

July 10, 2017

British Columbia Securities Commission
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, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince
Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

In care of:

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3

Dear Madam/Sir,

The Toronto Financial Services Alliance (TFSA) is pleased to provide comments on the Canadian Securities Administrators' (CSA) consultation paper on the option of discontinuing embedded commissions (Consultation Paper). We especially welcome this opportunity as the asset management industry is an important part of Toronto's financial services ecosystem and its stature as a global financial services centre.

The TFSA shares the CSA's goals of increasing transparency, reducing complexity, achieving investors' awareness, understanding and control of dealer compensation costs, and maintaining fair, efficient and competitive capital markets.

However, the CSA's ban of embedded commissions if enacted, would be a blunt measure for addressing the key investor protection and market efficiency issues identified in the Consultation Paper and could produce unintended adverse consequences for investors. These consequences could include reduced access to advice and choice, increased costs, and increased complexity. Furthermore, eliminating embedded commissions may disproportionately impact Canadian investors with smaller amounts to invest and in particular those investors that deal with smaller independent dealers.

In addition, the CSA has recently implemented new rules which are aimed at improving investor awareness and the understanding of fees and performance under point of sale disclosure (POS) and the client relationship model phase 2 (CRM2), and is consulting on a proposal to enhance the relationship between clients and their advisors and dealers. At a minimum, the CSA should carefully consider the impact of these recent regulatory initiatives before making any additional broad regulatory changes.

A more effective approach to address the issues outlined in the Consultation Paper would be the more focused reforms that TFSA's members have put forward in the areas of mitigating conflicts of interest, improving investor awareness and control of fees, and aligning fees and services.

The TFSA supports the CSA's efforts to increase investor awareness and the understanding of the costs of owning financial products so that investors can make informed investment decisions. However, as stated, given the potential of significant unintended consequences, recently implemented new rules, and the other current regulatory initiatives underway, we strongly caution against regulatory action that may inadvertently affect the investors' ability to obtain affordable advice or sever existing long-term advisory relationships.

Please do not hesitate to contact me should you have any questions.

Sincerely,



Janet Ecker
President & CEO
Toronto Financial Services Alliance (TFSA)

About TFSA

The Toronto Financial Services Alliance (TFSA) is a unique, public–private partnership dedicated to growing the Toronto region’s financial services cluster and building it as a “top ten” global financial services centre. Established in 2001, TFSA is a collaboration involving three levels of government, the financial services industry and academia. Working collaboratively with industry and government, we build international awareness of the advantages offered by the Toronto region and we work with financial services companies from around the world that are exploring business opportunities in Toronto. TFSA leads an integrated strategy focusing on the areas of growth, international reputation, and competitiveness.