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CSA Members,

Re: Consultation Paper 33-404

The members of the RESP Dealers Association of Canada (RESPDAC) together with Children's Education Funds Inc. (CEFI) are pleased to provide the Canadian Securities Administrators (CSA) with input on the CSA's Consultation Paper 33-404 *Proposals to Enhance the Obligations of Advisers, Dealers and Representatives Toward Their Clients*.

The RESP Dealers Association of Canada is the industry association for Scholarship Plan Dealers (SPDs) that distribute and administer Registered Education Savings Plans (RESPs) in Canada. As of December 31st, 2014, SPDs administered over $10 billion in RESP assets on behalf of Canadians. Each year, hundreds of thousands of students are able to attend college or university, thanks to RESPs sold and administered by SPDs.

Today, the members of RESPDAC are Global RESP Corporation, Heritage Education Funds Inc., Knowledge First Financial Inc. (formerly, USC Education Savings Plans Inc.) and Universitas Management Inc. Children's Education Funds Inc. is also a scholarship plan dealer and has joined with the members of RESPDAC in the development and submission of these comments. Together these entities manage and administer group and self-directed RESPs that are qualified for sale to the public in each province and territory of Canada, under prospectuses. CEFI and RESPDAC members are committed to facilitating Canadians' ability to plan for their children's and beneficiaries' future, by providing them with the RESP products to save for future costs of post-secondary education.

Except for Universitas, CEFI and each RESPDAC member are registered as SPDs in each province and territory of Canada and all but Global are also registered as the investment fund manager for the RESPs they distribute and administer. Universitas is registered with the Autorité des marchés financiers (AMF) in Québec and New Brunswick's Financial and Consumer Services Commission (FCNB).

The RESPs distributed and administered by SPDs are commonly referred to by the CSA as "scholarship plans". We will use the terms RESPs and scholarship plans interchangeably in this letter.

SPDs use their scholarship plan dealer registration to trade only in securities of the RESPs that they manage and administer. For the purposes of the comments that follow, it is important to note that each SPD does not distribute any other security using this registration, other than its own RESPs.

The SPD industry comments, analysis and suggested alternatives to the Consultation Paper's Proposed Targeted Reforms and Proposed Framework for a Regulatory Best Interest Standard are included in this portion of the response, while Appendix A attached addresses the Consultation Questions.

Conflicts of Interest Proposals

Background

The CSA Consultation Paper expresses concerns regarding the business model of registered dealers, suggesting there is an inherent material conflict of interest between the dealer's financial incentive to sell its related or connected issuer's securities in order to be profitable, and its regulatory obligations, including know-your-client, know-your-product and suitability obligations, and its duty to act fairly, honestly and in good faith with clients.

The proposed amendment to Part 13 of NI 31-103 would require that: (i) firms and representatives respond to each identified material conflict of interest in a manner that prioritizes the interests of the client ahead of the interests of the firm and/or representative; (ii) any disclosure given to a client about a conflict of interest must be prominent, specific and clear and sufficient to be meaningful to the client such that the client fully understands the conflict,

including the implications and consequences of the conflict for the client; and (iii) firms and representatives must have a reasonable basis for concluding that a client fully understands the implications and consequences of the conflict that is disclosed.

Analysis
While we agree with the principle that firms and representatives must respond to material conflicts of interest in a manner that prioritizes the interests of the client ahead of the interests of the firm and/or the representative, we suggest, given the myriad of possible conflicts that may arise, by virtue not only of the client's circumstances, but also those of the firm and/or the representative, not to mention the impact of the business and product delivery model in effect, as well as the 'product shelf' available to the representative, that a 'one size fits all' rules based approach, simply will not work. For example currently the Scholarship Plan Dealer industry distributes its products by Detailed Prospectus accompanied by a Plan Summary, similar to a 'Fund Facts Sheet', for each of the firm's different scholarship plans. In addition, the Canada Revenue Agency also reviews the firm's Detailed Prospectuses and Plan Summaries and requires that the client enter into an approved form of 'Education Assistance Agreement' (EAA) with the sponsor of the scholarship plan. The EAA forms the contract between the client and the plan sponsor and describes the terms of the RESP that the client enters into. NI 31-103 also requires Scholarship Plan Dealers to deliver a Relationship Disclosure Document to each customer at the time the customer enrolls in the scholarship plan.As you can see, the client currently receives a substantial amount of documentation. For SPDs to provide additional documents, in order to satisfy the requirements of a 'conflict of interest' rule, while satisfying the letter of such a rule, would certainly not, we submit, achieve the spirit of that rule.

Alternative
The Scholarship Plan industry recommends that our clients would be better served, if the CSA, in consultation with the industry, reviewed the industry's current obligations, with the mandate to align them with other registrants, so the industry can sell their products in a clear and concise manner.

Know Your Client Proposals

Background
The CSA Consultation proposes that the know your client (KYC) requirements be made explicit and enhanced, so that registrants would be required to gather, and regularly update, more client-centered information regarding investment needs and objectives, financial circumstances and client risk profile. In addition, the targeted reforms propose that firms take reasonable steps to update their client's KYC information (and related form) at least once every 12 months, and more frequently in response to material changes in circumstances affecting the client or the client's portfolio.

Analysis
In the Scholarship Plan industry, the dealing representatives are limited to selling registered, low risk investment products to a maximum account size of $50,000. To obtain the optimal value of the government grants, the majority of the clients contribute less than $2,500 per year to their plan. We believe that the KYC targeted reforms should not be applied to the Scholarship Plan industry. These targeted reforms, if adopted, would go well beyond the essence of the RESP investment products distributed by the Scholarship Plan industry.

Know Your Product – Representative Proposals

Background
The CSA Consultation Paper proposes new explicit requirements with regards to the KYP aspect for firms. Firms must ensure that their representatives have the ability, through policies and procedures, training tools, guides or other methods, to comply with their KYP obligation. This obligation requires an understanding of the impact of the role of any given security in the client's broader portfolio. The firms' product list is in almost all cases determinative for the representatives' recommendations to clients.

The suggested reforms propose the following two requirements for firms:

1. Firms must ensure, through policies and procedures, training tools, guides or other methods, that their representatives have the information and ability to comply with their KYP obligation; and
2. Firms must identify whether they have a proprietary or mixed/non-proprietary product list.

Analysis
For SPDs, it is very feasible to ensure all representative KYP, as each firm only offers a handful of proprietary products through their salesforce. As suggested in the previous section, firms are already providing their representatives with the training and testing to ensure they can adequately recommend the most suitable product to a prospective client. Formalizing this process (testing that specifically addresses all the aspects proposed in 33-404) would be beneficial to firms, as it ensure their representatives know the products inside and out and for representatives, who have a fiduciary responsibility to their clients. With regards to the "proprietary product list" and "mixed/non-proprietary product list", that should not apply to SPDs as we are all required to sell propriety products only and can only advise prospective and current clients on the products we are licensed to sell.

Know Your Product – Firm Proposals

Background
The CSA Consultation Paper proposes new explicit requirements with regards to the KYP aspect for representatives. Representatives must have sufficient knowledge of a product, together with the KYC information about the client to support a suitability analysis. To meet the KYP obligation, registrants should have an in-depth knowledge of all securities that they buy and sell for, or recommend to, their clients. The KYP obligation requires not only knowledge of the particular attributes of a security, viewed in isolation, but also an understanding of the impact of the proposed amount of the investment, the proposed investment strategy involving the security, and the role of the security in the client's broader portfolio. To do so, representatives must understand and consider the following points: product structure, product strategy, features, costs and the risks of each security on their firm's product list. The suggested reform proposes the following three requirements for representatives:

1. Understand and consider the structure, product strategy, features, costs and risks of each security on their firm's product list;

2. Understand and consider how a product being recommended compares to other products on the firm's product list; and
3. Understand and consider the impact on the performance of the product of all fees, costs and charges connected to the product, the client's account and the product and account investment strategy.

Analysis
Every SPD already administers a KYP-type of assessment to their current representatives that ensures the three suggested reforms are covered, which allows the representative to make an educated recommendation to their client. In our opinion, the suggested reform will only formalize a process that is already taking place. It is worthy to note that because of the limited nature of the products SPDs and their representatives distribute, representatives are not privy to a client's broader portfolio and thus cannot and should not be required to provide advice beyond that context.

Suitability Proposals

Background
The CSA Consultation Paper proposes three levels of suitability review – basic, investment strategy and product selection – that expand the current suitability assessment process performed by dealers and representatives. National Instrument 31-103 (NI 31-103) is principle-based in its requirements for suitability. Section 13.3 of NI 31-103 states that the registrant must ensure before it makes a recommendation or accepts an instruction to buy or sell a security, that the purchase or sale is suitable for the client. It further states that if the purchase is not considered suitable, the registrant must inform the client of the registrant's opinion in that regard, and only proceed if the client instructs the registrant to do so. While there is discussion of suitability in the companion policy there is no detailed guidance of regulator's expectations for complying with these requirements.

