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British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Care of:

The Secretary
Ontario Securities Commission
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Toronto, Ontario M5H 3S8

Me. Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
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Montréal (Québec) H4Z 1G3

Re: CSA Consultation Paper 81-408: Consultation on the Option of Discontinuing Embedded Commissions

Dear CSA Members,

We are writing to give you our comments on the Canadian Securities Administrators' ("CSA") *Consultation Paper 81-408 – Consultation on the Option of Discontinuing Embedded Commissions* published on January 10, 2017 (the "Consultation Paper").

Introduction

Sun Life Financial Investment Services (Canada) Inc. ("SLFISI") is one of Canada's largest mutual fund dealers with assets under administration of over $22 billion. We have over 2,700 advisors operating from locations across Canada.

SLFISI has over 490,000 client accounts. SLFISI serves a broad range of Canadians including many mid-market clients with smaller accounts. Our average account size is $45,600. SLFISI offers both embedded commissions and direct pay fee-based accounts. We do not have a minimum account size for either type of account. The average size of our embedded commissions accounts is $37,500. The average account size of our fee-based nominee accounts is $157,000.

SLFISI is part of the Sun Life Financial group of companies.

Response to the CSA concerns

We agree with the CSA's comments in the Consultation Paper that embedded commissions have the potential to create conflicts of interest for advisors and dealers. However, while we agree with the need to constantly monitor and manage this risk and propose additional actions to that end, external research shows no significant evidence of client harm related to embedded commissions and conflicts of interest.

We also agree with the CSA that clients should know the costs of their investments, including the costs of embedded commissions. They should also know the services they are paying for and should get what they are paying for. However, we believe that these issues can be addressed through reforms to increase client awareness of costs and to give them a clear written agreement outlining the services they will receive.

We believe that there is a substantial risk that a ban will reduce access to advice and increase the cost of advice, especially for clients with smaller accounts.

We suggest that the best course of action is to maintain client choice and to implement the alternatives we propose that will address the CSA's concerns without the adverse consequences that a ban presents.

A ban of embedded commissions is not needed

There are several reasons why a ban is not the optimal way to address the CSA's concerns:

1. No significant evidence of conflict of interest concerns

In its recent report, PricewaterhouseCoopers concluded that:

> "There is no significant evidence that embedded commissions in Canada have been leading to conflicts of interest influencing financial advisors' behaviour. A ban on embedded commissions would likely eliminate some of these influences, but would create new instances of misalignment of interests between investors and advisors via new fee schemes."[1]

Absent such evidence, a ban is not warranted.

2. Transparency and market forces

Research shows that market forces and increased transparency have significantly reduced embedded commissions rates in recent years. In 2006, across the industry, 17.8% of equity and balanced mutual funds in Canada paid a trail commission in excess of 100 basis points. By 2015, this had dropped to 10%. Just one year later in 2016, this dropped by nearly one-half – only 6% of equity and balanced funds paid an embedded trail commission over 100 bps.[2] Market forces such as the rise of ETFs and robo-advisors, along with increased interest in index funds, have driven these changes. These forces will continue to have a powerful impact as CRM2 and Point of Sale continue to take hold. CRM3 will deepen and extend this impact.

With these reductions, the potential conflicts of interest from compensation beyond industry norms have also been reduced.

SLFISI's business has evolved with these market pressures.

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[1] PricewaterhouseCoopers, "Economic Impact Assessment of Banning Embedded Commissions in the Sales of Mutual Funds", June 2017, page iii

[2] Internal analysis by the Investment Funds Institute of Canada

As an example, SLFISI has established a robust fee-based program. We have provided advisors with detailed training and on-going guidance on how to set up and handle fee-based accounts. This includes how to determine what fees are appropriate for various types of clients, how to provide adequate disclosure and how to meet service expectations. We have also established maximum fee levels.

SLFISI manages the products on its shelf to minimize the potential for embedded commissions related conflicts of interest. As a result:

- Almost all of SLFISI's client assets under administration are in funds that pay a trail commission of 100 basis points or less.
- The trail commission rates on the funds we sell are highly aligned.
- The majority of SLFISI's assets under administration are in funds with a risk classification of "medium", "medium-low", or "low".
- SLFISI has a robust policy on DSC sales in line with MFDA guidance. DSC sales now make up less than 5% of new sales.

Transparency and other market forces have moved the industry closer to alignment of embedded commissions rates and have reduced conflicts of interest. The reforms recommended above will intensify these market forces and continue to align embedded commissions levels and further reduce the potential for conflicts of interest. In our view, this is the best way to ensure that there are checks and balances to minimize conflicts of interest.

3. All compensation systems have conflicts of interest

The Brondesbury report makes clear that fee-based compensation raises its own conflict of interest concerns.

> "Concerns about reverse churning and focus on proprietary (or related) products among fee-based advisors, suggest advisors with other forms of compensation can give biased advice too."
>
> "…every form of compensation is likely to have some form of bias associated with it."[3]

Similarly, transactional fees may incent churning. Hourly fees may encourage the advisor to maximize the time spent working with clients.[4]

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3 The Brondesbury Group, "Mutual Fund Fee Research", spring 2015 , page 57

4 PricewaterhouseCoopers, pages 46-47 and 52

The MFDA in its recent research paper notes that whatever decision is made about embedded commissions "…regulators will also need to be mindful of all conflicted compensation arrangements that raise similar or even greater regulatory concerns."[5]

PricewaterhouseCoopers identifies a number of potential conflicts of interest in the fee-based model.

> "This scheme, while fully transparent to the client, creates potential conflicts of interest.
>
> One example of such conflict is the fact that advisors may be tempted to take undue risks to grow their clients' accounts and thereby boost their own fees. This may be against the best interest of some investors who would find it optimal to have lower amounts invested in mutual funds. Moreover, fee-based platforms are characterized by financial advisors' strong disincentive to provide investment, financial planning and tax solutions that do not involve advisor management or which might reduce the amount of investor assets under management."[6]

We believe that there is no one compensation model that is suitable for all Canadians.

4. Client awareness and understanding of costs

Banning embedded commissions will make it harder for clients to determine how much they are paying because the total cost of ownership of their investments will be less transparent.

