

INVESTOR ADVISORY PANEL

October 16, 2018

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Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
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Re: IAP Response to Client Focused Reforms: Proposed Amendments to National Instrument 31-103 and Companion Policy 31-103CP

The Investor Advisory Panel (IAP) welcomes this opportunity to provide the Canadian Securities Administrators (CSA) with our response to its *Client Focused Reforms: Proposed Amendments to National Instrument 31-103 and Companion Policy 31-103CP*. The IAP is an initiative by the Ontario Securities Commission to enable investor concerns and voices to be represented in its rule development and policymaking process. Our mandate is to solicit and represent the views of investors on the Commission's policy and rule making initiatives.

Introduction and General Comments

We wish to begin our commentary by acknowledging the obvious effort and care the CSA has taken to craft these Proposed Amendments and the Companion Policy. They reflect much thoughtful collaboration as well as hard-won compromise. They also show that considerable effort has been made to find ways of promoting better financial outcomes for retail investors while also laying the groundwork for a transition to more professional industry practice standards.

While we applaud these aims, we encourage the CSA to remain steadfast in implementing and enforcing the changes in both process and behaviour that will be necessary to accomplish them.

In particular, robust oversight and rigorous enforcement will be needed to give meaningful effect to your intended infusion of best interest principles into the areas of know-your-client, know-your-product, suitability and conflict of interest mitigation. Vigilant compliance and active enforcement also will be central to ensuring the relationship between registrants and clients truly evolves from one that is focused on the selling of investment products to one driven by a professional ethos of providing beneficial financial advice.

This evolution, as we have noted before, is what Canada and the other G20 governments envisioned and embraced under Principle 6 of their High Level Principles on Financial Consumer Protection.

Regulators must insist that business models adapt to these changes. But even more fundamentally, a reshaping of industry culture will be needed to achieve the CSA's stated goal of:

"better aligning the interests of registrants with the interests of their clients, improving outcomes for clients, and making clearer to clients the nature and the terms of their relationships with registrants."

For these proposals to improve investor outcomes, they must engender a new mindset that no longer normalizes conflicts of interest or considers disclosure a substantially adequate mitigation tool when conflicts do arise.

The IAP has stated many times in the past that registrants should be expected to avoid conflicts of interest wherever possible. We do not subscribe to the notion that conflicts often can, instead, be contained and managed – that approach simply allows registrants to provide advice when they are not in a position to be fully objective, even though unbiased advice is what investors need. It effectively places the client's interests second rather than first. Accordingly, in our view, the Proposed Amendments and the Companion Policy must reflect and produce a fundamental change in this mentality in order to bring about better outcomes for investors.

How we evaluated the proposals

While we still believe an overarching best interest duty would be the most effective way to achieve the proposals' goals, we acknowledge that alternate paths can be taken to arrive at much the same destination. We have evaluated the Proposed Amendments in this light, asking ourselves:

- *Will they actually promote better investor outcomes?*
- *Will they eliminate or at least neutralize the harmful effects of conflicts of interest?*
- *Will they elevate the investment industry to more professional standards of conduct?*

Some of the proposals are sufficiently robust to meet these tests. Others strike us as too limited or too vague to be effective; and some advance things only partway but then stop short, potentially entrenching an unsatisfactory or even harmful practice.

In our comments below, we try to offer practical suggestions for improving what we regard as inadequacies. We understand the need to be pragmatic, but we also must advise against letting too much caution enfeeble this important initiative.

Our aim, therefore, is to help give the client-focused reforms enough clarity, robustness and coherence to achieve their intended purpose.

Contextual matters

Our comments and recommendations are made against a backdrop of issues the IAP has identified in the past as matters of significance or concern:

- *Proficiency* – In order to improve investor outcomes, investment advice must transition away from being part of a product-selling process and become an element of professional practice in which investors are well-served by people with appropriate expertise and training to meet their needs and put their interests first. Proficiency is central to this shift. We feel the Proposed Amendments fall short in this regard in two key areas:
 - They do not fully introduce higher proficiency requirements that would equip registrants to integrate enhanced KYC information into suitability analyses.
 - They do not require registrants to approach suitability assessment through general knowledge of investment alternatives beyond their firm's product shelf.
- *Standardized risk profiling* – In Nov. 2015, the IAP released a report by PlanPlus Inc. on how registrants assess investor risk tolerance. The report noted the absence of standard definitions of risk concepts and a general lack of understanding of valid risk profiling methodologies within the industry. While the Proposed Amendments,

and more particularly the Companion Policy, provide some direction for more consistent risk profiling practices, the need for development and industry-wide adoption of a standardized risk profiling tool/methodology remains.