Analysis
The proposed additional levels of suitability appear to be intended in part to address "gaps" in explicit requirements in NI 31-103 that the CSA has identified. While the Paper appears to source the gaps back to the variety of different third party research that the CSA has commissioned there is no clear connection between each gap and a corresponding research finding. As such it's not clear if the gaps represent clear research findings, the CSA staff's interpretation of the findings or simply their own views on these matters.

Our primary concern with the expanded three levels of suitability review is that it is not clear how performing the reviews as described, will improve investor protection or investor outcomes. The details of this are set out below:

Basic Financial Suitability

Proposal
To identify other basic financial strategies, such as paying down high interest debt or directing cash into a savings account that are more likely to achieve the client's investment needs and objectives than a transaction in securities.

Issues:

- Suggesting a client pay down debt or make deposits to a savings account will produce separate and entirely different investor outcomes than transacting in a security and doesn't address how the representative would help the client achieve their security investment outcome, in our case, saving for post-secondary education;
- Representatives would have to ask clients about outstanding debt. Clients may be reluctant to disclose this information since it would not be readily apparent to them why the representative would need to know this information or simply they don't want to disclose it;
- Representatives are not trained to conduct a meaningful analysis of a client's debt levels or to make recommendations on these levels without knowing considerable amounts of additional information that have nothing to do with the assessment of a client to make an RESP investment;
- 'High interest debt' as a defined term and the relevant amounts that would cause the representative to recommend paying down debt as opposed to making an RESP investment, are not well defined;
- May lead to referral arrangements where the representative refers the client to financial institution for a "low cost" debt refinancing to address the issue, which may result in the client having a further debt product;
- Review of debt levels and servicing costs is not what the client is seeking nor is it what the client comes to the registrant for;
- The amount and types of the client's debt may be for specific purposes and/or completely different purposes and reasons from those that have lead the client to consider an RESP investment;
- The option of making deposits to a savings account is almost exclusively different from a desire to transact in securities, save and except if the client wants or is suitable only for a savings account due to no tolerance for risk and no investment knowledge or experience. This would represent an extremely small percentage of potential securities clients; and
- Representatives do not have information on savings account products or rates and are not trained to know the features of these products.

Investment Strategy Suitability

Proposal

To identify a basic asset allocation strategy for the client (and evaluate other proposed investment strategies) that is most likely to achieve the client's investment needs and objectives, including identifying a target rate of return and assessing the rate against the client's risk profile.

Issues:

- The required training for a scholarship plan dealer representative to conduct a meaningful asset allocation strategy including an analysis of asset classes, interpretation of client risk levels, taxation impacts and resulting 'efficient frontier' analysis is **well beyond reasonable expectations** for the skill and capacity of many current representatives. This type of analysis is more typically performed by experienced

investment professionals with extensive experienced credentials (i.e., registered portfolio managers with CFA designations);

- Even for full service brokerage firms and investment dealers, this analysis and resulting output is often performed by the firm and its professionals and communicated to dealing representatives as 'model portfolios' that are presented to target clients under strict firm rules and can only be understood (not performed) by far more experienced dealing representatives with considerably higher levels of education and training that of scholarship plan dealer representatives;
- Clients who seek out scholarship plan dealers do so with a narrowly-defined investment objective that focuses on the RESP products available. To require that dealer's representatives to conduct broader asset allocation strategies is not addressing the investor outcome that the client is seeking;
- Defining a target rate of return is not a useful or realistic exercise for scholarship plan dealer representatives since these dealers only distribute scholarship plans whose investments are restricted by National Policy No. 15 (NP 15). The restrictions are in place to control the risk of the underlying investments making a selection of a target return rate redundant for scholarship plan dealer representatives since they can only choose from products whose investments are restricted by NP 15; and
- Defining a target rate of return is also inconsistent with a key concept of a scholarship plan investment, making regular contributions over the life of the plan in such a manner to maximize the contributions made and government grants received, within the boundaries of a general affordability assessment of the client's income and expenses.

Product Selection Suitability

Proposal

To ensure the decision to purchase, sell, hold or exchange a security is both suitable for the client and most likely to achieve their investment needs and objectives, given the client's financial circumstances and risk profile, based on review of the structure, features, product strategy, costs and risks of the products on the firm's product list. This determination must take into account the impact on the performance of the product of any compensation paid to the registrant by the client or a third party in relation to the product and the impact of the investment strategy of the product.

Issues:

- These suitability criteria go well beyond the current standard of 'risk-rating' mutual funds and other investments by underlying investment volatility and other singular measures. Instead this would require a comprehensive risk assessment of each product on the firm's product list that includes all of the risk criteria specified in the proposal. For restricted dealers such as scholarship plan dealers, while these expanded criteria could be applied to the one or two or three different proprietary scholarship plans that the dealer distributes, we question the value of it to the client.

Alternatives

As an alternative to the expanded, three-level suitability review, restricted dealers such as scholarship plan dealers, should continue with their **existing suitability framework that focuses primarily on the affordability of enrolling into a scholarship plan over an**

extended period of time. This affordability framework addresses many of the issues in the CSA's proposed framework in the following ways:

- ***Basic financial suitability*** – existing affordability models that determine the client's income and apply an affordability measure to determine the maximum contributions that can be made to a new scholarship plan, are considering the same concerns listed under basic financial suitability; i.e., is the investment in a scholarship plan something that the client can afford in view of their investment needs and objectives as well as other financial commitments in their lives;
- ***Analysis of debt*** – clients are already required to disclose financial information to the scholarship plan dealing representative as part of the determination of an affordability threshold;
- ***Product selection*** – scholarship plan dealing representatives already complete a product selection suitability analysis by analyzing the client's estimated post-secondary; educational needs, source and stability of the client's income and nature and extent of their expenses, in determining which of the dealer's plans are best suited for the customer;
- ***Compensation impact*** – scholarship plan dealing representatives already assess the impact of compensation structures on the suitable product recommendation in terms of the nature and extent of different enrolment fee structures that exist for different scholarship plans; and
- ***Post enrolment transactions*** – scholarship plan dealing representatives are required to generally assess ongoing suitability of a client's scholarship plans for transactions after plan enrolment including the purchase of additional plan units or inter-plan transfers.

Relationship Disclosure Proposals

Background

The CSA Consultation Paper proposes three new requirements to the existing relationship disclosure requirements of NI 31-103:

1. Disclose the actual nature of the client-registrant relationship in easy-to-understand terms.
2. Disclose whether the firm offers proprietary products only or a mixed/non-proprietary list of products and its proportion and if proprietary products only, the impact of this on the firm's suitability analysis.
3. Specifically relating to restricted dealers such as scholarship plan dealers, disclose prominently and in plain language that as result of their registration category, their list of products and resulting suitability analysis is limited and does not consider a full range of products and whether such products are better, worse or equal in meeting the client's investment needs and objectives.

There are also additional details suggested for what to disclose under certain existing requirements of NIN 31-103. Specifically,

4. Details regarding potential conflicts of interest as required under s. 14.2(2)(e) of NI 31-103 relating to third party issuers and illiquid securities in Appendix F of the Consultation Paper.

5. Details regarding the firm's suitability assessment process as required under s. 14.2(2)(k) under NI 31-103.

Unlike suitability, NI 31-103 is already quite prescriptive for relationship disclosure; the new requirements would be in addition to what is already required to be disclosed.

Analysis

1. We have no concern with requirement to disclose in easy-to-understand terms. We support the extension of existing guidance in Companion Policy to NI 31-103 that encourages registrants to avoid using technical terms and acronyms in this disclosure.

2. We have no concern with disclosing the existence of a mixed product shelf – proprietary and non-proprietary as long as it is accompanied by a clear explanation of what this means, such as that a proprietary product generates additional revenue and/or income for the firm in the form of investment management fees or lower distribution costs, whatever the difference is. This explains this potential conflict to the client. **However there are significant concerns with other aspects of the proposed disclosure in this section**:

    a. The proportion of proprietary versus non-proprietary products is not relevant as regardless of what the proportion is, the existence of a mixed shelf creates a potential for conflict that is addressed in (a). The disclosure of the proportion and the maintenance of this information is just a further cost to firms.

    b. Where a firm has already disclosed that they offer proprietary products only, the further disclosure that states that "their product list is restricted to proprietary products and it will only recommend proprietary products" is repetitive and redundant and only serves to confuse the client.

    c. Similarly the further disclosure for proprietary product firms that the firm's suitability analysis does not consider non-proprietary products and whether such products are better, worse or equal, is also redundant and will confuse the client and infers that only offering proprietary products is a worse alternative for the client that those firms that offer a mixed shelf. In fact, for scholarship plan dealers that only offer their own proprietary products, the firm and its representatives are experts in the features and benefits of these products and are able to provide the client with the highest level of advice tailored to their specific education savings needs.