Under the embedded commissions model, clients have one number – the management expense ratio – that gives them the total cost of their investments, including the fund management costs and the cost of advice. Because MERs are publicly available, this number is readily comparable across all fund companies. [7]

Requiring clients to pay their dealer for advice separately from fund management fees may make it more difficult for clients to calculate and understand the total cost of their investments. In a fee-based model, the client must take the fund level costs reported by the fund company and add them to the cost of advice and distribution provided in a separate report from their dealer. There is no public source of these costs to facilitate comparison.[8]

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[5] Mutual Fund Dealers Association of Canada, MFDA Client Research Report, May 2017, page 19

[6] PricewaterhouseCoopers, page 46

[7] PricewaterhouseCoopers, page 40

[8] Pierre Lortie, "A major setback for retirement savings: Changing how financial advisers are compensated could hurt less-than wealthy investors most", University of Calgary, SPP Research Papers, volume 9, issue 13, April 2016, pages 26-27, 29

5. Many clients prefer embedded commissions

Many clients prefer the simplicity of the embedded commissions model.

In a recent study, Ipsos-Reid concluded that for many Canadians:

> "The preferred method for being charged for financial advice is for it to be included in the purchase price of investment products."[9]

Thirty-five percent of clients preferred to have the cost of advice included in the cost of investment products they buy.[10] That was the most popular option among the survey respondents. In the 2016 Pollara survey, just over half (54%) would prefer to compensate their advisor through bundled commissions, while 37% would prefer to pay a direct fee.[11]

In a recent JD Power survey in the United States, "almost 60% of full-service, commission-based investors said they would 'probably' or 'definitely' take their business elsewhere if their firm's compliance with the rule [the US Department of Labor fiduciary rule] meant switching into fee-only retirement plans… ."[12]

Clients value not only returns, but also simplicity and good service. Brondesbury identifies the following area that requires further study:

> "What do investors want in addition to money? Do they want peace of mind, time for more economically valuable pursuits, time for more pleasurable pursuits, or just the sense that someone else is looking after their needs? How well do different forms of compensation deliver on these intangibles?[13]

Many clients do not want to negotiate the cost of services they use. Elderly clients may be unable to "shop around" to gather information about the cost of advice to allow them to negotiate in a meaningful way with their advisor. They are better served by an embedded commissions account.

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9 Ipsos-Reid, "Canadians and Financial Advice, 2016", page 13
10 Ipsos-Reid, page 13.
11 Pollara, "2016 Canadian Investors' Perceptions of Mutual Funds and the Mutual Fund Industry", page 28
12 JD Power research, quoted in "Commission-based clients don't want fee-based accounts" on FinancialPlanning.com, March 20 2017. https://www.financial-planning.com/news/fiduciary-changes-could-turn-clients-off-jd-power
13 Brondesbury, page 78

6. There is no evidence that clients will be better off after a ban

A fundamental change, such as the banning of embedded commissions, should only be made if there is compelling evidence that clients will be better off as a result. We suggest that there is no such evidence.

Research commissioned by the CSA concludes there is insufficient evidence that mandating fee-based compensation will improve long-term outcomes for clients. The Brondesbury report says:

> "In our view, no empirical studies have been done to document whether investors have greater after-fee investment returns with fee-based compensation instead of commission-based compensation."[14]

At SLFISI, average dealer compensation for embedded commissions accounts versus fee-based accounts are not significantly different. We believe that, in a fee-based exclusive platform, the small fee-based accounts will be charged a higher fee compared to a larger fee-based account and will not necessarily be better off than with embedded commissions.

Although, the elimination of embedded commissions would reduce mutual fund management fees because they would no longer include the cost of advice, it may not lower the total cost of investing. In some cases, especially in provinces with higher tax brackets, the total cost of investing in a fee-based account would be higher than in an embedded commission account for the same service fee percentage. Indeed, in an embedded commission series the tax charged is a blended tax rate that might be lower than the provincial tax charged to the client on the service fee in a fee-based series.

7. Cost/benefit analysis

The Consultation Paper does not provide a cost/benefit analysis. At this stage, we cannot ascertain the precise cost to the industry of implementing a ban. We expect it will be significant: both the actual implementation costs and the opportunity costs of diverting the industry's energies away from other improvements to products and services to clients. We ask the CSA to provide a cost/benefit analysis of any proposal it makes relative to the other alternatives that are available to address its concerns.

The transition effort would be large. In our view, the industry would require a transition period of at least 3 years.

[14] Brondesbury, page 20. See also Lortie page 17

8. The value of advice is significant

Advisors play a critical role in helping clients build wealth, mitigate risk, develop savings discipline, budget, manage debt, and plan for retirement.[15] The vast majority of advisors are highly skilled professionals who put their clients' interests first and care deeply about the welfare of their clients. Most advisors want to avoid situations where compensation creates conflicts of interest.

The Consultation Paper suggests that the cost of advice paid for through embedded commissions outweighs the benefits investors receive. The research reviewed in the paper measures value to the client only in terms of fund returns.[16] The Brondesbury report does not consider the value of advice at all.[17] The Cummings report looks only at fund returns.[18] This misses critical aspects of the value that advisors add.

Most clients see the role of the advisor and the value of advice more broadly than just investment expertise. In recent research, Ipsos-Reid found that:

> "…fewer than half of clients believe investing services represent 30% or more of the value of an advisor."[19]

There is recent Canadian research that looks at the value of advice in a broader way and measures its impact on clients. The Lortie paper says that advisors add value by helping clients avoid common investing mistakes, explaining risk relative to returns and establishing and following through on long-term savings goals.[20] CIRANO's 2016 paper found that:

> "…the presence of a financial advisor proves its effect as soon as the first four years. The additional value reaches 290% for a household with an advisor for fifteen years or more: 3.9 times the value of assets of equivalent non-advised households."[21]

Advised clients accumulated substantially more wealth and had higher asset levels than non-advised clients.

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15 Lortie, pages 8,9 and 10

16 See the Consultation Paper at page 125ff

17 The Brondesbury report explicitly says on page 6 that the research "will not weigh in on the topic of the value of advisors".

18 The analysis in the Cummings report (pages 4 and 5) looks at "How does past performance affect fund flows?" and "Do fees and fund flows have any effect on future fund performance?"

