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Philip Howell
Chief Executive Officer
Financial Services Commission of Ontario
and Superintendent of Financial Services
Box 85, 17th Floor
5160 Yonge Street
North York ON M2N 6L9

Sent by Email: priorities@fSCO.gov.on.ca

Dear Mr. Howell:

Re: Financial Services Commission of Ontario: Draft Statement of Priorities – June 2010

Independent Financial Brokers of Canada (IFB) is pleased to submit our response to the Financial Services Commission of Ontario's (FSCO) *Draft Statement of Priorities* for the fiscal year 2010/11.

IFB was established 25 years ago to support those who have chosen the independent channel of sales in the financial services industry. Today, we represent approximately 4,000 self-employed financial advisors across Canada. In doing so, we provide our members with compliance support, advocacy, continuing education events (which are held several times per year in various locations across Canada and are open to non-members as well) and a comprehensive errors and omissions program for individuals and agencies. In addition, members must agree to abide by our Code of Ethics which is aimed at ensuring the fair treatment of consumers and reflects the standards set by the Joint Forum of Financial Market Regulators (JF) some years ago in its "Principles and Practices for the Sale of Products and Services in the Financial Sector". These activities contribute to increasing our members' overall level of knowledge and standard of professionalism, while providing them with a unified voice to respond to issues which affect them as raised by government, regulators and industry.

The majority of our members are licensed to sell life and health insurance products and mutual funds/securities. A smaller number are licensed providers of other types of financial products such as general insurance, mortgages, etc. Therefore, our comments on the *Draft Statement* will be directed at those initiatives which relate to the life/health insurance industry.

The key focus areas FSCO has identified relate to automobile insurance reform, mortgage broker compliance and pension regulatory services. We trust that the limited number of initiatives aimed at the life/health insurance industry reflects FSCO's confidence that this industry and its licensees are well-regulated and that FSCO has sufficient market conduct oversight capability to ensure that investors in these products have the appropriate safeguards in place to protect them.

However, we are pleased that FSCO continues to identify coordinating its activities with those of other provincial/territorial regulators as an important undertaking.

Foster a coordinated approach to regulatory issues.

IFB is a strong proponent of harmonization and streamlining of regulatory issues to reduce the costs associated with compliance that arise from differing standards. Many of our members are licensed in more than one provincial jurisdiction. While progress has been made to reduce these inter-provincial barriers, there continues to exist differences in local regulation. We hope that FSCO and other provincial regulators, through their participation on the CCIR, Joint Forum and CISRO will work toward a simplified, unified structure of regulatory oversight for advisors who wish to serve clients located in more than one jurisdiction.

Some specific initiatives have been identified by FSCO to participate with other national regulatory organizations, which we would like to comment on.

1. Joint Forum

- *Examine the responsibilities of investment product manufacturers, intermediaries and consumers to ensure consumers are offered suitable products and are able to make informed decisions.*

We agree that consumers should be offered suitable products and provided with advice and product information that allows them to make an informed decision. This is an existing regulatory requirement for insurance licensees and securities registrants. As well, it is a requirement for IFB members as part of our Code of Ethics.

The responsibilities of investment product manufacturers and intermediaries in this regard have been the subject of previous consultations, resulting in principles to set out the desired outcome. For example, life insurance regulators undertook an extensive examination into sales practices and conflicts of interest, which resulted in the adoption of 3 principles to manage potential conflicts of interest. Adherence to these principles has been widely publicized and brokers have incorporated the use of a written conflict of interest disclosure form into their sales practices. Securities regulators and self-regulators have published suitability guidelines and policies to clarify the requirements of dealers and sales persons in this regard. The new Point of Sale Disclosure requirements are also intended to provide consumers with plain language information to enable them to compare products prior to the purchase of a particular mutual fund or segregated fund. Based on these various initiatives, we are unclear, then, why this would again be the subject of further study.

We support the Joint Forum's intent to examine ways to increase the level of financial literacy of consumers and implementing programs aimed at doing so. In fact, IFB identified

such a recommendation in our response to the JF's invitation to provide comment on appropriate initiatives and priorities for its *Strategic Plan 2009-2012*.

We said:

Consumer education is a cornerstone in the development of consumer confidence and is a benefit for those who use a professional financial advisor. Our members, for example, pride themselves on the personalized service they provide to clients so they understand how any product sold fits into their financial plan. However, many Canadians do not use the services of a financial advisor. Sponsoring educational information and tools for consumers may interest the Joint Forum because thoughtful financial planning must take into account, among other considerations, replacement income at retirement, investment income and insurance needs. Consumers who are well-equipped to understand this process and actively participate in the development of their own financial plan will be more successful in evaluating whether the advice they receive is appropriate and protecting themselves against unsuitable investments. Specific educational initiatives which help consumers to become knowledgeable, responsible investors will position them well into the future.

The information currently being gathered by the federal Task Force on Financial Literacy will also be useful in the design and implementation of such programs.

2. CCIR

- *Review with CISRO, the regulation of managing general agencies, wholesale agencies and insurance adjusters to identify and address risks to consumers, regulatory gaps and legislative and regulatory barriers.*

As you are aware, various life insurance industry associations representing MGAs, brokers and insurance companies have been meeting over the past number of months to discuss the regulation of MGAs and their relationship to brokers and consumers. Most of these associations have now prepared and submitted initial reports to the CCIR which describe the role of each party in the distribution of insurance to consumers. Many have also attended informal meetings with CCIR representatives as well. We hope that these initiatives will address the questions that regulators have and serve to reinforce that a sound legislative and regulatory environment exists today.

This concludes our comments on the *Draft Statement of Priorities*. We trust you will find them useful and would be pleased to discuss them further at any time.

Yours truly,



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