- *Compliance and enforcement* – We are concerned that so much of the proposed reforms’ substance has been set out as guidance in the Companion Policy rather than being incorporated as an enforceable part of the Proposed Amendments. As noted below, we also have concerns about ambiguous wording – particularly with respect to management of conflicts of interest – that may pose difficulties for regulators in monitoring compliance as well as pursuing enforcement.
- *Disclosure of costs* - Investment costs and their long-term impact are poorly understood by investors but are a critical determinant of investment returns. We are pleased to see a clear direction in these proposals that costs must be considered as part of a suitability assessment but we hope more can be done to incorporate a focus on costs in the wider context of promoting better outcomes for clients.

Response to specific focus areas

Know Your Client – section 13.2

The Proposed Amendments aim to clarify the CSA’s expectations of what information a registrant must collect as part of the KYC process and how frequently this information must be updated. These enhancements support additional provisions requiring registrants to place each client’s interests first when determining suitability.

IAP response

We support the proposed requirement that KYC be conducted on a more tailored basis. We find it helpful that the Proposed Amendments and Companion Policy together specify the information registrants must collect and when they must collect it. Helpful, too, are the express requirements that registrants must make reasonable efforts to ensure the information is correct and that they must review and update KYC information at specified intervals or when significant triggering events occur. We anticipate these provisions will improve both the quality and currency of KYC information.

However, we are less confident that these provisions will result in significantly better investor outcomes. There are four reasons for this:

- *Inconsistency due to undefined terms* – The absence of definitions in the Proposed Amendments for key terms such as ‘investment knowledge’, ‘risk profile’ and ‘investment time horizon’ allows, and almost inevitably will produce, substantial variation amongst registrants in their interpretation of the proposals’ requirements. This is likely to make the investment industry’s investor protection practices less consistent rather than more uniform. It also can be expected to trigger a request

from industry to bring clarity to the new requirements, which could delay their effective implementation.

- *Limits on applicability and process accountability* – Compliance with these Proposed Amendments will be very difficult for regulators to monitor. As noted above, the provisions are subject to broad interpretation and their implementation is qualified in several places by tests of reasonableness and practicability. In addition, the reformed KYC process does not require registrants to document and retain details of the process used to collect and subsequently analyze the KYC information gathered. Absent such a requirement, registrants are only made responsible for ensuring that a client’s KYC form is fully completed and appropriately updated. This, we fear, will do little to improve outcomes for investors.
- *Excessive reliance on guidance* – We are concerned that so much of the proposed reforms’ substance has been set out as guidance in the Companion Policy rather than being made an enforceable part of the Proposed Amendments.
- *Lack of enhanced proficiency requirements* – While the reformed KYC process will generate better and more timely information, the ability of registrants to interpret this information in an appropriate, effective and consistent manner remains problematic. The Proposed Amendments do not incorporate comprehensive provisions regarding advisor proficiency, and we doubt much will be accomplished by requiring registrants to gather enhanced KYC information if they are not better equipped to understand and use that information in a manner that benefits their clients.

We recommend addressing these matters in the KYC provisions of the Proposed Amendments as follows:

- (a) Clarify expectations by defining all key terms, particularly ‘risk profile’, ‘investment knowledge’ and ‘investment time horizon’.
- (b) Ensure that all operational aspects of the enhanced KYC requirements are set out in the Proposed Amendments, and therefore are readily enforceable, rather than leaving them as guidance in the Companion Policy. For example, with regard to a client risk profile’s constituent elements, we note that the Companion Policy indicates it is supposed to include the client’s risk capacity as well as their risk tolerance or willingness to take risk. We recommend that these provisions be incorporated explicitly into the Proposed Amendments.
- (c) Fortify the “stickiness” of these reforms through explicit interpretive guidance around the provisions that limit application of the enhanced KYC requirements on the basis of ‘reasonableness’ or ‘practicability’.

- (d) Establish proficiency requirements that will enable registrants to utilize KYC information effectively for suitability analyses, and specify those proficiency requirements in the Proposed Amendments.
- (e) Require registrants to document and retain a record of the process they use to translate KYC information into their suitability analysis for each client. Absent this requirement, a registrant's determination of suitability will remain an opaque and subjective process that will render meaningful oversight very difficult, if not impossible.
- (f) Take steps to further reduce the opacity of suitability assessments, and steps to foster consistency in those analyses, by using the 2015 PlanPlus Inc. report as a springboard for developing a valid, standardized risk profiling methodology/tool for adoption by the investment industry.
- (g) Lastly, we support the KYC updating provisions in sections 13.2 (4) and (4.1) of the Proposed Amendments, but the minimum frequency period stipulated in subsection (4.1)(a)(iv) [at least every 36 months] strikes us as being overly long. We recommend that it be no longer than two years.

