**October 19, 2018.**

DELIVERED BY EMAIL

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

**C/O The Secretary**
**Ontario Securities Commission**
**20 Queen Street West**
**22nd Floor, Box 55**
**Toronto, Ontario**
**M5H 3S8**

**Me Anne-Marie Beaudoin**
**Corporate Secretary**
**Autorité des marché financiers**
**800, Square Victoria, 22e étage**
**C.P 246, tour de la Bourse**
**Montréal, (Québec)H4Z 1G**3

Dear Sir and Mesdames:

Re: CSA Notice and Request for Comment dated June 21, 2018, Proposed Amendments to National Instrument 31-103 and 31-103CP

Please find below our comments concerning some of the proposed amendments to NI31-103CP, specifically the portion of the amendments pertaining to Referral Arrangements. We respect and appreciate efforts of the Canadian Securities Administrators to ensure the protection of the Canadian investing public and we would like to express our thanks for providing us with this opportunity to provide our comments on the proposed changes.

**About Integral Wealth Securities Limited**

Integral Wealth Securities Limited (IWSL) is an independent Canadian owned Securities Dealer with offices in three Provinces headquartered in Ontario. We operate a Wealth Management Division and a Capital Markets Division and we are registrants of multiple Securities Commissions and the Investment - Industry Regulatory Organization of Canada.

**General Comments**

We acknowledge and admire much of the motivation behind many of the proposed reforms but caution that much of the reasoning behind many of them could paint all investment advisors with the same negative brush and create an image of advisors that is not correct. Some of the changes imply that the integrity of each registrant is suspect at best, their level of knowledge is sub-par and that they have served with inadequate credentials and know little about the products that they recommend. Admittedly, the current state of the National Instruments being address do have the potential to create conflicts of interests and can also potentially create situations where advisors act first in their own self-interest leaving the client to take a back seat when being advised. No system is perfect and we respect the quest of the CSA to move the needle closer to perfect with strong regulation. Regrettably, it is the majority of Professionals who would be getting viewed in this light by the proposed changes when, in fact, it is a very small minority of them who behave in the manner that the industry is attempting to change. Many of the changes and the reasoning behind them, seem to indicate to the public is that most advisors are bad apples who are self-serving and without integrity and ,in my 34 years of industry experience, nothing could be further from the truth.

Many of the proposed changes will burden both clients and advisors with endless paperwork and detract from the primary business of investing. It will apply a cost that will be profoundly felt by the smaller firms and make firms and advisors who are currently compliant inadvertently non-compliant by virtue of some impossible expectations. The frequency of KYC updates will put clients at risk of internal account restrictions due to documentation putting them at risk of not effectively investing their money. It could detract firms from acting in the clients` best interest as the lines of what is in the clients best interest will become blurred by regulatory requirements that do not address the timeliness of markets.

Many of the KYC proposals will insist that client`s provide information into their person circumstances compromising their privacy that they would rather not share willingly and leave them feeling that their privacy has been compromised. It does not seem to take into account a client`s investment knowledge and how heavy an investment advisor`s advice is relied on

Again, we applaud many of the initiatives in the proposed changes as they do lessen the risk of conflicts of interest and will potentially increase the advisors knowledge of their client but we do believe that there are different levels of clients who may require less care than others that may be unreasonably burdened by some of the reforms.


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**Referral Arrangements**

In the interest of time we will focus our comments on the topic of Referral Arrangements. The proposed changes have a direct effect on a large part of our Wealth Management business and we believe that the arrangements that some firms maintain with various investment management firms may be misunderstood.

We feel as Wealth Managers, our value added proposition is working with clients to create extremely detailed financial plans and asset allocation models. IWSL has 3 offices in Canada that provide complete financial planning as part of their investment program. When the appropriate asset allocation is set and agreed to by the clients we (client and advisor) then interview outside money managers that would be a potential fit for the client. The current proposal by the CSA would have a huge negative impact on our Clients and our specific business model.

We have numerous long term relationships with outside discretionary managers who manage all or a portion of our clients' stock and bond portfolios as our advice skews to our specialties. We rely on the expertise of proven performers to execute their more specific skills of picking traditional investments. We know the products that we offer and we know that we do not know everything. As no individual can be a master of all investment classes we carefully select firms that can contribute expert allocation of particular investment classes that are required to set a client`s portfolio up with the greatest potential for success. By knowing and working with our clients we determine how much should be allocated to various asset classes and use the expertise of outside managers to pick the individual stocks, bonds or ETFs that are needed in a portfolio to ensure its completeness. We split the fees evenly with these outside managers and get an ongoing payment not only for the referral, but for client relationship management, asset allocation, detailed planning and ongoing supervision of the manager themselves. If these outside relationships were to be amended in the fashion that the proposed changes suggest, we feel that it would negatively impact our clients and our firm in the following ways:

1) The clients would likely lose the security of the knowledge that their investment advisor was monitoring the arrangement with the money manager clouding the vision of managing the portfolio on an overall basis with one plan as opposed to different approaches by separate entities. They may become confused as to their next steps and become disjointed from the overall goal defined by their financial plan.
2) The time of our wealth management advisors would immediately have to shift from planning and asset allocation to stock research. This would not be in the best interest of the client as we would have a diminished focus on planning issues.
3) Our cost to provide an overall service would rise considerably as we would need to augment our staff and acquire and pay in house experts to perform the required research to provide what our clients are already receiving. This would raise the costs of hopefully receiving the very same results that they are currently getting.
4) Potential conflicts of interest may arise from disallowing or eliminating the strong business case for outside referral arrangements. When not practicable for a firm to use third party money management, IIROC firms will likely be forced to invent proprietary products or develop needless instruments with other third parties to hold on their books in order to ensure payment for the work that they are currently being paid for by referral fees. This would reduce the client`s buying power and threaten the diversity of an overall portfolio as a smaller fractured

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portfolio will likely not possess the strength of portfolio with more aggregate dollars at its disposal. .

5) We contend that using outside managers actually lowers clients' fees. In many cases, using the identical money manager through a regular mutual fund will often result in higher fees to clients. There are numerous examples in which using a given mutual fund to access the same manager would result in substantially higher fees that could be 30% or higher.
6) The proposed changes would adequately compensate advisors who send money off book and cease to pay attention to them. It is punitive to firms who have the philosophy that it is part of a complete investment plan and continue to monitor and work with the investment managers on an ongoing basis. It would eliminate payment to advisors for their work and force a negative change on the the overall management of a client's portfolio.

ÌWSL Feels that many of the pieces included in the new legislation are positive and help investors with transparency and reduced conflicts of interest. The section on disallowing referral arrangements unfortunately has the unintended consequence of increasing conflicts of interest, fees, and can take away from the important planning work that many clients seek in an advisor. As detailed in our general comments section of this communication, we believe that there may be many undesired affects in different parts of the proposed changes making less impactful the positives. We would suggest a continued review of these changes until it is more clear what effect the changes will have on the investing public and to the investment industry as a whole.

Again we thank you for the opportunity to comment on the proposed changes as well as for your strong dedication to fairness and serving in the best interests of the public.

Respectfully yours,

**Integral Wealth Securities Limited**

Michael Bignell
SVP & Chief Compliance Officer

CIPF
Canadian Investor Protection Fund

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