19 Ipsos-Reid, page 8

20 Lortie, page 11

21 Claude Montmarquette et al., "The Gamma Factor and the Value of Financial Advice", CIRANO Institute, August 2016, page 41

Advice has significant macro-economic benefits as well. A Conference Board study in 2014 found that an increase in the number of advised households would result in a higher savings rate and better asset allocation. Over the long term, this will lead to a higher level of retirement readiness, and a positive impact on both real GDP and business investment.[22]

The unintended consequences of a ban: an advice gap

In our view, the risk of unintended consequences flowing from a ban are greater than suggested in the Consultation Paper. There are several reasons why an advice gap may develop.

Client preferences – As already noted, many clients prefer to pay for financial advice through commissions included in the cost of their investments.[23] Clients value advice but many are not prepared to pay for it upfront or directly. Many clients do not want to spend a great deal of time and effort managing their investments. Bundling the cost of advice with other product costs saves them time and simplifies the process.

What will these clients do if they are required to pay directly for financial advice? We believe there is a significant risk that many of them will simply not save and invest. This is especially likely with clients who have smaller accounts and less investment knowledge.

Affordability – Even if a client wanted a fee-based account, it may not be available to them, as dealers focus on clients with larger accounts that are more profitable:

> "In the absence of bundling, the unavoidable consequence is that a combination of lower aggregate costs per investor and higher expected fee income will motivate financial firms (and the financial advisers in their employ) to target higher-net-worth investors and shun less wealthy households."[24]

Fee-based accounts will be costly for smaller investors. Some clients will be reluctant to pay those costs. The Brondesbury report says:

> "People with less wealth and less income will find it harder to get advice for two reasons. First, it is difficult to generate sufficient income to cover costs, solely from sales of investments to this group. Second, in a fee-paying regime, there is evidence that they are less willing to pay fees to cover their cost of service."[25]

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22 Conference Board of Canada, "Boosting Retirement Readiness and the Economy Through Financial Advice" (2014), page iv
23 Ipsos-Reid, page 13. See also Pollara 2016, page 28
24 Lortie, page 21
25 Brondesbury, page 76

In its recent report, the MFDA notes concerns about the affordability of fee-based accounts for mass-market clients.[26]

Several factors influence this affordability challenge:

- For a smaller fee-based account, the dealer's account opening, maintenance and termination fees together with the dealer's advisory fee may be more than the trail commission on an embedded commissions account.
- Currently, the level of the embedded trail commission acts as a constraint on advisory fees in fee-based accounts. It is difficult for dealers and advisors to justify a fee that exceeds the trail commission rate for the same services. A ban would eliminate this constraint. "Absent this constraint, the cost of financial advice for a majority of retail clients is bound to increase."[27]

The international experience – Jurisdictions that have banned embedded commissions have experienced an advice gap as financial organizations shift their focus to high net worth investors and increase account minimums. The Brondesbury report notes that:

> "In jurisdictions that have moved to fee-based compensation people with less wealth and less income find it harder to get advisory service than others."[28]

Banks and building societies in the UK increased their account minimums shortly after the ban on embedded commissions was announced. The independent advisor channel also increased its account minimums to make its businesses financially viable in the new regulatory environment. As a result, the number of accounts in the UK industry with less than £100,000 in assets dropped by half between 2011 and 2014.[29] Many advisors turned away clients because the cost of advice was not affordable for clients with smaller accounts.[30] The advice gap was serious enough that UK regulators and government officials launched reviews to investigate the problem and identify solutions.[31] A similar reduction in the availability of advice has been seen in other jurisdictions.[32]

26 MFDA, pages 11, 15
27 Lortie, page 21
28 Brondesbury, page 7
29 GfK NOP Ltd., "Financial Research Survey" (2014). Cited in Lortie, page 23
30 Financial Advice Market Review – Final Report, page 6 – Sixty-nine percent of advisors turned away clients in the previous 12 months. The most common reason was affordability of the advice for the client.
31 Financial Advice Market Review – Final Report, March 2016
32 Lortie, page 25

Jurisdictions such as the United States, New Zealand and Singapore have not banned embedded commissions because of concerns about removing client choice and reducing access to advice for clients.

Aging advisors and an advisor gap – We are concerned about the average age of advisors in the industry. We expect this to have a significant impact on access to advice as these advisors retire and leave the industry.

Sun Life Financial is one of only a few organizations that recruits and trains significant numbers of new financial advisors from outside the industry (approximately 800 per year across Canada). The average age of our advisors is approximately 45, compared to an industry average of well over 50.

The impact of a ban on embedded commissions on the aging advisor problem should also be considered. In our view, a ban may make the problem worse. It may hasten the departure of some older advisors because it would be costly in time and investment to change their business model to adapt to a change in their compensation.

It may also make it more difficult for new advisors to attract new clients and retain existing ones because, as already noted, many clients do not want to pay directly for financial advice and prefer the embedded compensation model.

Robo advice and passive funds are not the answer for many Canadians – The Consultation Paper says that increased adoption of automated advice or robo advice with passive investment solutions will prevent an advice gap. However, recent research from Ipsos-Reid indicates that many Canadians do not see robo advice as an alternative to an advisor:

- Client interest in Canada in using robo advice is low. Only 18% of Canadians said they were likely (a rating of 6 or more on a 10-point scale) to use a robo advisor (only 5% rated their likelihood 8 or more on a 10-point scale). 82% of Canadians were unlikely to use a robo advisor.
- Only 29% of respondents under 35 and only 24 % of respondents between ages 35 and 44 rated their likelihood to use a robo advisor at 6 or higher. (Only 9% and 8%, respectively, of those groups rated their likelihood to use a robo at 8 or higher). 71% of the under-35 age group and 76% of the 35 to 44 age group were unlikely to use a robo advisor.
- Clients not interested in robo advisors valued human face-to-face contact.
- 61% of clients who were interested in trying a robo advisor would not use it to replace their existing advisor.

- Only 12% of clients who were interested in using robo advice would transfer money currently with their advisor to a robo advisor.[33]
- In a global survey by HSBC, Canadians were among the least likely people around the world to use a robo advisor.[34]

Robo advice is a relatively new concept in Canada. More time and research is needed to understand how it will evolve and which clients are suited to it. At this stage of its evolution, it is too early for millions of ordinary Canadians to rely on it as the primary channel to save for retirement.