Know Your Product - section 13.2.1

The CSA has determined there should be an express KYP requirement in the Rule, as well as more detailed guidance in the Companion Policy, to codify regulators' expectations.

The Proposed Amendments to KYP are also intended to support an enhanced suitability determination requirement, as well as increased rigour and transparency around the range of securities and services that registrants make available to their clients.

IAP response

(a) *Registered firms' responsibilities*

Section 13.2.1 sets out in detail the requirements for a firm to understand the securities it makes available to its clients and requires the firm to understand how those securities compare to similar securities available in the market. We fully support these requirements.

We also support the proposal in subsection 13.2.1(2) requiring each firm to maintain an offering of securities and services that is consistent with how the firm holds itself out. For too long, firms offering only proprietary products or higher-risk securities have been able to tout themselves as conventional and impartial purveyors of investments suitable for a broad cross-section of the public. The proposed amendment should help change that, though we note the Companion Policy is short on detail on the CSA's specific expectations in this area. A more fulsome treatment of the regulatory concerns would be of assistance to both the industry and investors and would help address the expectations gap between them.

(b) *Registered individuals' responsibilities*

The Proposed Amendments do not require registered individuals to understand how the securities available through their firm compare to similar securities available elsewhere. Instead, registered individuals are required to understand only how the securities on offer through their firm compare to each other. We feel this is problematic for two reasons:

- *It undermines the goal of increasing advisor professionalism* – We believe that by limiting advisors' required purview to just what's on their firm's shelf without any need to factor in what's readily available elsewhere in the market, the CSA will encourage, and to some extent entrench, a practice of sales masquerading as advice. This will make it only harder to transition the investment industry to more professional standards.
- *It fails to meet investors' needs and fails to put their interests first* – Fundamentally, every investor needs his or her advisor to provide a reasonable response to the question: "Is the investment you're recommending a good one for me to make?" That question is inextricably bound up with how the investment compares to others the investor could buy – not just through the advisor's firm but elsewhere as well.

We recognize this presents a practical problem because the universe of investment products is too vast for an advisor to be familiar with them all. But it is neither reasonable nor adequate to 'solve' this problem at the investor's expense by permitting advisors to make recommendations without knowing more than how the product in question compares to others found on their firm's shelf. Addressing the problem this way amounts to, in effect, putting advisors' needs first and clients' interests second.

It would be more reasonable to stipulate that, while advisors need not be familiar with every potential alternative, they must possess sufficient knowledge to understand how an investment they recommend compares, in general terms, to similar investments and other types of securities readily available in the market.

We recommend, therefore, that the Proposed Amendments and the Companion Policy be revised and clarified to impose an obligation on registered individuals to have a "general understanding" as to how the securities they transact for or recommend to a client compare to similar investments and other types of securities readily available in the market.

The firm should also be obliged to provide this information to its registered individuals. The Companion Policy should be amended to reflect this requirement, including an obligation to make available the necessary training to registered individuals.

Suitability – section 13.3

The CSA's Proposed Amendments dealing with the determination of suitability are largely dependent on leveraging the KYC and KYP amendments. Most significantly, the proposals

require assessment of the suitability of “actions”, not just transactions (in effect, including a requirement to assess the suitability of investment strategies as well as investment products) and an unequivocal statement that the action must put the client’s interest first.

In addition, the proposals bring further clarity to the suitability assessment process by mandating a more holistic approach that includes consideration of impact on the client’s entire portfolio at the firm, impact of cost on returns, and a reasonable range of alternatives available through the advisor’s firm. The proposals also add clarity by stipulating triggering events for suitability reassessments.

IAP Response

We support the more robust suitability concept accompanied by an express requirement to put clients’ interests first. We also commend the ‘fleshing out’ of the suitability assessment process by specifying and clarifying what must be considered as part of that process.

In general, we agree with the Proposed Amendments regarding suitability determinations, but with two important reservations.

