

INVESTOR ADVISORY PANEL

Via email

OSC Investor Advisory Panel
c/o Ursula Menke, Chair
Email: iap@osc.gov.on.ca

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Charles Piroli, Director, Member Regulation Policy
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Re: Guidance on Order Execution Only Services and Activities (OEO)

The Investor Advisory Panel is pleased to respond to this important consultation on IIROC's rules and guidance related to Order Execution Only Services and how they apply to the evolving discount brokerage model, a critical channel for Canadian investors seeking to make their own investment decisions.

With CRM2 reporting we fully expect increased retail investor interest in this channel. Any material changes to its regulation should be made only after thoughtful deliberation and healthy consultation with users.

With that in mind we would like to share two key concerns with IIROC:

Research – As part of its consultations, IIROC notes that it engaged an independent research firm to survey OEO clients to ascertain their views regarding some of the tools OEO firms make available to them. While some survey highlights are included in the consultation document, we would like the underlying research to be published in full and made public. This would permit more informed commentary.

Advice versus recommendations – IIROC proposes to define the core definitions of recommendation and advice. The Panel believes this could possibly impact the mutual fund channel and exempt market – and it could affect the competitive balance between full service and discount brokers. Securities laws do currently not offer definitions for the key concepts of 'advice' and 'recommendation'. IIROC is proposing a definition of 'recommendation' and it is doing so not through rule making, which must be considered and approved by the CSA, but through guidance. This is unprecedented and could have serious and unintended consequences for the availability and nature of advice for Canadian investors. The OSC and CSA should review this proposed guidance before it is approved.

We appreciate the opportunity to comment. Please feel free to contact us if there are any questions.

Yours truly,

Ursula Menke
Chair, Investor Advisory Panel