable standards already in place in the industry. We agree with the examples provided by IFIC which include: risk based due diligence on products under the KYP requirements; collection of KYC information for multiple accounts; guidance relating to addressing material conflicts of interest. We recommend a more fulsome review, in consultation with the SROs to identify other areas where alignment will strengthen the regulatory regime.

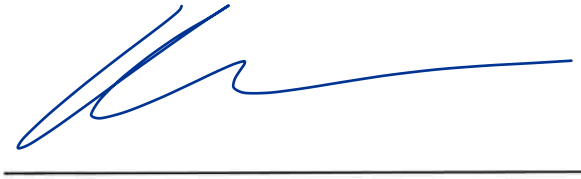
We agree there is a need, as recommended by IFIC, for the CSA to create regulatory certainty for the adviser through the establishment of a regulatory safe harbour such that if a registrant meets its obligations under the specific suitability factors and manages material conflicts of interest in the best interests of the client, the registrant is deemed to have put the client's interests first in making a suitability determination.

The proposed rules are very prescriptive and do not seem to consider different business models. More flexibility should be permitted for smaller dealers to enter and continue in the industry.

Transition Timeline

The changes proposed will require very significant enhancements across a range of functions including assessing and rewriting policies, marketing materials and other documents and enhancing and delivering training programs. Most resource-intensive and time-consuming will be identifying, assessing and then implementing technology solutions. We cannot stress enough the significance of this as the proposed rule requires changes to every aspect of our business. We also cannot reasonably begin to fully plan for, and cost these changes until we see a final rule. A minimum of three years once the rule is finalized is therefore required, but regulators should be open to working with the industry to allow more time for certain aspects if needed.

We appreciate the opportunity to provide our comments and are available to meet or answer further questions.



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