Clients with smaller accounts should be able to choose between active and passive strategies. Passive strategies may have lower fees and tend to perform better in rising markets over shorter periods. Active strategies tend to perform better in declining or volatile markets. However, it is impossible to say which will perform best in the future. Passive investments essentially delegate the investment management function to the client. Clients with smaller accounts are less likely to be able to take on this role. Requiring them to do so is unlikely to improve their level of wealth.

Both passive and active strategies can have a place in a client's portfolio. Clients should not be limited to only one choice.

There is a significant risk that a ban on embedded commissions could leave many clients of modest means without affordable access to personalized advice. The MFDA identifies this risk in its recent research report.[35] These clients need personalized advice to build the wealth they need to provide for their retirement.

The IFIC report "Advice and the Modest Investor: A Canadian Perspective" states that:

> "If payment options for advice were to become more restricted, those with relatively few assets, comprising the mass market of Canadian investors, are at the greatest risk of becoming less financially independent over time, less prepared for retirement, less financially literate, and more prone to investment biases and self-inflicted capital losses characteristic of 'do-it-yourself' investing."[36]

33 Ipsos-Reid, page 29-32.
34 HSBC, "Trust in Technology Report – Country Report/Canada", News Release, May 24 2017
35 MFDA, page 19
36 The Investment Funds Institute of Canada, "Advice and the Modest Investor: A Canadian Perspective", page 10

Alternatives to banning embedded commissions

We believe that the CSA's concerns can be addressed without a ban. We propose a set of alternative proposals that will address the CSA's concerns and continue to give clients choice in how they pay for financial advice.

- **A service agreement and enhanced relationship disclosure –** Advisors should be required to enter into a service agreement with each client. The dealer would oversee the agreement.
  The agreement would explain the client's compensation options (embedded and fee-based) and the advisor would be required to review those options and explain the advantages and disadvantages of each.
  The agreement would also state the services the client should expect to receive.
  The client and the advisor would sign the agreement to confirm the compensation option chosen by the client and the commitment from the dealer and advisor to provide the services.
  The advisor would then have the ongoing obligation to provide the agreed upon level of service and regularly review compensation options with the client.

- **Standardized naming convention for fund types –** There should be industry standards for fund companies to identify fund series that are fee-based and fund series that have embedded commissions. This should be done in a way that clients can readily understand.

- **Deferred sales charges –** DSC units should only be offered to clients in accordance with the guidance provided by the MFDA.

- **CRM3 cost disclosure –** We support IFIC's announcement on April 25, 2017 regarding a move to CRM3 cost disclosure in client statements. This would provide clients with a dollar amount cost of management expenses at the account level, including an appropriate description of the services paid for through the management fee.

We believe these alternatives address the three key concerns identified by the CSA in the Consultation Paper.

- They support increased transparency and add to downward pressures on fees and compensation rates that are beyond industry norms. In turn, this will continue to reduce potential for commission-related conflicts of interest.
- They give clients clear choices. Clients would have clear information about how they are paying for advice and what the advice costs. Clients would have clear information about the total cost of their investments.

- They give clients a clear written commitment outlining the services they can expect to receive. They create accountability on the part of the dealer and advisor to provide those services.

Conclusion

Clients should be at the centre of any decision on this issue. Research demonstrates that many clients value the simplicity of the embedded commissions option. They should continue to have that option and the affordable access to financial advice it provides.

The alternative reforms we have proposed address the concerns raised in the Consultation Paper. Those reforms would enhance transparency and client understanding of compensation options and costs through deeper relationship discussions and an explicit service agreement. The service agreement will give clients a clear enforceable commitment that they will get the service they are paying for.

We believe that this additional transparency and client awareness, along with other market forces, will continue to reduce instances of embedded commissions rates that are beyond industry norms that give rise to conflicts of interest.

The alternative reforms will also maintain choice for clients and avoid the risks associated with a ban.

Thank you for the opportunity to participate in the consultation. I would be pleased to discuss any aspect of this letter with you.

Sincerely,

[redacted]

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Nick DiRenzo as President of SLFISI

Sun Life Financial

APPENDIX

CSA Consultation Paper 81-408 – Consultation on the Option of Discontinuing Embedded Commissions

PART 2 – KEY INVESTOR PROTECTION AND MARKET EFFICIENCY ISSUES RAISED BY MUTUAL FUND FEES AND RELATED EVIDENCE

Question	Response
1. Do you agree with the issues described in this Part? Why or why not?	We agree with the CSA's comments in the Consultation Paper that embedded commissions have the potential to create conflicts of interest for advisors and dealers. However, while we agree with the need to constantly monitor and manage this risk and propose additional actions to that end, external research shows no significant evidence of client harm related to embedded commissions and conflicts of interest. In its recent report, PricewaterhouseCoopers concluded that: "There is no significant evidence that embedded commissions in Canada have been leading to conflicts of interest influencing financial advisors' behaviour. A ban on embedded commissions would likely eliminate some of these influences, but would create new instances of misalignment of interests between investors and advisors via new fee schemes."[37] Absent such evidence, a ban is not warranted. We also agree with the CSA that clients should know the costs of their investments, including the costs of embedded commissions. They should also know the services they are paying for and should get what they are paying for. However, we believe that these issues can be addressed through reforms to increase client awareness of costs and to give them a clear written agreement outlining the services they will receive.

37 PricewaterhouseCoopers, "Economic Impact Assessment of Banning Embedded Commissions in the Sales of Mutual Funds", June 2017, page iii

	We believe that there is a substantial risk that a ban will reduce access to advice and increase the cost of advice, especially for clients with smaller accounts. We suggest that the best course of action is to maintain client choice and to implement the alternatives we propose that will address the CSA's concerns without the adverse consequences that a ban presents.
3. Are there significant benefits to embedded commissions such as access to advice, efficiency and cost effectiveness of business models, and heightened competition that may outweigh the issues or harms of embedded commissions in some or all circumstances? Please provide data to support your argument where possible."	In our view, there is significant benefits to embedded commissions. **Client awareness and understanding of costs -** Banning embedded commissions will make it harder for clients to determine how much they are paying because the total cost of ownership of their investments will be less transparent. Under the embedded commissions model, clients have one number – the management expense ratio – that gives them the total cost of their investments, including the fund management costs and the cost of advice. Because MERs are publicly available, this number is readily comparable across all fund companies. [38] Requiring clients to pay their dealer for advice separately from fund management fees may make it more difficult for clients to calculate and understand the total cost of their investments. In a fee-based model, the client must take the fund level costs reported by the fund company and add them to the cost of advice and distribution provided in a separate report from their dealer. There is no public source of these costs to facilitate comparison.[39] **There is no evidence that clients will be better off after a ban -** A fundamental change, such as the banning of embedded commissions, should only be made if there is compelling evidence that clients will be better off as a result. We suggest that there is no such evidence. Research commissioned by the CSA concludes there is insufficient evidence that mandating fee-based compensation will improve long-term outcomes for clients. The Brondesbury report says:

[38] PricewaterhouseCoopers, page 40

[39] Pierre Lortie, "A major setback for retirement savings: Changing how financial advisers are compensated could hurt less-than wealthy investors most", University of Calgary, SPP Research Papers, volume 9, issue 13, April 2016, pages 26-27, 29

	"In our view, no empirical studies have been done to document whether investors have greater after-fee investment returns with fee-based compensation instead of commission-based compensation."[40] At SLFISI, average dealer compensation for embedded commissions accounts versus fee-based accounts are not significantly different. We believe that, in a fee-based exclusive platform, the small fee-based accounts will be charged a higher fee compared to a larger fee-based account and will not necessarily be better off than with embedded commissions. Although, the elimination of embedded commissions would reduce mutual fund management fees because they would no longer include the cost of advice, it may not lower the total cost of investing. In some cases, especially in provinces with higher tax brackets, the total cost of investing in a fee-based account would be higher than in an embedded commission account for the same service fee percentage. Indeed, in an embedded commission series the tax charged is a blended tax rate that might be lower than the provincial tax charged to the client on the service fee in a fee-based series.

PART 3 – OVERVIEW OF THE PROPOSED OPTION TO DISCONTINUE EMBEDDED COMPENSATION

PART 4 – REGULATORY IMPACT

Addressing the issues

Question	Response
12. Based on a consideration of the data and evidence provided in this Part, would a proposal to discontinue embedded commissions address the three key investor protection and market efficiency issues discussed in Part 2?	We agree with the CSA's comments in the Consultation Paper that embedded commissions have the potential to create conflicts of interest for advisors and dealers. However, while we agree with the need to constantly monitor and manage this risk and propose additional actions to that end, external research shows no significant evidence of client harm related to embedded commissions and conflicts of interest.

40 Brondesbury, page 20. See also Lortie page 17

	We believe that these issues can be addressed through reforms to increase client awareness of costs and to give them a clear written agreement outlining the services they will receive. We believe that there is a substantial risk that a ban will reduce access to advice and increase the cost of advice, especially for clients with smaller accounts.
13. Are there other ways in which the CSA could address these issues that could be introduced in conjunction with, or separate from, the discontinuation of embedded commissions?	**Alternatives to banning embedded commissions -** We believe that the CSA's concerns can be addressed without a ban. We propose a set of alternative proposals that will address the CSA's concerns and continue to give clients choice in how they pay for financial advice. • **A service agreement and enhanced relationship disclosure –** Advisors should be required to enter into a service agreement with each client. The dealer would oversee the agreement. The agreement would explain the client's compensation options (embedded and fee-based) and the advisor would be required to review those options and explain the advantages and disadvantages of each. The agreement would also state the services the client should expect to receive. The client and the advisor would sign the agreement to confirm the compensation option chosen by the client and the commitment from the dealer and advisor to provide the services. The advisor would then have the ongoing obligation to provide the agreed upon level of service and regularly review compensation options with the client. • **Standardized naming convention for fund types –** There should be industry standards for fund companies to identify fund series that are fee-based and fund series that have embedded commissions. This should be done in a way that clients can readily understand. • **Deferred sales charges –** DSC units should only be offered to clients in accordance with the guidance provided by the MFDA. • **CRM3 cost disclosure –** We support IFIC's announcement on April 25, 2017 regarding a move to CRM3 cost disclosure in client statements. This would provide clients with a

	dollar amount cost of management expenses at the account level, including an appropriate description of the services paid for through the management fee. We believe these alternatives address the three key concerns identified by the CSA in the Consultation Paper. • They support increased transparency and add to downward pressures on fees and compensation rates that are beyond industry norms. In turn, this will continue to reduce potential for commission-related conflicts of interest. • They give clients clear choices. Clients would have clear information about how they are paying for advice and what the advice costs. Clients would have clear information about the total cost of their investments. • They give clients a clear written commitment outlining the services they can expect to receive. They create accountability on the part of the dealer and advisor to provide those services.
14. Are there other conflicts of interest that could emerge following a transition to direct pay arrangements that would not be addressed in the current securities regulation framework?	**All compensation systems have conflicts of interest -** The Brondesbury report makes clear that fee-based compensation raises its own conflict of interest concerns. "Concerns about reverse churning and focus on proprietary (or related) products among fee-based advisors, suggest advisors with other forms of compensation can give biased advice too." "…every form of compensation is likely to have some form of bias associated with it."[41] Similarly, transactional fees may incent churning. Hourly fees may encourage the advisor to maximize the time spent working with clients.[42]

[41] The Brondesbury Group, "Mutual Fund Fee Research", spring 2015, page 57
[42] PricewaterhouseCoopers, pages 46-47 and 52

	The MFDA in its recent research paper notes that whatever decision is made about embedded commissions "…regulators will also need to be mindful of all conflicted compensation arrangements that raise similar or even greater regulatory concerns."[43] PricewaterhouseCoopers identifies a number of potential conflicts of interest in the fee-based model. "This scheme, while fully transparent to the client, creates potential conflicts of interest. One example of such conflict is the fact that advisors may be tempted to take undue risks to grow their clients' accounts and thereby boost their own fees. This may be against the best interest of some investors who would find it optimal to have lower amounts invested in mutual funds. Moreover, fee-based platforms are characterized by financial advisors' strong disincentive to provide investment, financial planning and tax solutions that do not involve advisor management or which might reduce the amount of investor assets under management."[44] We believe that there is no one compensation model that is suitable for all Canadians.