3. There are **similar significant concerns with the restricted registration category disclosure** regarding the availability of a "limited range of products" and that the suitability analysis does not consider a full range products and whether other products are better or worse. This disclosure directly implies that restricted dealers are lesser in quality and product offering than a full service firm.

Feedback from scholarship plan dealer customers and our own research shows that full service firms that offer RESPs do not have the same in-depth knowledge of the industry and its rules and processes relating to grants, plan registration and taxation, than scholarship plan dealers who specialize in this industry do.

Further, the fact the CSA regulates the investments within a scholarship plan (NP 15) could easily be used as disclosure to state from an investment risk perspective, these plans are "safer" for clients saving for post-secondary education than to be exposed to mutual funds or other securities with much higher levels of volatility.

Therefore it is not accurate or fair to suggest that a scholarship plan dealer who is a restricted dealer is somehow not fully meeting the client's interest by only having a limited range of products available. If the CSA believes this to be the case, the better alternative would be to allow scholarship plan dealers to distribute self-directed RESPs (only available to mutual fund dealers and full service firms at present) provided the representatives and supervisory staff have sufficient proficiency and supervisory expertise to oversee the broader range of products these plans can hold.

4. No concern with the proposed additional disclosure regarding conflicts of interest other than to carve out scholarship plans from securities that are considered "generally illiquid" as this implies securities that could be liquid but are not due to a lack of market activity, where scholarship plans are never considered to be liquid as no market exists for these products.

5. No concern with the proposed additional disclosure regarding the firm's suitability assessment process.

Proficiency Proposals

Background
The CSA is considering heightening the proficiency requirements for sales representatives, as set out under Canadian securities legislation.

Analysis
When it comes to raising the general proficiency requirements for all representatives, it is important to review and consider each registration category and the type of product sold, so as to maintain an appropriate balance between the requirements and the functions inherent in the activities specific to each category.

In the case of scholarship plan representatives, whose business activities primarily consist in the promotion and sale of scholarship plans, we ask the question: is it necessary to acquire extensive knowledge of equities, fixed-income securities or other types of investment funds? We do not believe so.

In the context which applies to our situation, we deem that this additional requirement represents a disproportionate demand in relation to the representative's field of expertise. In addition, this would constitute an unnecessary challenge likely to hinder registration, resulting in the loss of current representatives and recruitment difficulties. If a representative is engaged

exclusively in scholarship plan activities, it would be overreaching, to require that their level of proficiency match that of other registration categories.

Under Article 3.4 of *Regulation 31-103 Registration Requirements and Exemptions and Ongoing Registrant Obligations* (Regulation 31-103): *"An individual must not perform an activity that requires registration unless the individual has the education, training and experience that a reasonable person would consider necessary to perform the activity competently, including understanding the structure, features and risks of each security the individual recommends."* This information is sufficiently clear for us to comprehend CSA expectations, while allowing each dealer the leeway to adjust internal training based on company objectives and depending on the registration category.

The Registered Education Savings Plan Dealers Association of Canada (RESPDAC) is responsible for the development of the proficiency course and exam, the successful completion is which is necessary to engage in business activities as a scholarship plan representative and branch manager. Furthermore, an annual review is conducted to meet the specific training needs of scholarship plan representatives.

It must be reiterated that most scholarship plan dealers also provide their sales force with continuous training, which, in a timely manner, covers all the key regulatory requirements that raise concerns in Consultation Paper 33-404, such as investment suitability, the KYC and KYP obligations, conflicts of interest and the ethics component. Furthermore, all representatives of mutual fund dealers and scholarship plan dealers in Quebec must be registered with the *Chambre de la sécurité financière,* and are subject to a continuous education obligation.

With RESPDAC as the competent authority in place to monitor scholarship plan activities, it seems unnecessary to create a roadblock to this profession, and in no one's best interest. Adding to the regulatory requirements already in place could indeed affect access to this profession. While the issue of proficiency is of the utmost importance to all scholarship plan dealers, the proposal, as it stands, is inappropriate for certain registration categories and is in some cases too demanding.

Going forward with the explicit enhancement of all obligations described in Consultation Paper 33-404 could give rise to confusion regarding the roles and advisory duties inherent in each registration category.

Background

The CSA is also considering whether to heighten the proficiency requirements for representatives be accompanied by a heightening of the proficiency requirements for CCOs and UDPs.

Analysis

We believe it unnecessary to enhance the proficiency requirements applicable to the Chief Compliance Officer (CCO) and the Ultimate Designated Person (UDP). National Instrument 31-103 sets a standard of proficiency and competence which is more than sufficient to allow the individuals appointed to these positions, and registered as such, to perform their duties with rigor, diligence and integrity.

Section 3.4 of NI 31-103 states clearly that: *"A chief compliance officer may not perform an activity set out in section 5.2, unless the individual has the education, training and experience that a reasonable person would consider necessary to perform the activity competently."*

Furthermore, the CCO registration category requires additional proficiency, the detail of which includes the successful completion of the PDO Exam, the Canadian Securities Course, the Chief compliance Officers Qualifying Exam, and even the CFA title.

The above courses, of which the relevance is recognized, offer training that is both extensive and intensive, allowing CCOs to gain the knowledge required to perform the functions required of them.

The requirements currently in force are followed by dealers as well as investment fund managers, and are confirmed by the national registration database (NRD). They are designed to meet the needs of investors with regard to the level of proficiency, knowledge and training required from registrants to exercise such functions.

Moreover, the accountability to which these individuals expose themselves in the event of non-compliance constitutes a source of motivation to stay current and acquire all possible knowledge pertaining to the functions of Chief Compliance Officer and Ultimate Designated person.

Therefore, in accordance with the aforementioned, any amendment to current regulations regarding these two positions would be unessential.

Titles Proposals

Background
Will more strictly regulating titles raise any issues or challenges for registrants or clients?

Analysis
Some of the choices suggested are rather surprising in light of previous wishes expressed by the CSA to ensure clarity in public communications and to avoid potential confusion when subscribing to a title. Our final position on this matter therefore depends on the outcome of the rest of the proposals detailed in Consultation Paper 33-403.

Alternative 1

We believe that repeating the title "securities advisor" not only creates an overlong title, it may also lead to confusion between registration categories. We also believe that the title "restricted securities advisor" would not necessarily be clear or understood by investors.

Moreover, it seems evident to us that any alternative that includes the designation "salesperson" poses a challenge to representatives in terms of credibility and image. The term suggests a certain pejorative quality that does not reflect the level of knowledge and advisory capacity required, and we believe this title would likely place the representative in position where their title would not reflect their appropriate professional standing.

Alternative 2

In light of the above, we also firmly object to use of the title "salesperson."

Moreover, contrary to the alternative 1, this designation seems rather simplistic and ambiguous when one considers the differences of each registration category.

Alternative 3

If the choice of title clearly represents of the representative's function and category, without being derogatory in any way, we see no inconvenience to this type of change.

However, the title "Scholarship plan representative" currently in use is very suitable and is already covered by the regulations in force.

In all cases, we propose the CSA provide an adequate adaptation period and some flexibility regarding the requirements during the transition process of the reform to minimize any impact on investors.

Lastly, from a financial standpoint, altering titles may prove to be a significant reform for registrants. Titles appear in a number of documents and platforms, so replacing them will require both financial and human resources.

Background

Do you prefer any of the proposed alternatives or do you have another suggestion, other than the status quo, to address the concern with client confusion around representatives' roles and responsibilities?

We have a preference for alternative 3, since it is currently the one in application, but we reiterate our objection to the term "salesperson," which should be put aside completely.

In our opinion, the suggested alternatives are not a genuine solution to the confusion concerning proficiency and representatives' status and responsibilities within their firms. However, to describe the title with sufficient detail, while avoiding a myriad of nuances creating confusion for the investors, we believe the title scholarship plan representative should remain unchanged, as it is suited to this category of representatives.

Designations Proposals

Background

Should we regulate the use of specific designations or create a requirement for firms to review and validate the designations used by their representatives?

Analysis

Again, we believe this regulatory change is not necessary. However, if this is the preferred course of action, each registration category will have to be considered and it would be best to avoid overlong designations.