(1) *Portfolio approach to suitability* – First, we note that sub-sections 13.3(1)(a)(iv) and (v) require an assessment of impacts on the client’s accounts at the firm rather than an assessment of impact on the client’s entire investment portfolio and their financial circumstances in general. In our view this is insufficient. We realize a registrant may not have a fully detailed understanding of the client’s portfolio assets held outside the firm; but the registrant should be required to learn enough about those assets, as part of the KYC process, to provide meaningful context for the suitability assessment to be made on a whole-portfolio basis.

Therefore, we think it would be reasonable for the Proposed Amendments to specify that, in assessing suitability, consideration must be given to the impact on the client’s investment portfolio as a whole, including investments held at the firm and elsewhere, and also the impact on the client’s financial circumstances generally.

(2) *Inadequate comparisons* – We believe the Proposed Amendments are seriously weakened by the provision, contained in sub-section 13.3(1)(a)(vii), that when gauging an investment’s suitability an advisor need only consider alternative products available through their firm. We cannot see how this provision is reconcilable with section 13.3(1)(b)’s requirement that, to be suitable, an action must put the client’s interest first – since it manifestly is not in a client’s interest to purchase investments that haven’t been reasonably assessed as being better for the client than (or at least as good as) other similar investments available in the market.

We believe it is inappropriate to give advisors license to recommend investments from their firm’s shelf without regard to whether the client would be better served by another readily available product. It is particularly inappropriate for this to occur when the firm offers investments that are only marginally suitable for the client and the advisor knows of

a competing product that is significantly more appropriate for the client. Expressly allowing this to occur will harm investors and it also risks jeopardizing the better investor outcomes that the Proposed Amendments are intended to promote.

Further, as we noted above, by limiting advisors' required purview to just what's on their firm's shelf, without referencing products available elsewhere in the market, the Proposed Amendments risk validating and entrenching a practice of sales masquerading as advice. This will confound the investment industry's transition to more professional standards.

We strongly recommend, therefore, that this provision be changed to require consideration of a reasonable range of alternatives readily available to the investor in the market at the time the suitability determination is made.

Conflicts of interest – sections 13.4 to 13.6

To address conflicts of interest in the client-registrant relationship, the CSA has adopted what it describes as a best interest standard in the Proposed Amendments. These amendments are expected to improve the timeliness of conflict reporting by registered individuals to their sponsoring firms and will help registered firms ensure that all existing and reasonably foreseeable conflicts are addressed in the best interest of the client, in a timely manner.

IAP Response

(1) Need to stop normalizing conflicts of interest

As stated in our introduction, to improve investor outcomes these proposals must engender a new mindset – one that no longer normalizes conflicts of interest or considers disclosure a substantially adequate mitigation tool when conflicts do arise.

Registrants should be expected to avoid conflicts of interest wherever possible, and the Proposed Amendments should discard the notion that conflicts ordinarily can, instead, be contained and managed. That notion has allowed registrants to provide advice when they are not in a position to be fully objective, even though unbiased advice is what investors need. It has resulted in the commercial interests of the industry's business models predominating over client needs. In effect, in the handling of conflicts, client interests have long been placed second rather than first.

We believe the Proposed Amendments and the Companion Policy must reflect and produce a fundamental change in this mentality in order to bring about better outcomes for investors.

(2) Need for clearer language

For the reasons just mentioned we support the CSA's aim to ensure that conflicts of interest are either avoided or dealt with in a manner that puts the client's interest first. However, we are concerned about the wording chosen by the CSA to achieve these results.

Specifically, we believe the CSA's formulation ("address, in the best interest of a client, all conflicts of interest" between the registrant and their clients) may be ineffective because its operative word ("address") can denote, in its ordinary meaning, merely directing one's attention to the existence of a conflict of interest instead of taking action to neutralize it.

We assume that is not the CSA's intention, and the wording is meant to convey an obligation to mitigate or resolve conflicts of interest. But the wording is ambiguous. It leaves open a possible interpretation that registrants can operate while conflicted so long as they identify the conflict and stay mindful of how it may harm their client's interests.

This ambiguity should be eliminated to prevent misinterpretation. If the CSA intends mitigation of conflicts to be a requirement, they should say so unequivocally.

We note, by comparison, the formulation recently proposed for adoption by the Financial Planning Standards Council (FPSC). It is simple and clear: "*Disclose and mitigate conflicts of interest in the client's favour.*" We commend this formulation as one that can and should be applied broadly to all financial services providers. In a single phrase it establishes that:

- (a) Disclosure is a necessary but insufficient response to a conflict of interest;
- (b) A proper response must go beyond mere sensitivity to or consideration of the conflict's impact – there must be an active response ("mitigate") that diminishes the impact; and
- (c) Conflicts must be mitigated in a manner beneficial to the client's interests ("in the client's favour"). If that can't be done, the residual risk of harm posed by the conflict cannot be justified and the conflict must be avoided altogether.