Change in investor experience and outcomes

Question	Response
15. What effect do you think the removal of embedded commissions will have on investor experience and outcomes?	**Many clients prefer embedded commissions -** Many clients prefer the simplicity of the embedded commissions model. In a recent study, Ipsos-Reid concluded that for many Canadians:

43 Mutual Fund Dealers Association of Canada, MFDA Client Research Report, May 2017, page 19
44 PricewaterhouseCoopers, page 46

	"The preferred method for being charged for financial advice is for it to be included in the purchase price of investment products."[45] Thirty-five percent of clients preferred to have the cost of advice included in the cost of investment products they buy.[46] That was the most popular option among the survey respondents. In the 2016 Pollara survey, just over half (54%) would prefer to compensate their advisor through bundled commissions, while 37% would prefer to pay a direct fee.[47] In a recent JD Power survey in the United States, "almost 60% of full-service, commission-based investors said they would 'probably' or 'definitely' take their business elsewhere if their firm's compliance with the rule [the US Department of Labor fiduciary rule] meant switching into fee-only retirement plans… ."[48] Clients value not only returns, but also simplicity and good service. Brondesbury identifies the following area that requires further study: "What do investors want in addition to money? Do they want peace of mind, time for more economically valuable pursuits, time for more pleasurable pursuits, or just the sense that someone else is looking after their needs? How well do different forms of compensation deliver on these intangibles?[49] Many clients do not want to negotiate the cost of services they use. Elderly clients may be unable to "shop around" to gather information about the cost of advice to allow them to negotiate in a meaningful way with their advisor. They are better served by an embedded commissions account.

[45] Ipsos-Reid, "Canadians and Financial Advice, 2016", page 13
[46] Ipsos-Reid, page 13.
[47] Pollara, "2016 Canadian Investors' Perceptions of Mutual Funds and the Mutual Fund Industry", page 28
[48] JD Power research, quoted in "Commission-based clients don't want fee-based accounts" on FinancialPlanning.com, March 20 2017. https://www.financial-planning.com/news/fiduciary-changes-could-turn-clients-off-jd-power
[49] Brondesbury, page 78

	The value of advice is significant - Advisors play a critical role in helping clients build wealth, mitigate risk, develop savings discipline, budget, manage debt, and plan for retirement.[50] The vast majority of advisors are highly skilled professionals who put their clients' interests first and care deeply about the welfare of their clients. Most advisors want to avoid situations where compensation creates conflicts of interest. The Consultation Paper suggests that the cost of advice paid for through embedded commissions outweighs the benefits investors receive. The research reviewed in the paper measures value to the client only in terms of fund returns.[51] The Brondesbury report does not consider the value of advice at all.[52] The Cummings report looks only at fund returns.[53] This misses critical aspects of the value that advisors add. Most clients see the role of the advisor and the value of advice more broadly than just investment expertise. In recent research, Ipsos-Reid found that: "…fewer than half of clients believe investing services represent 30% or more of the value of an advisor."[54] There is recent Canadian research that looks at the value of advice in a broader way and measures its impact on clients. The Lortie paper says that advisors add value by helping clients avoid common investing mistakes, explaining risk relative to returns and establishing and following through on long-term savings goals.[55] CIRANO's 2016 paper found that: "…the presence of a financial advisor proves its effect as soon as the first four years. The additional value reaches 290% for a household with an advisor for fifteen years or more: 3.9 times the value of assets of equivalent non-advised households."[56]

50 Lortie, pages 8,9 and 10
51 See the Consultation Paper at page 125ff
52 The Brondesbury report explicitly says on page 6 that the research "will not weigh in on the topic of the value of advisors".
53 The analysis in the Cummings report (pages 4 and 5) looks at "How does past performance affect fund flows?" and "Do fees and fund flows have any effect on future fund performance?"
54 Ipsos-Reid, page 8
55 Lortie, page 11
56 Claude Montmarquette et al., "The Gamma Factor and the Value of Financial Advice", CIRANO Institute, August 2016, page 41

	Advised clients accumulated substantially more wealth and had higher asset levels than non-advised clients. Advice has significant macro-economic benefits as well. A Conference Board study in 2014 found that an increase in the number of advised households would result in a higher savings rate and better asset allocation. Over the long term, this will lead to a higher level of retirement readiness, and a positive impact on both real GDP and business investment.[57] **Affordability** – Even if a client wanted a fee-based account, it may not be available to them, as dealers focus on clients with larger accounts that are more profitable: "In the absence of bundling, the unavoidable consequence is that a combination of lower aggregate costs per investor and higher expected fee income will motivate financial firms (and the financial advisers in their employ) to target higher-net-worth investors and shun less wealthy households."[58] Fee-based accounts will be costly for smaller investors. Some clients will be reluctant to pay those costs. The Brondesbury report says: "People with less wealth and less income will find it harder to get advice for two reasons. First, it is difficult to generate sufficient income to cover costs, solely from sales of investments to this group. Second, in a fee-paying regime, there is evidence that they are less willing to pay fees to cover their cost of service."[59] In its recent report, the MFDA notes concerns about the affordability of fee-based accounts for mass-market clients.[60] Several factors influence this affordability challenge: • For a smaller fee-based account, the dealer's account opening, maintenance and termination fees together with the dealer's advisory fee may be more than the trail commission on an embedded commissions account.

57 Conference Board of Canada, "Boosting Retirement Readiness and the Economy Through Financial Advice" (2014), page iv
58 Lortie, page 21
59 Brondesbury, page 76
60 MFDA, pages 11, 15

	• Currently, the level of the embedded trail commission acts as a constraint on advisory fees in fee-based accounts. It is difficult for dealers and advisors to justify a fee that exceeds the trail commission rate for the same services. A ban would eliminate this constraint. "Absent this constraint, the cost of financial advice for a majority of retail clients is bound to increase."[61]
• What effect will the proposal have on the growth of automated advice? Is this likely to be beneficial to investors?	**Robo advice and passive funds are not the answer for many Canadians** – The Consultation Paper says that increased adoption of automated advice or robo advice with passive investment solutions will prevent an advice gap. However, recent research from Ipsos-Reid indicates that many Canadians do not see robo advice as an alternative to an advisor: • Client interest in Canada in using robo advice is low. Only 18% of Canadians said they were likely (a rating of 6 or more on a 10-point scale) to use a robo advisor (only 5% rated their likelihood 8 or more on a 10-point scale). 82% of Canadians were unlikely to use a robo advisor. • Only 29% of respondents under 35 and only 24 % of respondents between ages 35 and 44 rated their likelihood to use a robo advisor at 6 or higher. (Only 9% and 8%, respectively, of those groups rated their likelihood to use a robo at 8 or higher). 71% of the under-35 age group and 76% of the 35 to 44 age group were unlikely to use a robo advisor. • Clients not interested in robo advisors valued human face-to-face contact. • 61% of clients who were interested in trying a robo advisor would not use it to replace their existing advisor. • Only 12% of clients who were interested in using robo advice would transfer money currently with their advisor to a robo advisor.[62] • In a global survey by HSBC, Canadians were among the least likely people around the world to use a robo advisor.[63]