Moreover, even if under no explicit obligation regarding this issue, scholarship plan dealers review and validate the titles used by their representatives. All scholarship plan dealers (for reasons of consistency and image) validate the business cards and advertisement materials used by their representatives, and provide a structural framework with proper supervision regarding all communication with investors. It seems an unnecessary burden for the securities commissions to have to enforce the use of titles or implement additional supervision in this regard.

Furthermore, in addition to the internal practices of dealers, RESPDAC provides general guidelines regarding this matter.

As for the use of certain designations regarding competence, expertise of experience for example, we believe these factors should not influence the title, which should be the only designation possible. Any addition to the title should be recognized and covered by current securities regulation and relevant to the functions inherent in said title. Any designation relating to a particular expertise, years of experience or other similar additions should not be permitted so as to avoid the transformation of business cards or other correspondence into advertisement. All titles should be neutral to maintain a consistent, professional image and avoid casting doubt in the mind of investors regarding the skills of a representative or adviser compared to another.

All representatives and advisers have the same proficiency requirements and obligation to serve investors according to their respective registration categories.

Role of UDP & CCO Proposals

Background
Amendments to existing requirements in NI 31-103 will reflect the enhancements to the expectations around management of conflicts of interest and suitability requirements.

Analysis
At present, UDPs and CCOs are held to very high standards of conduct. The current demands and regulatory expectations placed on UDPs and CCO to ensure and monitor compliance within their firm are significant and sufficient.

The UDP is, at present, required to supervise the activities of the firm that are directed towards ensuring compliance with securities legislation by the firm and each individual acting on the firm's behalf, as well as to promote compliance by the firm, and individuals acting on its behalf, with securities legislation. At present, the CCO is, *inter alia,* required to establish and maintain policies and procedures for assessing compliance by the firm, and individuals acting on its behalf, with securities legislation, as well as to monitor and assess compliance by the firm, and individuals acting on its behalf, with securities legislation.

Given the already considerable scope, accountability and responsibility demanded of UDPs and CCOs, it is unclear why these roles require re-examination in a general sense. Targeted efforts to reform certain commission structures and existing practices, along with investor education, would seem to be more effective in achieving the stated goals than the introduction of a sweeping and uncertain standard which would increase the already heavy burdens of UDPs and CCOs across the industry. The suitability obligation, in particular, is a cornerstone for an effective compliance system. The present responsibilities of the CCO and UDP as set out in NI 31-103 are sufficient to achieve acceptable levels of oversight.

Many of the proposed reforms are problematic at their core due to the ambiguity and uncertainty that they introduce. In particular, the expectation that a UDP *"promote consideration and management of conflicts of interest in a manner that prioritizes the interests of the client"* is ambiguous, subjective and unclear in scope.

UDPs and CCOs would ultimately bear the burden and the risk of deciphering what the best interest actually may be across all areas of the firm. This is problematic because this mandate is far from clear and there is an absence of understanding as to how the proposed reforms are to be applied in practice. Guidance provided thus far is not sufficient to inform or assist UDPs and CCOs in assessing what is permitted and how the goals of compliance with a subjective standard are to be achieved.

Statutory Fiduciary Duty Proposal

Background
Proposed legislative amendments will create a statutory fiduciary duty for all firms who manage clients' assets in a discretionary manner.

Analysis
We understand that a statutory fiduciary duty will not be introduced for scholarship plan dealers and that it would be limited to those registrants who manage a client's investment portfolio though the client's granted discretionary authority. Scholarship Plan Dealers do not manage client's assets in any manner and therefore we anticipate this proposal will not apply to our portion of the industry.

Regulatory Best Interest Standard Proposal

Given the current regulatory requirement to act fairly, honestly and in good faith, in our opinion, every SPD already has a fiduciary obligation to Know their Product and Know their Client. As an SPD selling only proprietary products, there should be no excuse not to be able to fulfill both of these requirements, regardless of any suggested reforms.

The existing suitability requirement works effectively when properly monitored and in the context of an effective compliance system. A regulatory best interest standard added in addition to the high standards of conduct, ethics and integrity are already imposed on registrants, would in our view be both an onerous and over-reaching requirement, that would only serve to increase the cost of selling financial services products. In addition, we believe that a regulatory best interest standard has the strong potential to insulate investors from their own poor investment decisions and shift responsibility from the individual investor to the firm.

If commission and fee structures are at the heart of the CSA's concerns, then targeted efforts and resources should be allocated where necessary rather than the implementation of a dangerously ambiguous and subjective standard industry-wide.

The Scholarship Plan Dealer industry looks forward to participating in the next phase of this consultative process.

[redacted]

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Conflicts of Interest	***Part 7***	
	1. Is this general approach to regulating how registrants should respond to conflicts optimal? If not, what alternative approach would you recommend?	We do not disagree with this general approach. However, the question is whether the proposal is to make this rules based or principles based. We need to be conscious that if we go towards a more 'rule' based regime rather than principles based, we potentially create a more administrative burden, potentially leading to increased costs for the client. A principles based regime is preferable and should drive each firm to act in the best interests of the client.
	2. Is the requirement to respond to conflicts "in a manner that prioritizes the interest of the client ahead of the interests of the firm and/or representative" clear enough to provide a meaningful code of conduct? If not, how could the requirement be clarified?	We strongly support the requirements for disclosure to clients so they can make an informed decision. Examples of what the CSA has in mind would be helpful, since the current amount of documentation is intimidating for our clients and sometimes the breadth of the message is lost in the presentation. The Scholarship Plan Dealer industry distributes its products by Detailed Prospectus accompanied by a Plan Summary, similar to a 'Fund Facts Sheet', for each of the firm's different scholarship plans. In addition, the Canada Revenue Agency also reviews the firm's Detailed Prospectuses and Plan Summaries and requires that the client enter into an approved form of 'Education Assistance Agreement' (EAA) with the sponsor of the scholarship plan. The EAA forms the contract between the client and the plan sponsor and describes the terms of the RESP that the client enters into. NI 31-103 also requires Scholarship Plan Dealers to deliver a Relationship Disclosure Document to each customer at the time the

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		customer enrolls in the scholarship plan. Considered in their entirety, there is a substantial amount of information that is replicated throughout these documents. As has already been done with the mutual fund registrants (e.g., introduction of the Fund Facts Sheet), the CSA should consider reviewing, in conjunction with the Scholarship Plan industry, these collective documents, so the industry can distribute RESPs in a clear and concise manner, providing full, plain and true disclosure to customers of all material information including all potential conflicts of interest.
	3. Will this requirement present any particular challenges for specific registration categories or business models?	Given the myriad of possible conflicts that may arise, by virtue not only of the client's circumstances, but also those of the firm and/or the representative, as well as the impact of the business and product delivery model in effect, and the variety of products available, a 'one size fits all' rules based approach, may not be the most effective method for responding to conflicts the Scholarship Plan Dealer industry, particularly in view of our response to Question 2 above.
	Appendix A 44. Is it appropriate that disclosure by firms be the primary tool to respond to a conflict of interest between such firms and their institutional clients?	This question does not apply to Scholarship Plan Dealers
	45. Are there other specific situations that should be identified where disclosure could be used as the primary tool by firms in responding to certain conflicts of interests?	This question does not apply to scholarship plan dealers.

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	46. Is this definition of "institutional client" appropriate for its proposed use in the Companion Policy? For example: (i) where financial thresholds are referenced, is $100 million an appropriate threshold?; (ii) is the differential treatment of institutional clients articulated in the Companion Policy appropriate?; and (iii) does the introduction of the "institutional client" concept, and associated differential treatment, create excessive complexity in the application and enforcement of the conflicts provisions under securities legislation? If not, please explain and, if applicable, provide alternative formulations.	This question does not apply to scholarship plan dealers.
	47. Could institutional clients be defined as, or be replaced by, the concept of non-individual permitted clients?	This question does not apply to scholarship plan dealers.
	48. Are there other specific examples of sales practices that should be included in the list of sales practices above?	While the products distributed by Scholarship Plan Dealers are not mutual funds and not covered by NI 81-105, these questions are relevant as Scholarship Plan Dealer prospective customers often consider mutual funds as an investment alternative when also considering the purchase of a scholarship plan. Scholarship Plan Dealers, as a general rule, do not engage in the practices contemplated by NI 81-105. We support the continued application and enforcement of NI 81-105. As to other specific examples of sales practices relating to the mutual fund industry that the

