



December 16, 2020

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

Subject: OSC Draft Statement of Priorities 2021-2022

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

IFB is a national, not for profit professional association representing approximately 3,000 licensed financial advisors and planners. The majority of IFB members are life/health insurance agents and/or mutual fund registrants. Many, however, are licensed or credentialed to provide complementary financial services such as investments, mortgages, deposit instruments, and comprehensive financial and estate planning.

IFB members are independent in that they are not employees or proprietary contractors of a financial company or institution. IFB was founded on the principle that the ability to offer clients choice in products and product providers is fundamental to best serving their needs.

IFB members are often sole proprietors, operating small to medium sized financial practices in their local community. They are an important resource for individuals, families, and businesses in these communities to help them plan for, and achieve their financial goals.

IFB provides a unified voice for these independent advisors by providing advocacy, and representation on their behalf to government, regulators, and industry stakeholders. In addition, IFB supports the professional needs of its members, and the financial services industry more broadly, by offering high-quality accredited education, a comprehensive professional liability program, and compliance/regulatory support. As a condition of membership, members are required to agree to conduct themselves in accordance with IFB's Code of Ethics and Statement of Principles.

Our comments on the draft priorities most relevant to our members follow.

Many of the OSC priorities require input and collaboration with other regulators and industry stakeholders to be successful. IFB was involved in the early stages of the transition from FSCO to FSRA and continues to serve as a member of FSRA's *Stakeholder Advisory Committee for Life and Health Insurance*. We observed, in our comments to the *Capital Markets Modernization Taskforce*, that this model of formally engaging industry stakeholders on an ongoing basis with FSRA's Board of Directors and management, ensures that FSRA receives broad input from a variety of perspectives.

Moreover, it has worked well in establishing an open, collaborative, and respectful dialogue.

In our view, financial advisors have not been meaningfully represented in the current approach to dialogue in the securities sector, outside of the opportunities afforded by the public consultation process. Securities firms, dealers, and investment manufacturers do not speak for advisors.

We encourage the OSC to review the Terms of Reference of the FSRA Stakeholder Advisory Committees and consider a similar structure to improve industry collaboration. IFB would welcome further discussion on this matter.

Capital Markets Modernization Taskforce

The OSC acknowledges that the final recommendations of the Taskforce could result in significant changes to the *Securities Act*. This introduces a level of uncertainty for the OSC and stakeholders who are responding to this set of priorities, given that they could change in the near future.

As stated in previous responses to the Task Force and OSC consultations affecting investors and stakeholders in Ontario, IFB recommends that solutions be national in scope when possible. Introducing Ontario-specific solutions creates uncertainty and increased regulatory burden for investors and those who conduct business in multiple jurisdictions.

Continue Implementation of Client Focused Reforms and Improve the Retail Investor Experience and Protection

At the outset, IFB wishes to acknowledge the many challenges the OSC, and all stakeholders in the financial services industry, have faced in adapting to preserve the protection of investors, while serving their needs, during the Covid-19 pandemic. Advisors, of course, are at the forefront of the client relationship, and have faced unique challenges in advising clients at a time when their traditional means of face-to-face communications has been curtailed. In addition, advisors have increasingly been called upon to support clients in a way that is outside their usual scope – clients who face economic uncertainty, pandemic health related illnesses, anxiety, and other life changes require more of an advisor’s time and energy.

In support of retail investors, and the advisors who work with them, IFB recommends the OSC, in collaboration with its CSA colleagues, move forward with the proposal to include the recommendations for dealing with senior and vulnerable clients in 2021, as part of implementing the Client Focused Reforms (CFRs).

Implement Mutual Fund Embedded Commissions Policies and Ontario Regulatory Response to Deferred Sales Charges

The OSC stated in its earlier published Proposed Rule that it views it as “an inherent conflict of interest for registrants to accept upfront commissions for sales of mutual funds under the deferred sales charge option”. This, when viewed alongside the enhanced focus on conflicts as part of the CFRs, significantly raises the risks for advisors selling a DSC, regardless of whether it was a reasonable recommendation for the client at that time.

Advisors who recommend such products will face heightened risk of scrutiny and potential enforcement based on “hindsight” suitability reviews. We believe this risk will cause firms and advisors to avoid DSCs as an investment choice.

Furthermore, we see practical issues related to permitting the sale of DSCs in Ontario when it will not be permitted in other Canadian jurisdictions. This creates a 2-tiered regulatory approach and leaves advisors and firms in Ontario, or advisors and firms servicing Ontario-based clients from other jurisdictions, at risk of disciplinary action.

The OSC’s finalized response to continued use of the DSC option should protect investors from the undesirable investor outcomes, while not placing advisors at undue risk.

Continue Consultation on the Current Self-Regulatory Organization (SRO) Framework

How a SRO framework will be structured in the future will have great impact on all stakeholders. The level of interest in this is evidenced by the large number of detailed responses to the public consultation.

While ‘getting it right’ is unquestionably important, investors, industry stakeholders and other regulators must have confidence that the process will not be tied up in years of consulting before adopting a framework for a single SRO model. We urge the OSC to work toward a timely recommendation, and one that has the support of all CSA members.

We also recommend that a stakeholder transition group be established to ensure that input is received from all parties, and the OSC consider a phased approach, which can provide the footprint on which future enhancements by the CSA can be built upon.

Strengthen Investor Redress through OBSI through Policy and Oversight Activities

IFB agrees that investors who are subject to a firm’s or advisor’s errors should be able to seek redress. As a provider of an individual and corporate professional liability program, we share this commitment to restitution. Although the priority only addresses OBSI, the OSC collects fines from firms and advisors in certain circumstances.

We recommend, as we have in previous responses, that the OSC should have the ability to direct these fines to harmed investors. We see the current constraints on how the OSC can distribute these funds as too restrictive, which may lead to a less meaningful use of the funds.

Reduce Regulatory Burden

IFB supports that the OSC, with its CSA partners, pursue opportunities to reduce undue burden, while protecting investors. Improving the experience for investors and industry will benefit all stakeholders and lead to a more transparent interface and lower costs.

Facilitate Financial Innovation

IFB agrees that there is an ongoing need for the OSC to provide flexible regulation that can be nimble in responding to changes in the marketplace. Consumers demand convenient access to services, which includes access to new products.



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IFB supports the OSC LaunchPad initiative and the CSA Sandbox as innovative responses to changing market demands.

This concludes our remarks. Should you have any questions, or wish to discuss, please contact the undersigned or Susan Allemang, Director Policy & Regulatory Affairs (sallemang@ifbc.ca).

Yours truly,

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

Nancy Allan

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