May 21, 2019

SENT BY E-MAIL

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20 Queen Street West
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Re: OSC Notice 11-780 *Statement of Priorities for Financial Year to End March 31, 2020*

TD Wealth welcomes the opportunity to comment on the Ontario Securities Commission's (OSC) Statement of Priorities for Financial Year to End March 31, 2020.

We fully support the OSC's goals; to promote confidence in Ontario's capital markets, reduce regulatory burden and facilitate financial innovation. We also applaud the broad range of initiatives that have been undertaken to improve the existing regulatory framework, including recent consultations and roundtables on reducing regulatory burden and identifying opportunities to cultivate an environment that supports financial innovation. We are encouraged by the direction of the OSC's regulatory agenda and look forward to continued participation in the OSC's burden reduction initiative.

Technological innovation, shifting demographics and globalization continue to impact the needs of Canadian investors, and how financial services are offered to them. To remain both relevant and effective, regulation must evolve alongside these changes. While TD Wealth made various suggestions in its comment letter in response to OSC Staff Notice 11-784 *Burden Reduction*, the OSC's agenda in moving forward with the Client Focused Reforms and the Mutual Funds Embedded Commissions initiatives remains of particular interest. Given the extensive consultations on these proposals over the last several years, TD Wealth looks forward to final rules which take into account industry comments and strike an appropriate balance between investor protection and promoting efficient capital markets.

Our comments below reflect TD Wealth's commitment to meet current and future investor protection obligations as a registrant, while continuing to provide our clients with a broad range of product and service offerings in a manner that suits their needs, preferences, expectations and overall experience.

1. Client Focused Reforms

We continue to support the efforts of the CSA, on a harmonized basis, to improve the client experience and to enhance the relationship between clients and their investment advisers, including securities dealers who provide investment advice. However, we remain concerned that should the OSC move to finalize the Client Focused Reforms in their current form, the reforms are too prescriptive to accommodate evolving technology and consumer preferences and do not represent proportionate regulation that supports innovation and competition. Further to our prior written submission, we recommend various changes including (i) tailoring certain aspects of the Client Focused Reforms to address the specific needs and expectations of "do it yourself" and institutional investors; and (ii) tailoring the "know your product" requirements to encourage product innovation and preserve the range of product choices currently available to investors.

To foster innovation and meet investors' changing needs and expectations, it is critical to allow registrants some flexibility in achieving regulatory objectives. Before final publication, and as part of its continued focus on reducing regulatory burden, we encourage the OSC to revisit the proposed new requirements to ensure they are appropriate and necessary to meet desired regulatory objectives without creating additional burden on securities dealers and investment advisers.

2. Embedded Commissions

We believe the interests of retail investors are best served by providing them with choice on how they want to invest and the products they want to invest in. Mutual funds have allowed investors with limited investment resources to access capital markets. We are concerned that the proposed amendments to National Instrument 81-105 *Mutual Fund Sales Practices*, if finalized in their current form, will reduce investors' choice. In our opinion, prohibiting embedded dealer compensation in mutual fund products made available on Order Execution Only ("OEO") platforms will be detrimental to smaller retail investors. We reiterate our previous comments that D-Series mutual funds, with their reduced commissions, are well-tailored to the direct investing channel and should be permitted to be offered on an OEO platform. These series provide a cost-effective way for smaller "do it yourself" investors to benefit from mutual fund offerings on OEO platforms, together with investor resources and services (such as TD Direct Investing's goal setting and tracking tools). Moreover, given the lower costs of access and services to investors, D-series mutual funds provide a value proposition relative to other investment products. The potential outcome that mutual fund product offerings may be removed from OEO platforms should signal that the burden of the proposed prohibition may be disproportionate to the benefits sought to be achieved.

3. Transition Period

Implementation of these proposals will impact numerous systems, internal policies and procedures, ranging from client onboarding to product recommendations and client engagement practices. Extensive resources will be required to build and enhance systems, redesign operations and develop new compliance procedures. Projects and initiatives of this scope and scale require careful planning and must be scheduled on a multi-year basis. The Client Focused Reforms and Embedded Commissions proposals will require an enterprise-wide reprioritization of projects and initiatives that are already underway.

If adopted in its current form, the Client Focused Reforms warrant a longer transition period, with an opportunity for meaningful consultation with securities regulators and self-regulatory organizations (SRO). Registrants need final rules, including related SRO rules, to properly align technical and logistical specifications with regulatory requirements *before* beginning development. We recommend that the

CSA commence the transition period for the implementation of the Client Focused Reforms only after all related SRO rules are published in final form, including any related guidance.

If the Embedded Commissions proposal moves forward, the CSA's consideration of transition periods should be mindful of the significant impact on current investor holdings, the authority of institutions to impact client holdings and the timelines and resources for institutions to adapt to the changes.

In closing, we appreciate the opportunity to provide comments on the OSC Statement of Priorities. We recognize the importance of collaboration between industry members and regulators to advance the interests of Canadian investors. However, we also believe that deliberation and care must be taken in finalizing the proposals to protect investor choice, minimize unintended consequences and ensure the ongoing competitiveness of Ontario's capital markets.

We welcome the opportunity to provide additional commentary through in-person discussions with staff.

Sincerely,

Leo Salom
Group Head, Wealth Management and TD Insurance