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		CSA should consider beyond NI 81-105, we suggest the following: ***<u>Risk Tolerance Questionnaires</u>*** Many mutual fund organizations make available to registrants (primarily Dealing Representatives) questionnaires designed to assist potential investors in determining their personal risk tolerance. Completion of the questionnaire by the investor invariably leads to the investor purchasing units of the mutual fund organization that supplied the questionnaire. This potential conflict of interest could be addressed by prohibiting mutual fund organizations from making available such questionnaires and only allowing Dealing Representatives to access such questionnaires from independent organizations, such as the Canadian Institute of Financial Planners. ***<u>Mutual Fund Operating Expenses</u>*** In addition to the costs incurred by a mutual fund organization as contemplated by NI 81-105, there are other operating expenses that are often charged by the mutual fund organization against a fund that have no direct relation to the sale of the fund or its underlying management. Audit, legal, regulatory filing, bookkeeping and administrative fees are, in various forms and amounts, often charged to the mutual fund and included in the fund's management expense ratio. An alternative to charging these type of indirect expenses to the fund is to instead require the Investment Fund Manager (IFM) to pay for these expenses from a single administrative fee that is disclosed, transparent and

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		understood and for which the IFM can be held to account by its unit holders or its regulators. ***<u>Transaction & Account Fees</u>*** Many mutual fund organizations and registered dealers who distribute mutual fund charge customer various types of transaction and account fees that seem to bear no value to the service rendered. Examples include self-directed RRSP administrative fees, fees where household asset levels fall below minimum thresholds and inactive account fees. These fees represent potential conflicts of interest in favor of the mutual fund organization and/or registered dealer without a corresponding benefit or value to the end investor.
	49. Are specific prohibitions and limitations on sales practices, such as those found in NI 81-105, appropriate for products outside of the mutual fund context? Is guidance in this area sufficient?	As scholarship plan dealers who distribute investment funds that are not mutual funds, we support extending NI 81-105 to other types of investment funds, as well as pooled funds, ETFs and any other type of investment vehicle where investor funds are collected together and used for a common purpose (i.e. certain structured product investments). However we only support this if NI 81-105 is expanded as noted in the prior response to address other areas of potential conflict of interest.
	50. Are limitations on the use of sales practices more relevant to the distribution of certain types of products, such as pooled investment vehicles, or should they be considered more generally for all types of products?	As noted in response to Q. 49, restrictions on sales practices should be in place for all types of pooled and structured investment products, as well as for segregated funds sold through the insurance industry. We believe any form of pooled or structured product holding investor funds should have limits on

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		how those funds are sold and what expenses are charged to those funds to protect investor interests.
	51. Are there other requirements that should be imposed to limit sales practices currently used to incentivize representatives to sell certain products?	Aside from sales practices as contemplated by NI 81-105, another practice that incentivizes representatives to sell certain products is the concept of a 'Mutual Fund Wholesaler'. This individual, who is employed by a mutual fund organization, is charged with promoting the organization's funds by making and maintaining contacts and relationships at the Dealing Representative level. Mutual Fund Wholesalers seek audiences with Dealing Representatives, often under the premise to assist the representative to grow their business. However the discussion often turns to why the Dealing Representative should sell the funds of the Wholesaler's particular mutual fund organization. The Wholesaler may also attempt to incentivize the Dealing Representative with non-monetary benefits. While we recognize the need for mutual fund organizations to promote their products across the distribution industry, the Wholesaler's role and these related practices are an example of a potential conflict of interest that both can lead to outcomes that are not always in the investor's best interest and create an uneven playing field for Scholarship Plan Dealers.
	52. What type of disclosure should be required for sales practices involving the distribution of securities that are not those of a publicly offered mutual fund, which are already subject to specific disclosure requirements?	The nature of and extent of disclosure of sales practices that exists for a publicly traded mutual fund should be extended to any other investment fund, pooled fund or structured product. Scholarship Plan Dealers, using a Detailed Prospectus and Plan Summary,

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		already meet disclosure requirements similar to those for mutual funds and this type of disclosure regime should be extended to the other investment products mentioned above, including segregated funds sold under insurance legislation.
	53. Should further guidance be provided regarding specific sales practices and how they should be evaluated in light of a registrant's general duties to his/her/its clients? If so, please provide detailed examples.	Given the difficult and subjective nature of assessing how an individual or firm registrant performed in responding to a particular conflict of interest situation, we believe it would be challenging to develop further guidance in this area that would be meaningful and applicable to all types of products and distribution arrangements. Instead, we suggest the CSA focus on what has been suggested above, expanding NI 81-105 to include other types of sales practices and applying the expanded version consistently across other investment funds, pooled funds, structured products and segregated funds.
Know Your Client	***Part 7*** 4. Do all registrants currently have the proficiency to understand their client's basic tax position? Would requiring collection of this information raise any issues or challenges for registrants or clients?	The standard industry practice is that issues regarding taxes are referred to experts on the subject matter such as tax accountants. In the case of the Scholarship Plan Dealer industry, Dealing Representatives are limited to selling registered low risk investment products to a maximum account size of $50,000. To obtain the optimal value of the government grants, the majority of the clients contribute less than $2,500 per year to their plan. The Scholarship Plan Dealer industry would be challenged to collect all of the proposed

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		requirements. For example, nature of debts would not be relevant to the RESP product. Furthermore, the collection of this information goes beyond the nature of the services provided by the Scholarship Plan Dealer industry which is not financial planning. We do concur that the client should sign off on the initial KYC but we do not see the added value of signing off on subsequent updates unless the updated KYC information results in the need for a new suitability assessment for the client. It is our opinion that in the Scholarship Plan Dealer industry there is limited value to the client in updating the KYC every twelve months. Scholarship plans can be either lump sum, monthly or annual contributions. Other than the clients committing to a contribution schedule, and assessing their ability to maintain that contribution schedule, there is no further investment choices imposed on the client. The client's money is deposited to a pool, and is invested by portfolio managers in accordance with the investment policy mandated by NP15 as amended. If the client has experienced material changes such as divorce, loss of job or reduction of income which may trigger changes to the agreed upon contribution schedule, then a full KYC update and new suitability assessment would be conducted. Currently, these changes are often triggered by the clients contacting us, or by events such as suspending plan contributions. We believe that these and other similar events should, once known to the dealer, trigger a requirement to update the KYC form.

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	5. Should the CSA also codify the specific form of the document, or new account application form, that is used to collect the prescribed KYC content?	We agree that it would be helpful to codify the specific KYC form, and encourage the CSA to undertake this in consultation with the RESPDAC Association, for the Scholarship Plan industry. The advantages are significant for our industry, and would ensure consistency across the industry participants.
	6. Should the KYC form also be signed by the representative's supervisor?	We agree that it should be signed by a business supervisor, who may or may not be the representative's supervisor, to acknowledge the new business.
	Appendix B 54. To what extent should the KYC obligation require registrants to collect tax information about the client? For example, what role should basic tax strategies have in respect of the suitability analysis conducted by registrants in respect of their clients?	We believe that the only role for Scholarship Plan Dealer Dealing Representatives in collecting tax information is to ask the client about any outstanding taxes as part of collecting information on outstanding liabilities and debt servicing to assess security purchase affordability. The provision of tax advice by the Dealing Representative is inconsistent with the investor's expected outcome – the investor is coming to the securities firm for securities transactions not taxation analysis or advice. There is sufficient information in product disclosure documents regarding general tax implications of various investments. Dealing Representatives can remind clients to seek tax advice with respect to their investments but shouldn't be expected to give such general advice, even if proficiency could be created for such advice.
	55. To what extent should a representative be allowed to	As noted in response to Question 5, we believe it would be helpful to

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	open a new client account or move forward with a securities transaction if he or she is missing some or all of the client's KYC information? Should there be certain minimum elements of the KYC information that must be provided by the client without which a representative cannot open an account or process a securities transaction?	codify the specific KYC form for use by scholarship plan sales representatives, and encourage the CSA to undertake this in consultation with the SPD industry. The extent to which that form would need to be completed before a representative would be allowed to open a new client account or move forward with a transaction could then be fully reviewed and assessed as part of that consultation.
	56. Should additional guidance be provided in respect of risk profiles?	The scholarship plan industry would welcome the opportunity to consult with the CSA in the development of additional risk profile guidance.
	57. Are there circumstances where it may be appropriate for a representative to collect less detailed KYC information? If so, should there be additional guidance about whether more or less detailed KYC information may need to be collected, depending on the context?	Scholarship plans sales representatives often sell multiple RESPs to families who have multiple children. Once the client provides their complete KYC information for one investment, it is redundant to collect it again for additional plans. This and other examples that are unique to the scholarship plan industry, could be identified and addressed as part of the development of a specific KYC form.
Know Your Product – Representative	***Part 7*** 7. Is this general approach to regulating how representatives should meet their KYP obligation optimal? If not, what alternative approach would you recommend?	Yes this is reasonable. Representatives can understand and show their understanding of all these points in the product knowledge quiz administered by their respective dealers. Because it's an RESP, they are not privy to a client's broader portfolio and thus cannot and should not be required to speak beyond that.
Know Your Product – Firm	***Part 7*** 8. The intended outcome of the requirement for mixed/non-proprietary firms to engage in a	We support the proposal of performing a market investigation and product comparison for firms