We believe the FPSC's formulation is well suited for achieving the CSA's stated aim regarding conflicts of interest, and adoption of similar formulations by both the CSA and the FPSC would help establish a uniform standard across the financial services industry. We therefore recommend that the CSA harmonize its proposal in this area with the FPSC's wording.

(3) *Mitigation required before receiving remuneration*

The Proposed Amendments and the Companion Policy appear to be silent on the issue of a potentially conflicted registrant receiving remuneration from an action before they have mitigated the conflict. In our view, remuneration from an action generally should be prohibited while a conflict of interest relating to that action remains unresolved. We urge the CSA to consider this issue and provide specific direction on it, preferably in the Proposed Amendments.

Referral arrangements – sections 13.7 to 13.13

The Proposed Amendments seek to regulate and restrict the payment of referral fees by requiring that:

- Referral fee recipients must be registrants;
- The fee arrangement must be disclosed to the referred client;
- The referral fee cannot be paid on an ongoing basis for a period longer than 36 months and cannot exceed, in aggregate, 25% of the fee being charged to the client; and
- The referral fee cannot result in the client paying more than they would otherwise pay for the same product or service from the firm receiving the referral.

IAP response

We support these measures insofar as they aim to ensure that client referrals are directed appropriately based on who can best serve the client's needs, and not based on who offers the highest referral fee. We also support the requirement for transparency and the prohibition against adding the referral fee as a surcharge on the referred client.

At the same time, however, we question the merits of some of the proposals.

For example, the need for restricting referral fee payments to registrants is unclear, and we wonder what effect it will have on referrals from accountants, lawyers and financial planners.

In addition, we are concerned that limiting the duration of referral fee payments could result in some advisors deciding to retain clients who might be better served by being referred (say, to a portfolio manager or to a full-service dealer). This could also pose a problem if fees in general must increase to make 25% sufficient, in dollar terms, to maintain current levels of referrals.

We note, as well, that a wide variety of shared-client service arrangements exist that can be very beneficial for clients; but in the absence of clear guidance as to whether these arrangements will be classified as referrals that are subject to the 3-year and 25% limits, legitimate consideration of these options may be inhibited.

We suggest that the proposed referral fee limits should be reconsidered in light of these issues. Additional guidance would be helpful, especially on the subject of referrals vs. shared-client service arrangements, and we encourage the CSA, the SROs and industry groups to work closely together on this. (In 2016, CSA Staff Notice 31-347 offered *Guidance for Portfolio Managers for Service Arrangements with IIROC Dealer Members*. To further reiterate the importance of these relationships it may be beneficial for the CSA to update the Staff Notice to include MFDA members as well. Most recently (July 2018), IIAC and PMAC created a standardized template for service arrangements that outlines the

obligations of each firm servicing the client, books & records, fees and client reporting. The MFDA and PMAC could create a similar agreement.)

Misleading communications – section 13.18

The Proposed Amendments provide that registrants must not hold themselves out in any way that could deceive or mislead people in four specific areas:

- the registrant’s proficiency, experience or qualifications;
- the nature of the relationship or potential relationship between the registrant and the person with whom they are communicating;
- the products and services the registrant can or will provide; and
- the registrant’s title or designations.

IAP Response

These new provisions will encourage added transparency and sound business practice in registrants’ communications. We believe they will be beneficial, but we suggest the CSA consider refinements intended to broaden their application:

(1) *Scope* – The prohibition against deceitful or misleading communications should apply to all registrant’s communications with the public, not just communications touching on a few specific subjects. We do not believe the registrant’s general duty to act fairly, honestly and in good faith is sufficient to cover this, since that general duty applies only to the registrant’s dealings with clients and not to their dealings with the public at large. Therefore, we recommend making the Proposed Amendments’ prohibition apply to all communications with members of the public,

(2) *Application test* – We agree with the intent of the test set out in the Proposed Amendments as to whether a communication is deceitful or misleading (“in a manner that could reasonably be expected to deceive or mislead a person”), however, we think its formulation can be sharpened. For greater clarity, we recommend using wording modelled on section 52 of the *Competition Act* and guidance offered by the Competition Bureau with respect to its enforcement programs.