61 Lortie, page 21
62 Ipsos-Reid, page 29-32.
63 HSBC, "Trust in Technology Report – Country Report/Canada", News Release, May 24 2017

	Robo advice is a relatively new concept in Canada. More time and research is needed to understand how it will evolve and which clients are suited to it. At this stage of its evolution, it is too early for millions of ordinary Canadians to rely on it as the primary channel to save for retirement. Clients with smaller accounts should be able to choose between active and passive strategies. Passive strategies may have lower fees and tend to perform better in rising markets over shorter periods. Active strategies tend to perform better in declining or volatile markets. However, it is impossible to say which will perform best in the future. Passive investments essentially delegate the investment management function to the client. Clients with smaller accounts are less likely to be able to take on this role. Requiring them to do so is unlikely to improve their level of wealth. Both passive and active strategies can have a place in a client's portfolio. Clients should not be limited to only one choice.
17. Do you think this proposal will lead to an advice gap? In particular • Which segments of the market are likely to be affected? Please consider segmentation by wealth, geography (size and location of community e.g. remote, small, medium, large), age, technological sophistication, the level of fund ownership across households, etc.	**The unintended consequences of a ban: an advice gap -** In our view, the risk of unintended consequences flowing from a ban are greater than suggested in the Consultation Paper. There are several reasons why an advice gap may develop. **Client preferences** – As already noted, many clients prefer to pay for financial advice through commissions included in the cost of their investments.[64] Clients value advice but many are not prepared to pay for it upfront or directly. Many clients do not want to spend a great deal of time and effort managing their investments. Bundling the cost of advice with other product costs saves them time and simplifies the process. What will these clients do if they are required to pay directly for financial advice? We believe there is a significant risk that many of them will simply not save and invest. This is especially likely with clients who have smaller accounts and less investment knowledge. There is a significant risk that a ban on embedded commissions could leave many clients of modest means without affordable access to personalized advice. The MFDA identifies this

[64] Ipsos-Reid, page 13. See also Pollara 2016, page 28

	risk in its recent research report.[65] These clients need personalized advice to build the wealth they need to provide for their retirement. The IFIC report "Advice and the Modest Investor: A Canadian Perspective" states that: "If payment options for advice were to become more restricted, those with relatively few assets, comprising the mass market of Canadian investors, are at the greatest risk of becoming less financially independent over time, less prepared for retirement, less financially literate, and more prone to investment biases and self-inflicted capital losses characteristic of 'do-it-yourself' investing."[66]

Industry change independent of regulatory response to discontinue embedded commissions

Question	Response
18. Given some of the changes we have seen in the industry over the past few years (fee reductions, introduction of DIY series, streamlining of fund series, automatic fee reductions increasing access to fee-based options etc.), what is the likelihood that the fund industry will transition away from embedded commissions without regulatory action? In particular: • Will the industry continue to transition away from embedded commissions if the CSA does not move forward with the proposal?	**Transparency and market forces -** Research shows that market forces and increased transparency have significantly reduced embedded commissions rates in recent years. In 2006, across the industry, 17.8% of equity and balanced mutual funds in Canada paid a trail commission in excess of 100 basis points. By 2015, this had dropped to 10%. Just one year later in 2016, this dropped by nearly one-half – only 6% of equity and balanced funds paid an embedded trail commission over 100 bps.[67] Market forces such as the rise of ETFs and robo-advisors, along with increased interest in index funds, have driven these changes. These forces will continue to have a powerful impact as CRM2 and Point of Sale continue to take hold. CRM3 will deepen and extend this impact. With these reductions, the potential conflicts of interest from compensation beyond industry norms have also been reduced.

65 MFDA, page 19
66 The Investment Funds Institute of Canada, "Advice and the Modest Investor: A Canadian Perspective", page 10
67 Internal analysis by the Investment Funds Institute of Canada

	SLFISI's business has evolved with these market pressures. As an example, SLFISI has established a robust fee-based program. We have provided advisors with detailed training and on-going guidance on how to set up and handle fee-based accounts. This includes how to determine what fees are appropriate for various types of clients, how to provide adequate disclosure and how to meet service expectations. We have also established maximum fee levels. SLFISI manages the products on its shelf to minimize the potential for embedded commissions related conflicts of interest. As a result: • Almost all of SLFISI's client assets under administration are in funds that pay a trail commission of 100 basis points or less. • The trail commission rates on the funds we sell are highly aligned. • The majority of SLFISI's assets under administration are in funds with a risk classification of "medium", "medium-low", or "low". • SLFISI has a robust policy on DSC sales in line with MFDA guidance. DSC sales now make up less than 5% of new sales. Transparency and other market forces have moved the industry closer to alignment of embedded commissions rates and have reduced conflicts of interest. The reforms recommended above will intensify these market forces and continue to align embedded commissions levels and further reduce the potential for conflicts of interest. In our view, this is the best way to ensure that there are checks and balances to minimize conflicts of interest.

Potential impact on competition and market structure

Question	Response
22. What impact will the proposal have on representatives in the industry? In particular, what impact will the proposal have on the: • career path;	**Aging advisors and an advisor gap** – We are concerned about the average age of advisors in the industry. We expect this to have a significant impact on access to advice as these advisors retire and leave the industry.

• attractiveness of the job; • typical profile of individuals attracted to the career; • recruitment; and • relative attractiveness of careers in competing financial service business lines?	Sun Life Financial is one of only a few organizations that recruits and trains significant numbers of new financial advisors from outside the industry (approximately 800 per year across Canada). The average age of our advisors is approximately 45, compared to an industry average of well over 50. The impact of a ban on embedded commissions on the aging advisor problem should also be considered. In our view, a ban may make the problem worse. It may hasten the departure of some older advisors because it would be costly in time and investment to change their business model to adapt to a change in their compensation. It may also make it more difficult for new advisors to attract new clients and retain existing ones because, as already noted, many clients do not want to pay directly for financial advice and prefer the embedded compensation model.