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	market investigation and product comparison is to ensure the range of products offered by firms that present themselves as offering more than proprietary products is representative of a broad range of products suitable for their client base. Do you agree or disagree with this intended outcome? Please provide an explanation.	that offer non-proprietary products or a mixed shelf of proprietary and non-proprietary products. Our reason for supporting is based on the inherent conflict of product manufacturers, particularly, as it relates to mutual fund organizations, when they entice and incentivize registered firms and Dealing Representatives to distribute their products. These product manufacturers have no in-depth knowledge of the characteristics of the firm's customer base or even the firm's Dealing Representatives; instead their focus is solely on growing sales of the products for the benefit of the manufacturer. While certain product manufacturers offer tools and information for customers directly and indirectly to be used by firms and Dealing Representatives, there is no accountability to the manufacturers to consider how their products may meet the needs of the firm's customers.
	9. Do you think that requiring mixed/nonproprietary firms to select the products they offer in the manner described will contribute to this outcome? If not, why not?	The context to this question is that mixed/non-proprietary firms would have to conduct a fair and unbiased market investigation of a reasonable universe of products, to determine if the products chosen are likely to meet the investment needs and objectives of customers and a process to make necessary changes to keep all of this up to date. We agree that this framework, if done diligently and in the spirit of the intended outcome, will definitely contribute to a product shelf that is reasonably consistent with the needs and objectives of the firm's customers. The key will be the fair and unbiased market investigation and to effectively implement this, firms should be required to engage

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		an arms' length third party that could assist the firm, in whole or in part, in performing this investigation and producing a credible result.
	10. Are there other policy approaches that might better achieve this outcome?	It is difficult to determine any other choices for registrants as the most effective result of these procedures has to include an in-depth analysis of the firm's customer base and product shelf. Each investigation will have to be customized to those factors for each firm, so it would be hard to foresee another approach to this. The one other area the CSA could consider is some form of regulatory oversight over Fundserv, the organization whose activities facilitate the order processing and settlement within the mutual fund industry. As the gateway to the mutual fund industry, Fundserv is in a unique position to participate in the review of mutual funds for consideration of customer interests through its granting of the "Fundserv code" that allows mutual funds to be transacted electronically.
	11. Will this requirement raise challenges for firms in general or for specific registration categories or business models? If so, please describe the challenges.	The challenge this approach will raise for each firm will be dependent on the extent of each firm's existing product shelf. Many mutual fund dealers perform little or no due diligence on publicly offered mutual funds when deciding to offer these products to the approved list. What diligence is performed is often based on the size and breadth of the mutual fund organization, which invariably leads to approving large numbers of funds from that organization when the initial request was only for a single fund. This approach will force firms to be

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		judicious in considering the nature and extent of their approved product shelf in managing the costs and resources needed to conduct the market investigation and subsequent product comparison. However, the end result, if performed well, will be a more relevant product shelf for the firm's customers.
	12. Will this requirement cause any unintended consequences? For example, could this requirement result in firms offering fewer products? Could it result in firms offering more products?	Whether the outcome of this process results in firm's offering more or fewer products is secondary to the primary objective; having a product shelf that is reasonably expected to meet the investment needs and objectives of the firm's customers. This primary objective should be the end result if this process is followed diligently and in the spirit of the proposal.
	13. Could these requirements create incentives for firms to stop offering non-proprietary products so that they can fit the definition of proprietary firm?	Yes. It is reasonable to expect that for certain small firms, this process may lead to the firm deciding not to offer non-proprietary products. However, where the firm is ***able*** (by virtue of its registration) to include non-proprietary products on its approved shelf but chooses not to simply to avoid the effort associated with the process, that firm's remaining proprietary products should also be evaluated in the same manner. If the result is that the firm's proprietary products do not reasonably expect to meet the needs and objectives of customers, then the firm should be required to address that gap with the inclusion of non-proprietary products.
	14. Should proprietary firms be required to engage in a market investigation and product comparison process or to offer non-proprietary products?	As noted in response to Question 13, where the firm is able to offer non-proprietary products but chooses not to, the firm should be required to conduct a similar market

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		investigation and customer analysis to determine if its proprietary products are reasonably expected to meet the investment needs and objectives of the firm's customers. As Scholarship Plan Dealers, our products are unique to each of our firms and are not available for distribution among other firms. Given the fact that our firms offer products that have unique features and characteristics that we each believe are consistent with the customers investment needs and best interests and the related unique and proprietary systems that support these products, we are not able to offer or distribute each other's products. For this reason and the very small size of our industry, we do not believe there should be a requirement for Scholarship Plan Dealers to perform a market investigation, customer analysis and product shelf optimization.
	15. Do you think that categorizing product lists as either proprietary and mixed/non-proprietary is an optimal distinction amongst firm types? Should there be other characteristics that differentiate firms that should be identified or taken into account in the requirements relating to product list development?	We agree there are other methods by which products can be classified beyond proprietary vs. non-proprietary. Categorization by product type or, in the case of mutual fund dealers, by asset class, would also allow for a product shelf that would be sufficiently representative to reasonably meet the needs and investment objectives of the firm's customers. Another choice, alone or in connection with product type/asset class would be to classify products by fee structures. This would also allow for a representative product shelf that could meet the needs of a broad range of firm customers. However, any of these methods should be ***in conjunction with*** and not in place of an analysis of

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		proprietary vs. non-proprietary as this distinction, in our view, creates the greatest potential for conflicts of interest that if not adequately addressed can lead to negative investor outcomes.
	Appendix D 58. Should we explicitly allow firms that do not have a product list to create a product review procedure instead of a shelf or would it be preferable to require such firms to create a product list?	Our preference is to create a product list as Scholarship Plan Dealers offer a limited selection of products and the creation of this list would not be a huge undertaking for the dealers to perform.
	59. Would additional guidance with respect to conducting a "fair and unbiased market investigation" be helpful or appreciated? If so, please provide any substantive suggestions you have in this regard.	As it relates to SPDs, no, because we are only comparing our own proprietary products to each other and the dealers are not selling many products either so it's feasible to create the product list.
	60. Would labels other than "proprietary product list" and "mixed/non-proprietary product list" be more effective? If so, please provide suggestions.	The recommended labels are acceptable as the representatives will need to explain the difference to a client regardless.
	61. Is the expectation that firms complete a market investigation, product comparison or product list optimization in a manner that is "most likely to meet the investment needs and objectives of its clients based on its client profiles" reasonable? If not, please explain your concern.	As noted in our response to Question 8 we support the proposal of performing a market investigation and product comparison for firms that offer non-proprietary products or a mixed shelf of proprietary and non-proprietary products. We also support this proposal for firms that are able to offer non-proprietary products but choose not to in order to avoid the costs of completing these tasks. However, as noted in our response to Question 14, we do not believe there is need for Scholarship Plan Dealers to complete these tasks.

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Suitability	***Part 7*** 16. Do you agree with the requirement to consider other basic financial strategies?	We do not agree with this requirement as it doesn't align with expected investor outcomes, requires significant training requirements and poses potential conflicts of interest
	17. Will there be challenges in complying with the requirement to ensure that a purchase, sale, hold or exchange of a product is the "most likely" to achieve the client's investment needs and objectives?	We do not believe this will be challenging for restricted dealers like Scholarship Plan Dealers, since clients come to this dealers with a specific need and objective in mind.
	18. Should there be more specific requirements around what makes an investment "suitable"?	We agree there is indeed a need for more specific requirements regarding investment suitability. Scholarship Plan Dealers do not belong to a self-regulatory organization and as such, have not had the opportunity to industry specific rules and guidance for investment suitability. Consequently, SPDs are governed by rules and policies that have been developed in response to regulatory examinations and external compliance consultants working in conjunction with certain CSA members. This has created a hodge-podge of assorted and inconsistent rules, procedures and policies for suitability. We strongly suggest the CSA take this opportunity to work with the SPD industry, to develop rules and guidance for suitability assessment, that would be applicable to all Scholarship Plan Dealers.
	19. Will the requirement to perform a suitability assessment when accepting an instruction to hold a security raise any challenges for registrants?	We believe there can be short-term fluctuations in client financial and life circumstances that may unduly affect a suitability assessment for someone who wants to continue to