For purposes of this provision in the Proposed Amendments, therefore, communications by registrants should be assessed based upon the *general impression* they reasonably can be expected to create in the mind of a typical member of the public – not in the mind of a sophisticated investor, a registrant or a securities regulator.

(3) *No evasion of responsibility* – We recommend that the Proposed Amendments indicate explicitly that deceitful or misleading communications cannot be ‘cured’ through fine print disclosure or other like measures.

Duty to provide information – Cost impacts – sections 14.1.2 and 14.2

The Proposed Amendments require registered firms to make available publicly the information that a reasonable investor would consider important in deciding whether to become a client. This is meant to address the CSA's concern that registrants do not always provide adequate disclosure about:

- their use of proprietary products,
- limitations on the products and services they make available to clients, including restrictions based on:
 - the firm's registration category,
 - terms and conditions imposed on the firm's registration, or
 - business decisions to limit what the firm offers clients based on their account type or the amount of money they invest, and
- the impact each of these things can have on investment returns.

IAP response

The IAP supports these strengthened disclosure and reporting requirements in the Proposed Amendments, particularly the increased focus on disclosure of cost impacts. At the same time, we believe more can and should be done in this area.

Investors have a poor understanding of investment costs and their long-term impact on investment returns. Section 14.2(2)(o) of the Proposed Amendments addresses this in the context of disclosure to clients, and the Companion Policy elaborates on it, again in that same context, as follows:

Paragraph 14.2(2)(o) requires an explanation of the potential impact that a registered firm's charges, applicable investment restrictions, and any costs embedded in investment products could each have on a client's investment returns. That explanation necessarily includes discussion of the reduced overall returns in the account because of any operating charges, and the reduced return on securities resulting from any transaction charges or ongoing ownership fees applicable to them.

This is helpful, so far as it goes, but consideration of cost impacts should not be limited to registrants' disclosure obligations. It should be a fundamental tenet that informs all elements of registrants' training and service execution, including sections 3.4.1 [proficiency training], 13.2.1(3) [know your product], 13.3 [suitability determination], 13.4.5 [conflicts of interest disclosure], and 14.1.2 [information disclosure for potential clients].

Also, to enhance investor understanding of the impact of investment costs over time, we recommend that the following warning be clearly and prominently displayed in investment product marketing material:

Fees and other charges paid directly by you or deducted from your investment accounts can significantly reduce your returns. For example, a \$10,000 investment which generates an average compound return before fees of 6% annually over 25 years will produce a gain of \$32,919. The following table shows the return retained by the investor assuming various fee levels:

Returns Retained by Investor after Fees/Charges

(\$10k investment earning a pre-fee average compound return of 6% for 25 years)

<i>Annual fees/charges</i>	<i>0.25%</i>	<i>0.50%</i>	<i>1.00%</i>	<i>1.50%</i>	<i>2.00%</i>	<i>2.50%</i>
<i>Return retained by investor</i>	<i>\$ 30,458</i>	<i>\$ 28,134</i>	<i>\$ 23,864</i>	<i>\$ 20,054</i>	<i>\$ 16,658</i>	<i>\$ 13,632</i>
<i>% of total return retained</i>	<i>93%</i>	<i>85%</i>	<i>72%</i>	<i>61%</i>	<i>51%</i>	<i>41%</i>

It is important to understand the fees and charges that you will pay or that will be deducted from your investment accounts and how they may impact your investment returns. To find out more, ask your investment provider.

Summary

We conclude our commentary the same way we began it, by again acknowledging the obvious effort and care the CSA has taken in developing these Proposed Amendments and the Companion Policy. We find much to commend and support in them, especially the unambiguous intent of the reforms to promote better financial outcomes for retail investors.

But the bottom line is this: These reforms will not succeed in getting registrants to put clients’ interests first if the reforms effectively place those interests second in key areas such as advisors’ KYP obligations, their suitability determinations and their handling of conflicts of interest. Ultimately, achieving better outcomes for investors depends on the CSA itself putting clients’ interests first by insisting that the investment business adapt to client needs for proficient, unbiased and cost-effective advice.

We are confident the industry can and will adapt if required to do so. Indeed, we believe they will thrive if they better align themselves with their customers’ interests; and therefore, in the interests of all parties, we urge you to initiate and foster completion of the adaptation process as swiftly as possible.

We thank you for this opportunity to comment on the Proposed Amendments and Companion Policy. Please feel free to contact us if you require any elaboration or follow-up on the contents of this letter.

Yours truly,



Neil Gross, Chair
Investor Advisory Panel