PART 5 – MITIGATION MEASURES

Question	Response
29. Other than the potential impacts we have identified in Part 4, what other potential unintended consequences, including operational impacts and tax consequences, may arise for fund industry stakeholders and investors further to the discontinuation of embedded commissions? In particular:	**There is no evidence that clients will be better off after a ban -** A fundamental change, such as the banning of embedded commissions, should only be made if there is compelling evidence that clients will be better off as a result. We suggest that there is no such evidence. Research commissioned by the CSA concludes there is insufficient evidence that mandating fee-based compensation will improve long-term outcomes for clients. The Brondesbury report says: "In our view, no empirical studies have been done to document whether investors have greater after-fee investment returns with fee-based compensation instead of commission-based compensation."[68] At SLFISI, average dealer compensation for embedded commissions accounts versus fee-based accounts are not significantly different. We believe that, in a fee-based exclusive

[68] Brondesbury, page 20. See also Lortie page 17

	platform, the small fee-based accounts will be charged a higher fee compared to a larger fee-based account and will not necessarily be better off than with embedded commissions.
• Would there be a negative tax impact to investors associated with their payment of dealer compensation under direct pay arrangements? In particular, would the investor's payment of dealer compensation through periodic fund redemptions facilitated by the investment fund manager attract tax consequences? Please explain	Although, the elimination of embedded commissions would reduce mutual fund management fees because they would no longer include the cost of advice, it may not lower the total cost of investing. In some cases, especially in provinces with higher tax brackets, the total cost of investing in a fee-based account would be higher than in an embedded commission account for the same service fee percentage. Indeed, in an embedded commission series the tax charged is a blended tax rate that might be lower than the provincial tax charged to the client on the service fee in a fee-based series.
30. With respect to the loss of a form of cross-subsidy from high net worth investors to lower-wealth investors in a fund further to a transition to direct pay arrangements, • to what extent (please quantify where possible) would the loss of this cross- subsidy increase the cost of providing advice and services to lower-wealth fund investors under direct pay arrangements?;	**Affordability** – Even if a client wanted a fee-based account, it may not be available to them, as dealers focus on clients with larger accounts that are more profitable: "In the absence of bundling, the unavoidable consequence is that a combination of lower aggregate costs per investor and higher expected fee income will motivate financial firms (and the financial advisers in their employ) to target higher-net-worth investors and shun less wealthy households."[69] Fee-based accounts will be costly for smaller investors. Some clients will be reluctant to pay those costs. The Brondesbury report says: "People with less wealth and less income will find it harder to get advice for two reasons. First, it is difficult to generate sufficient income to cover costs, solely from sales of investments to this group. Second, in a fee-paying regime, there is evidence that they are less willing to pay fees to cover their cost of service."[70] In its recent report, the MFDA notes concerns about the affordability of fee-based accounts for mass-market clients.[71]

69 Lortie, page 21
70 Brondesbury, page 76
71 MFDA, pages 11, 15

	Several factors influence this affordability challenge: • For a smaller fee-based account, the dealer's account opening, maintenance and termination fees together with the dealer's advisory fee may be more than the trail commission on an embedded commissions account. • Currently, the level of the embedded trail commission acts as a constraint on advisory fees in fee-based accounts. It is difficult for dealers and advisors to justify a fee that exceeds the trail commission rate for the same services. A ban would eliminate this constraint. "Absent this constraint, the cost of financial advice for a majority of retail clients is bound to increase."[72]
32. For each transition option, please tell us how your business (investment fund manager or dealer) would have to operationally change or restructure in terms of systems and processes and the related cost implications. Where possible, please provide data on the estimated costs. • What transition **period** would be appropriate?	**Cost/benefit analysis -** The Consultation Paper does not provide a cost/benefit analysis. At this stage, we cannot ascertain the precise cost to the industry of implementing a ban. We expect it will be significant: both the actual implementation costs and the opportunity costs of diverting the industry's energies away from other improvements to products and services to clients. We ask the CSA to provide a cost/benefit analysis of any proposal it makes relative to the other alternatives that are available to address its concerns. The transition effort would be large. In our view, the industry would require a transition period of at least 3 years.

72 Lortie, page 21

PART 6 – RELATED REGULATORY INITIATIVES AND EXISTING TOOLS

Question	Response
36. Are there alternative options or measures, whether regulatory or market-led, that could successfully address the three investor protection and market efficiency issues and their sub-issues identified in Part 2. If so, please explain.	We believe that the CSA's concerns can be addressed without a ban. We propose a set of alternative proposals that will address the CSA's concerns and continue to give clients choice in how they pay for financial advice. **A service agreement and enhanced relationship disclosure –** Advisors should be required to enter into a service agreement with each client. The dealer would oversee the agreement. The agreement would explain the client's compensation options (embedded and fee-based) and the advisor would be required to review those options and explain the advantages and disadvantages of each. The agreement would also state the services the client should expect to receive. The client and the advisor would sign the agreement to confirm the compensation option chosen by the client and the commitment from the dealer and advisor to provide the services. The advisor would then have the ongoing obligation to provide the agreed upon level of service and regularly review compensation options with the client. **Standardized naming convention for fund types –** There should be industry standards for fund companies to identify fund series that are fee-based and fund series that have embedded commissions. This should be done in a way that clients can readily understand. **Deferred sales charges –** DSC units should only be offered to clients in accordance with the guidance provided by the MFDA. **CRM3 cost disclosure –** We support IFIC's announcement on April 25, 2017 regarding a move to CRM3 cost disclosure in client statements. This would provide clients with a dollar amount cost of management expenses at the account level, including an appropriate description of the services paid for through the management fee.

	We believe these alternatives address the three key concerns identified by the CSA in the Consultation Paper. They support increased transparency and add to downward pressures on fees and compensation rates that are beyond industry norms. In turn, this will continue to reduce potential for commission-related conflicts of interest. They give clients clear choices. Clients would have clear information about how they are paying for advice and what the advice costs. Clients would have clear information about the total cost of their investments. They give clients a clear written commitment outlining the services they can expect to receive. They create accountability on the part of the dealer and advisor to provide those services.