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		hold a security that is typically expected to be held long-term such as scholarship plan or mutual fund.
	20. Will the requirement to perform a suitability analysis at least once every 12 months raise challenges for specific registrant categories or business models? For example, a client may only have a transactional relationship with a firm. In such cases, what would be a reasonable approach to determining whether a firm should perform ongoing suitability assessments?	We believe that the requirement to perform a suitability analysis at least once every 12 months will present significant challenges for SPDs, given clients are simply following a fixed contribution schedule. The requirement for a suitability assessment should only be triggered when there is a new transaction, a material change in the client's KYC information or if there is a material market event that significantly impacts the value of the security (latter to be clearly defined). However, a suitability analysis for an RESP at least once every 12 months would provide no added value to the clients of SPDs. Please also see our response to Question 4 in Part 7.
	21. Should clients receive a copy of the representative's analysis regarding the client's target rate of return and his or her investment needs and objectives?	We agree that where it makes sense for a representative to complete this work (we oppose this for Scholarship Plan Dealers on the basis that the alternatives set out for our registrant group in NI 31-103 are uniquely effective), the client should receive copy of completed work.
	22. Will the requirement to perform a suitability review for a recommendation *not* to purchase, sell, hold or exchange a security be problematic for registrants?	We do not believe the requirement to perform a suitability review for a recommendation ***not*** to transact in a security will be problematic, provided it is done objectively such as the affordability analysis completed by Scholarship Plan Dealers. Clients can still proceed on a 'client-directed' basis if they choose to.
	Appendix E 62. What, if any, unintended	Each SPD manages a proprietary

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	consequences could result from setting an expectation in the context of the suitability obligation that registrants must identify products both that are suitable and that are the most likely to achieve the investment needs and objectives of the client? If unintended consequences exist, do the benefits of this proposal outweigh such consequences?	product shelf and Dealing Representative at each SPD are expected to be proficient in assessing the suitability of the proprietary products offered by their particular SPD. Therefore, a significant unexpected consequence of the expectations referred to in this question would be to place SPD registrants in a position where they must evaluate the suitability of products that they are not, nor expected to be proficient in (i.e. RESPs offered by other SPDs and/or financial institutions). Since an RESP is intended to achieve a very specific investment need and objective (i.e. saving for post-secondary education of the designated beneficiary) there is no real added benefit to the clients from this proposed expectation as it relates to SPDs.
	63. Should we provide further guidance on the suitability requirement in connection with ongoing decisions to hold a position?	We agree that further guidance should be provided and that the additional guidance should be that short-term events or fluctuations in client KYC should not affect a suitability assessment for products that are designed to be held over the long-term.
	64. Should we provide further guidance on the frequency of the suitability analysis in connection with those registrant business models that may be based on one-time transactions? For example, when should a person or entity in such a relationship no longer be a client of the registrant for purposes of this ongoing obligation to conduct suitability reviews of the client's account?	We agree that further guidance should be provided on the frequency of suitability analysis. We believe that suitability assessments should not be performed on a set frequency just to perform them; the trigger for an assessment should be a material change in KYC information or if there is a material market event that significantly impacts the value of the security (latter to be clearly defined). See responses to Question 20.

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Relationship Disclosure	***Part 7*** 23. Do you agree with the proposed disclosure required for firms registered in restricted categories of registration? Why or why not?	No. The proposed disclosure clearly implies that restricted dealers, including Scholarship Plan Dealers, who may not offer as broad of a range of products as full-service, non-restricted dealers, are of a lesser quality and not able to adequately meet the client's needs and objectives. However, for Scholarship Plan Dealers, this is not the case. Scholarship Plan Dealers and their Dealing Representatives are experts in the Registered Education Savings Plan (RESP) industry and provide clients with highly effective, value-added advice through the RESP lifecycle. The complexity of income tax rules that govern the contributions to and withdrawals from the customer's RESP, the rules that govern the maximization of collecting government grants (federal and provincial), the strategies for optimizing the withdrawal of plan contributions and grants and most importantly, the rules governing the eligibility of post-secondary education programs that allow RESP beneficiaries to maximize the value of their plan, are highly complex and ever-changing. Only Scholarship Plan Dealers and their Dealing Representatives, with the training, experience and expertise in dealing with both customers and federal and provincial government agencies, truly make the commitment to understand and apply these rules to the customer's greatest benefit. Other registrants that offer RESPs may be familiar with some or all of these rules and may even try to match or better SPDs in product choice and investment options. However, the

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		primary focus of non-Scholarship Plan Dealers is on the gathering of asset and the investment of contributions and grant monies. RESP customers also understand the value provided by Scholarship Plan Dealers as demonstrated by the fact that while there are only six registered Scholarship Plan Dealers in Canada, they collectively account for approximately 25% of the total assets under management in the RESP industry. As a result, while Scholarship Plan Dealers do not object to identifying themselves as "restricted dealers" for purposes of relationship disclosure, that disclosure should be limited to what being a restricted dealer means without reference to the extent of the firm's product offerings. Ensuring that each firm, including each Scholarship Plan Dealer, is offering a suite of products that would be reasonably expected to meet the investment needs and objectives of its customers is more important and more relevant that making a broad generalization that restricted dealers, by definition, are somewhat less relevant or less valuable to their customers simply by the size and extent of their product shelf.
	24. Do you agree with the proposed disclosure required for firms that offer only proprietary products? Why or why not?	We only agree with the proposed disclosure to a limited extent. We do not object to disclosing the existence of proprietary products and explaining the resulting conflict arising from this. However, as noted in our response to Question 23, we do not agree with disclosing the proportion of proprietary and non-proprietary or the limitations on suitability from offering proprietary products as this is both redundant

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		and implies that offering proprietary products only is a worse alternative than offering a mixed shelf of products.
	25. Is the proposed disclosure for restricted registration categories workable for all categories identified?	In our view, the proposed relationship disclosure is not workable for Scholarship Plan Dealers as it inaccurately implies that such dealers are inferior to full service firms that offer RESPs.
	26. Should there be similar disclosure for investment dealers or portfolio managers?	We agree that similar relationship disclosure would be useful and effective for investment dealers and portfolio managers. However, the disclosure should be modified as described above for restricted dealers; disclosure of the existence of proprietary products and the resulting conflict is fine but not the fact that the offering of proprietary products only is inferior or not able to meet the client's needs and objectives the same way that a shelf of mixed products can.
	27. Would additional guidance about how to make disclosure about the relationship easier to understand for clients be helpful?	We agree that any additional guidance provided to customers directly by the CSA, similar to what the SEC provides, would be useful and helpful as it would be viewed as independent, unbiased and more reliable.
Proficiency	***Part 7*** 28. To what extent should the CSA explicitly heighten the proficiency requirements set out under Canadian securities legislation?	We do not agree with the Consultation Paper's underlying premise that heightened proficiency is required for Dealing Representatives to expand the representative's overall product knowledge for the sole reason that having knowledge about more products is somehow "better". As we describe in the response to Question 23, Scholarship Plan Dealers and their Dealing

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		Representatives are experts in the RESP industry, providing highly effective, value-added advice to their customers. We do not believe the Paper makes a strong case in concluding that "more is better" when it comes to product choice for customers and that full service dealers are better equipped or suited to provide quality advice to RESP customers. Scholarship Plan Dealers remain bound by the requirements of National Policy No. 15 with respect to much of their business models, including the manner in which RESP contributions are invested. Certain Scholarship Plan Dealers have in recent years, obtained permission from the CSA to expand RESP investments into equity securities. In those cases, the Scholarship Plan Dealers developed and delivered customized training to its Dealing Representatives to ensure equity investing was understood by customers. As Scholarship Plan Dealers, in conjunction with the CSA, continue to expand their investment strategies, we will continue to ensure our Dealing Representatives are more than adequately trained to educate and advise customers on the benefits and risks of these strategies. As a result, we do not agree with the need for heightened proficiency for Scholarship Plan Dealer Dealing Representatives unless it is in conjunction with a corresponding change in the firm's products.
	29. Should any heightening of the proficiency requirements for representatives be accompanied by a heightening of the	We do not agree for heightened proficiency for CCOs and UDPs for the same reasons set out in the response to Question 28; that there

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	proficiency requirements for CCOs and UDPs?	is not a sufficiently strong argument made to support the premise that "more is better" in terms of product availability and choice. The existing proficiency for CCOs as set out in National Instrument 31-103 already provides a comprehensive set of requirements that addresses the different categories of registration. Further, separate proficiency is not required for UDPs either as UDPs do not perform compliance or supervisory duties. We recognize that a UDP must have sufficient knowledge and experience in both the industry in which he/she operates and the firm (and its products, distribution and other functions) for which he/she works for. However, this is the function of the firm's Board of Directors to assess and for the CSA to review in the context of the UDP as a registrant. There are many combinations of education, experience and technical training that a successful and effective UDP can have and if the CSA, in reviewing the UDP's application for registration, questions the appropriateness or depth of the UDP's background or skills, that is the forum in which to discuss and answer these questions.
Titles	***Part 7*** 30. Will more strictly regulating titles raise any issues or challenges for registrants or clients?	We believe that more strictly regulating tiles will raise issues and challenge. To minimize impact on investors, the registrant will need a sufficient adaptation period and some deployment flexibility. From a financial perspective, a major change like titles requires both human and financial resources.
	31. Do you prefer any of the proposed alternatives or do you have another suggestion, other	We prefer alternative 3. The title scholarship plan representative should remain unchanged because

