



June 11, 2007

Robert Day
Manager, Business Planning
Ontario Securities Commission
20 Queen St. West
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Toronto ON M5H 3S8

Submitted by email: rday@osc.gov.on.ca

Dear Mr. Day:

Subject: Ontario Securities Commission Draft Statement of Priorities for Fiscal 2007/2008

Independent Financial Brokers of Canada (IFB) is pleased to provide our comments on the OSC's Draft Statement of Priorities for 2007/08.

IFB is a professional Association comprised of approximately 4,000 licensed financial advisors across Canada. The majority of our members provide insurance, mutual fund and securities products and advice to clients. They strongly believe that the independent channel of product distribution is the one most suited to ensuring the investing public has available to it a range of products from a variety of providers. Access to such choice, in our view, is the most effective way to meet a client's financial needs.

Our comments will primarily be directed at the potential effects of the Commission's priorities on financial intermediaries, like our members, who are front-line providers of securities advice and products to consumers.

At the outset, however, we wish to commend the OSC on the breadth of initiatives it has identified and the strategic goals it has set for the next five years. There is no doubt that globalization of the securities marketplace provides increased opportunities, as well as increased risk, for all market participants. In addition, Canada faces specific challenges

associated with a securities regime comprised of 13 provincial and territorial securities regulators. It is essential that Canadian securities regulators work together to create a harmonized, more efficient regulatory environment so that our public companies can compete effectively to raise capital and risks to the investing public are minimized.

GOAL 1 – Identify the important issues and deal with them in a timely way.

We support the Commission’s objective to be a strategic leader for Ontario investors and in the financial marketplace. Clearly, the ability to anticipate industry trends and emerging issues is paramount to ensuring investors and other participants in the marketplace are not exposed to undue risk.

We are pleased that the Commission intends to further the consultation process with various industry stakeholders. In this regard, we encourage you to include more opportunity for intermediaries and their member associations to participate in a process of open dialogue. As previously noted, advisors are the front-line providers of financial advice and the primary link to the investing public. They offer a different perspective - one geared to the everyday challenges of conducting business for their clients in today’s regulatory regime. How the Commission interfaces with other members of the Canadian Securities Administrators (CSA) on the proposed Passport System and registration reform project may well impact how effectively advisors can serve their clients. Their input on these important matters should not be under-estimated. Many of our members conduct business across various provincial jurisdictions and the eradication of such barriers will serve to reduce the costs and regulatory burden of compliance inherent in the current system of multiple rules. IFB would be pleased to provide the Commission with input on our members’ perspectives on these matters at any time.

GOAL 2 - Deliver fair, vigorous and timely enforcement and compliance programs.

IFB supports your commitment to reduce case assessment timelines, investigation timelines and the period between detection of potential infractions and disclosure of investigations.

We agree that when enforcement is required, it should be fair and measured relative to the conduct in question and the damages incurred. ‘Vigorous’ enforcement should only be employed where there is egregious conduct which is intentional in nature. We would add to this, that enforcement by OSC staff must not only be fair, but the OSC itself must be perceived to be a fair institution, in that its treatment of errant market participants is equal, regardless of size.

We support the Commission’s intent to work internationally and within Canada with other bodies responsible for securities regulation to improve the level of co-operation and the detection and enforcement for securities fraud and other economic crimes. In today’s increasingly borderless financial community, sharing information on enforcement, or potential enforcement, situations will be key to reducing the exposure of investors to fraudulent or misrepresented products.

GOAL 3 – Champion investor protection, especially for retail investors.

Increasing investor protection through education will ultimately increase the retail investor’s ability to make sound financial decisions, which is to the benefit of all market participants – including advisors. Investors, however, must not lose sight of the fact that investing, by its very nature, involves risk – albeit to varying degrees, depending on the product. Educating investors as to this degree of risk should be an essential part of any educational program, and the responsibility for a client to assume such risk should not rest solely on the shoulders of the financial advisor. We make the same cautionary comment regarding the goal to increase investor access to redress. Obviously, criminal or fraudulent behaviour on the part of an advisor, dealer or company, or conduct of a deceitful nature leading to consumer loss, is a serious matter, over which the OSC already has enforcement authority.

Conceptually, we support the work the Joint Forum of Financial Market Regulators is doing to develop improved point of sale disclosure procedures for mutual funds and segregated funds. There is no doubt that mutual fund sales representatives and insurance licensees, like our members, will welcome information that is less complex and easier to explain to their clients. IFB has, by way of separate letter to the Joint Forum, identified several issues of concern regarding the proposals which were communicated to the industry last December. We look forward to commenting further when the national instrument is published.

We note your intention to “work with the SROs and lead or support initiatives that recognize the importance of the adviser to the retail investor and strengthen and improve the adviser/retail investor relationship”. We agree this is an important relationship – in fact, it is essential to the delivery of financial services. The financial services industry is a relationship-based industry, where the advisor builds a clientele based on trust, integrity and knowledge. We are concerned, therefore, that in 2007/08 the Commission specifically intends to “seek retail investor perspectives on key issues such as the investor/adviser relationship, transparency and accountability”. Despite that these are identified as “key issues” by the Commission there is no indication that it intends to solicit input from advisers. We fail to see how the Commission can develop appropriate responses to these “issues” while hearing from only one side of the partnership. It must be remembered that the vast majority of such transactions lead to sound financial decisions and on which many Canadians build financial wealth.

GOAL 4 – Support and promote a more flexible, efficient and accountable organization.

IFB supports the OSC’s intention to undertake reviews to ensure that its organizational structure and human resources strategies are appropriate and meet the highest standards of accountability. In particular, we support the initiative to conduct more cost-benefit analyses in the development of cost-effective regulation.

In conclusion, IFB appreciates the opportunity to have submitted our comments and looks forward to receiving the final copy of the OSC Statement of Priorities when it becomes available.

Sincerely,

A handwritten signature in black ink, appearing to read 'John Whaley', with a large, stylized initial 'J'.

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