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March 10, 2009

Bob Christie, Chair  
Joint Forum of Financial Market Regulators and  
CEO and Superintendent, Financial Institutions  
Financial Services Commission of Ontario  
5160 Yonge Street, 17<sup>th</sup> Floor, Box 85  
North York ON M2N 6L9

Sent by email: [ceo@fSCO.gov.on.ca](mailto:ceo@fSCO.gov.on.ca)

Dear Bob:

Since my earlier letter to you dated February 27, 2009, I have become aware of a proposal from the Investment Industry Regulatory Organizations of Canada (“IIROC”) to amend its Rules. IIROC is proposing to repeal the defined term “securities related business” and replace it with “securities related activities”.<sup>1</sup> As you know, IIROC is the self-regulatory organization which has regulatory oversight of securities dealers and their sales representatives. Some of these representatives are IFB members.

As you will note from the amendment, it is clearly the intent of IIROC to extend its regulatory mandate over a much broader range of investment activities:  
*“The proposed amendments seek to clarify the definition of the term “securities related activities” as set out in Dealer Member Rule 1.1 to ensure that it specifically refers to all investment products; and to repeal the defined term “securities related business” currently set out in IIROC Dealer Member Rule 39.2 and replace all existing references to the term with “securities related activities”. The primary objective of the proposed amendments is to clearly articulate that IIROC registered advisor recommended transactions for any investment product (not just products defined as securities under provincial legislation, including principle protected notes, guaranteed investment certificates and other like products) must be conducted within and recorded on the books of an IIROC Dealer Member. The proposed amendments were approved at the December 10, 2008 IIROC Board and were submitted to the securities commissions for approval.”*

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<sup>1</sup> Excerpt from IIROC February Policy Update: *Revisions to the definition of Securities Related Activities*

The scope of this type of regulatory “creep” by securities regulators is extending deeper into the legitimate outside business activities of our members who are also licensed to provide life/health insurance advice and products to clients and deposit instruments. This is yet another example. If this IIROC proposal is approved by the various securities commissions, there is little doubt that the MFDA will follow suit. There is also little doubt in my mind that the insurance-related business of these brokers will soon be forced through the dealer’s insurance agency and be subject to the dealer’s KYC and suitability oversight. We are already seeing this in the marketplace. Dundee Wealth Management is the most recent example. The further danger is that this could become a requirement even when the insurance client is not a securities client. We identified this objection to the MFDA in our response to its consultation on proposed changes to regulating the sale of Principle Protected Notes by dual-licensed advisors.

In my opinion, there is a clear trend on the part of securities regulators and self-regulators to oversee all of their advisors’ investment related business, well beyond any advice and sales related to securities. If insurance regulators do not take steps to reverse this trend, it will result in a severe reduction in the ability of our dual licensed members to offer independent advice and services to clients and place their business through the insurance agency of their choice. Our members strongly believe – and is the premise upon which this Association was founded – that their ability to source the products most suitable to meet their client’s financial needs, without being restricted to the products offered by any one company, is not only best for the client but is a cornerstone of consumer protection.

IFB is greatly concerned about these trends and the effect they will undoubtedly have on the marketplace. I intend to write similar letters to other provincial regulators in order to draw their attention to these incursions and ask for their support.

The insurance industry and its regulators have embraced a much different, principles-based approach to regulation which includes an open, consultative approach to discussing industry issues. We believe this has been of benefit to regulators and participants alike and hope we can count on Ontario to ensure this approach endures.

I would be pleased to discuss this with you or your colleagues at any time.

Yours truly,

A handwritten signature in black ink, appearing to read "John Whaley", written in a cursive style.

John Whaley  
Executive Director  
Email: [jaw@ifbc.ca](mailto:jaw@ifbc.ca)