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	than the status quo, to address the concern with client confusion around representatives' roles and responsibilities?	it is suitable for this category of representatives.
	32. Should there be additional guidance regarding the use of titles by representatives who are "dually licensed" (or equivalent)?	We do not believe that additional guidance is required in this area. If the alternative described under question 31 is prioritized, additional guidance regarding the use of these titles should not be necessary. The representative with more than one license will simply have to indicate his registration categories.
Designations	***Part 7*** 33. Should we regulate the use of specific designations or create a requirement for firms to review and validate the designations used by their representatives?	We do not see the need for additional regulation here. Scholarship Plan Dealers already review and validate the titles used by their representatives. Moreover, we do not support the inclusion of designations in describing a representative's competence.
Role of UDP and CCO	***Part 7*** 34. Are these proposed clarifying reforms consistent with typical current UDP and CCO practices? If not, please explain.	The current demands and regulatory expectations placed on UDPs and CCO to ensure and monitor compliance within their firm are significant and sufficient. Many of the proposed reforms are problematic at their core due to the ambiguity and uncertainty that they introduce. In particular, the expectation that a UDP "promote consideration and management of conflicts of interest in a manner that prioritizes the interests of the client" is ambiguous, subjective and unclear in scope.
Statutory Fiduciary Duty	***Part 7*** 35. Is there any reason not to introduce a statutory fiduciary duty on these terms?	The context of this question is whether a statutory fiduciary duty should be imposed on firms that

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		manage an investment portfolio through discretionary authority granted by the client. This is not applicable to Scholarship Plan Dealers who have no discretionary authority to manage a client's investment portfolio.
Regulatory Best Interest Standard	***Part 8*** 36. Please indicate whether a regulatory best interest standard would be required or beneficial, over and above the proposed targeted reforms, to address the identified regulatory concerns. 37. Please indicate whether you agree or disagree with any of the points raised in support of, or against, the introduction of a regulatory best interest standard and explain why.	We believe it is still too early to tell what the impact of the recent reforms have had on the industry and as such, cannot yet comment on the addition of the proposed best interest standard. *Point 1: The proposed best interest standard may exacerbate the expectations gap between clients and registrants because of the existing restricted registration categories and proprietary business models permitted in Canada. Clients may expect that all registrants have an unqualified duty to act in their best interest, not understanding that some conflicts would still be permitted.* We agree with this point for a couple of reasons. First of all, because the industry allows for firms to sell only proprietary products, which there is no reason why it shouldn't, according to this proposed reform, as much disclosure and explaining a representative can do to a client, they are still only "limited" to offer the products they have available, which according to the regulators, may or may not be in the clients best interest. Secondly, the point regarding the potential for client complacency is very important and we are thrilled this has been raised. We

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		understand one of the regulators' primary concern is to act and protect the public interest, which is also every firm's responsibility as well, however, when a client is prepared to make any type of investment, they have to take responsibility for that as well. The study the BCSC is quoting that indicates the majority of clients have strong or very strong levels of trust with their representative is a well-known fact in the industry, it is the primary reason an individual chooses to buy a product from one person over another. However, that strong dependence can be taken advantage of by representative who do not properly look after and service their clients' account. When this situation occurs, the client should still take some ownership and responsibility in the relationship and contact the dealer or firm to have a clear understanding of how their representative was compensated, how to read and understand their statements, etc. The relationship is a two-way street. *Point 2: The proposed best interest standard will create legal uncertainty. It does not create a clear standard for registrants to follow or for regulators to enforce.* This point is probably the most relevant to the SPD world as we are only permitted to sell our proprietary products and as mentioned earlier, unless a firm offers a variety of products suited to every investment objective/risk tolerance, etc., we are guaranteed not to accommodate every type of investor who might be better suited with a non-proprietary product. For example, someone looking to open an RESP but is

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		looking for a medium or high risk product will not be well suited with an RESP from any of the SPDs who all abide by the guidelines set out in NP 15. *Point 3: The CRM 2 and Point of Sale Initiatives are intended to improve communication in the client-registrant relationship around costs and investment performance. Their effectiveness should be measured before we consider a best interest standard.* We agree it is too early to see the impact of those two initiatives to assess the necessity of further changes to the rules. Once sufficient data has been compiled and analyzed, the regulators should be in a better position to evaluate its effectiveness. *Point 4: Other jurisdictions that have implemented a best interest standard have done so in conjunction with targeted reforms prohibiting certain conflicted compensation models.* This point does not apply to scholarship plan dealers as there have been no changes to the compensation structure at this time. *Point 5: The proposed standard may impact interpretation of existing fiduciary standards for certain registrants, i.e. portfolio managers and investment fund managers*. This point does not apply to scholarship plan dealers at this time.
	38. Please indicate whether there are any other key arguments in	Although the proposed best interest standard is trying to bridge the gaps

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	support of, or against, the introduction of a regulatory best interest standard that have not been identified above.	in the current NI 31-103 and emphasize the responsibility and accountability to the registrants (firm and representative), we believe clients should have a responsibility and accountability as well. We understand the majority of clients do not have a financial background and are not well-versed in investing, however, when an issue arises, it does not mean the registrant has to be faulted because that client didn't have an in-depth understanding of their purchase. The same way firms and representatives must evidence their due diligence in rectifying any situation with a client, reasonable attempts should be made by the client.
	Appendix H 65. Should the Standard of Care apply to unregistered firms (e.g., international advisers and international dealers) that are not required to be registered by reason of a statutory or discretionary exemption from registration, unless the Standard of Care is expressly waived by the regulator?	We believe the Standard of Care should apply to all firms, including unregistered firms. Doing so will help level the competitive marketplace.
	66. Do you believe that the Standard of Care is inconsistent with any current element of securities legislation? If so, please explain.	We do not believe the Standard of Care is inconsistent with current securities legislation. It's already the responsibility of every registrant and formalizing it in this reform will only highlight its importance to all registrants and the public, which we believe to be beneficial.
	67. Do you agree that the Standard of Care should not apply to the underwriting activity and corporate finance advisory services described above? If not, please explain.	We believe the Standard of Care should apply to all activities within the securities industry.

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	68. Do you think this expectation is appropriate when the level of sophistication of the firm and its clients is similar, such as when firms deal with institutional clients?	We believe it shouldn't matter who the client is, when it comes to the registrant operating under the Standard of Care.
Impact on Investors, Registrants & Capital Markets	***Part 9*** 39. What impact would the introduction of the proposed targeted reforms and/or a regulatory best interest standard have on compliance costs for registrants?	We believe the introduction of the proposed targeted reforms ***as proposed,*** and/or a regulatory best interest standard would significantly increase compliance costs for all registrants and for SPD registrants in particular.
	40. What impact would the introduction of the proposed targeted reforms and/or a regulatory best interest standard have on outcomes for investors?	For our scholarship plan clients, we believe the introduction of the proposed targeted reforms ***as proposed***, and/or a regulatory best interest standard would negatively impact investor outcomes by increasing their costs and by virtue of introducing market investigation and product comparison obligations, would create unnecessary complexity of their product choices, while providing no additional guidance in their RESP investment decisions.
	41. What challenges and opportunities could registrants face in operationalizing: (i) proposed targeted reforms? (ii) a regulatory best interest standard?	Given the concerns expressed throughout our responses above, about both the scope and extent of the proposed targeted reforms, as well as our position that a regulatory best interest standard is not required, we believe that the SPD industry would face significant challenges in operationalizing them.
	42. How might the proposals impact existing business models? If significant impact is predicted, will other (new or preexisting) business models gain more prominence?	Given Scholarship Plan registrants are required to only have a proprietary product shelf, to introduce the proposed targeted reforms ***as proposed***, without also including a regulatory change to address the current requirements

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		for Scholarship Plan registrants, would unquestionably result in a significant impact for our existing business models and would likely have the unintended consequence of causing certain registrants to consider exiting the business altogether.
	43. Do the proposals go far enough in enhancing the obligations of dealers, advisers and their representatives toward their clients?	Without certain refinements, as highlighted in our responses above, for the Scholarship Plan Industry the proposed targeted reforms go well beyond enhancing the obligations of dealers, advisers and their representatives toward their clients and become burdensome, create additional expense, add complexity and produce unintended consequences.