



Independent Financial Brokers of Canada

740-30 Eglinton Avenue West, Mississauga, ON L5R 3E7

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Submitted by email: rday@osc.gov.on.ca

Subject: OSC Request for Comments Regarding Statement of Priorities for Financial Year End to March 31, 2020

Independent Financial Brokers of Canada (IFB) appreciates the opportunity to comment on the OSC's 2019-2020 draft Statement of Priorities ("the Statement").

Introduction

IFB is a national not-for-profit, professional association representing approximately 3,500 individually licensed financial advisors. IFB members are independent, 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.

Most IFB members are provincially-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 to better address the broader financial needs of their clients, such as securities investments, estate planning, financial planning, long term or critical care protection, mortgages, exempt products, and guaranteed deposit instruments.

IFB promotes professional standards for advisors by providing high quality educational events and online education, comprehensive individual and corporate professional liability insurance programs, regulatory updates, compliance tools, and other resources for members. IFB advocates on behalf of its members to ensure access to independent advice remains a viable choice for consumers.

The comments that follow focus on those OSC draft priorities which will impact advisors, specifically IFB members, and their client relationships.

Priority: Promote Confidence in Ontario's Capital Markets

Globalization: Financial markets are interconnected, as are potential threats to these markets.

IFB supports the OSC's involvement with other international organizations, such as IOSCO, and keeping pace with the globalization of financial markets.



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National: IFB agrees that the OSC's membership in the CSA can contribute to greater harmonization of cross-jurisdictional rules and more effective enforcement. Lack of harmonization is a factor in both increasing the regulatory burden and costs for registrants.

However, the draft Statement lacks mention of working alongside other financial regulators within Canada. To address this omission, we recommend that the OSC add a commitment to engage in ongoing dialogue with other Canadian financial regulators. Such collaboration can promote harmonization, more effective enforcement and strengthen positive outcomes for consumers of all financial services. While the OSC participates in the Joint Forum of Market Regulators, along with the CCIR and CAPSA, a formal undertaking would acknowledge the importance of such cross-sectoral engagement.

Provincial: Similar to the above comment, we note there is no mention of collaboration with the FSRA. IFB recommends that the OSC include a commitment to ongoing consultation with its provincial counterpart, FSRA. Many consumers purchase or invest in securities and insurance products, and advisors are often licensed under both regimes. A harmonized approach to policy and regulatory matters helps to reduce costs, confusion and equalize the treatment of consumers.

A commitment to this ongoing dialogue with FSRA will be particularly important as the framework for the proposed "Financial Professionals Title Protection Act" is developed. Many advisors potentially affected by this legislation are regulated under both the OSC (directly or indirectly through IROC and the MFDA), and FSRA.

Continue Developing and Consulting on Client Focused Reforms.

Continue CSA Policy Work on Mutual Funds Embedded Commissions: IFB has been an active stakeholder in previous consultations on both of these matters. The eventual outcome stands to significantly affect IFB members, both in how they manage their financial practices and in their relationship with clients.

In previous consultations, IFB supported a ban on trailer fees paid when no advice is given to clients, such as investments purchased through discount brokers. We encourage the OSC to move forward on implementing this ban, even while it continues its policy work on the treatment of other forms of embedded commissions.

IFB looks forward to continuing to provide input as these matters progress.

Modernize Financial Regulation. Title protection for financial planners and financial advisors: IFB has long supported the need for financial titles to accurately reflect the proficiency and accreditation of the advisor or firm. Those who hold out to the public as Financial Planners should be appropriately accredited and regulated. However, financial advisors often provide elements of financial planning but are not developing an in-depth financial plan, and should not be considered a Financial Planner. An example is when a life insurance agent prepares a needs analysis to help determine the client's requirement for life/health insurance.



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There is no doubt that establishing a complementary regime for Financial Advisors will be more difficult, as the activities are less discrete. This is further complicated in that many ‘financial advisors’ hold multiple financial licenses or accreditations, designed to help them better advise their clients. Regulators must be cautious of the potential to create an unduly cumbersome, costly or overly prescriptive regime for Financial Advisors which, if seen as such by advisors, may discourage them from advancing their education or personal proficiency, simply to elude use of the title.

Furthermore, IFB supports the need for a robust cost-benefit analysis to ensure implementation does not impair competition or unduly restrict those advisors who have been properly licensed and met the proficiency requirements demanded of regulators.

Priority: Reduce Regulatory Burden

Cost and burden: IFB supports the OSC’s initiatives to address how the regulatory burden and its associated costs can be reduced to create a more cost effective regulatory framework with no corresponding reduction in investor protection.

Identifying ways to reduce the regulatory burden has been the subject of a recent and separate OSC consultation, supplemented with several roundtables. Many stakeholder submissions to this consultation have identified thoughtful and substantive suggestions to streamline or improve upon the current system. These should form the basis for the OSC to act on its stated priority to reduce the regulatory burden.

IFB members, as financial advisors, are often faced with client complaints about the time it takes to open an account or complete the paperwork. Instead of clients viewing these processes as protecting their interests, they are often viewed, at best, as a nuisance and, at worst, intrusive. IFB members would welcome a review of client account reporting processes with a view to identifying more streamlined and consistent approaches amongst registrant categories, while improving the investor experience for those who choose to work in an advised relationship.

Over-regulation is not just an industry problem. The associated costs are often borne by the investing public, either directly or indirectly. In our view, any proposed rules should be accompanied by an initial cost-benefit analysis, along with a requirement to revisit the analysis post-implementation to provide evidence that the original cost-benefit analysis continues to have merit.

Outside business activities: As stated above, many IFB members hold multiple financial licenses to permit them to provide more holistic advice to clients. These activities are captured as “outside business activities” that are, and should be, disclosed as potential conflicts of interests. However, over the years, the regulatory view of what constitutes an “outside business activity” has become increasingly broad, to the point that what must be disclosed has become an exercise unto itself. In addition, the fines for late disclosure can be unduly harsh, with no allowance for the risk the OBA may present.



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IFB welcomes the recent announcement by the OSC that it will temporarily suspend fines for late or non-disclosure of OBAs while it works to clarify the current requirement. It is our hope that this review will result in the development of more reasonable parameters around OBAs that are linked to a measurable risk of conflict of interest, or potential client harm. Exceptions should be permitted for volunteering or supporting charitable or community activities, for example, which present no risk to clients or of undue influence to the public. Advisors who wish to contribute to their community's well-being should not be discouraged from doing so by financial regulatory policy. Other community professionals are not held to this standard.

Thank you for the opportunity to provide our input on the draft Statement. IFB looks forward to reviewing the final Statement of Priorities, and working with the OSC in the coming year. Should you wish to discuss our comments, please contact the undersigned, or Susan Allemang, Director Policy & Regulatory Affairs (email: sallemang@ifbc.ca).

Yours truly,

A handwritten signature in black ink that reads 'Nancy Allan'.

Nancy Allan
Executive Director
Email: allan@ifbc.ca