



December 15, 2023

Submitted Via Email

Attention: Grace Knakowski

The Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

Dear Madame:

Re: OSC Notice 11-798 – Statement of Priorities – Request for Comments Regarding Statement of Priorities for Fiscal Year 2024-2025

We are pleased to provide comments in response to the Ontario Securities Commission (**OSC**) request for comment on the Statement of Priorities for Fiscal Year 2024-2025 (the **SoP**). This letter is being submitted on behalf of TD Waterhouse Canada Inc. (**TD** or **we**).

We agree with the OSC's view that investor demands are evolving in terms of information used in investment decision-making. We have focused our letter on proposals that modernize rules, with a view to facilitating access to reliable information for all investors.

A. Facilitating Innovation: Advice in the Order-Execution Only (OEO) Channel

We welcome the OSC's proposal to collaborate with the Canadian Investment Regulatory Organization (**CIRO**), in exploring how OEO firms can provide non-tailored advice to do-it-yourself (**DIY**) investors. As noted in the SoP, when investors seek advice from unregistered channels, including social media platforms, it may be incomplete or misleading. We agree that investor protection is enhanced through access to quality information from verified sources.

Providing non-tailored recommendations or advice does not involve Know-Your-Client (**KYC**) information or a suitability determination. It also extends beyond providing the product information and education that many OEO firms currently provide to clients. In this regard, we recommend that the OSC and CIRO's exploratory work go beyond allowing OEO channels to provide warnings to investors, regarding products or services, and consider whether OEO channels can have the flexibility to provide information that may further enable DIY investors to make better-informed investment decisions. In particular, regulators should consider modernizing rules in a balanced way that will allow certain categories of, or kinds of, advice or information to be more accessible to DIY investors, without imposing undue additional

regulatory obligations on OEO channels. The determination of what would constitute "non-tailored recommendations" and the best way to approach it is a complex issue, which if not calibrated appropriately could create a significant regulatory burden on OEO firms and thus we would encourage the review be done through formal consultation.

1. Modernizing the Rules Should Promote Accessible Advice without Adding Regulatory Burden

We encourage regulators to revisit the regulatory framework and, in particular, the *Guidance on order execution only account services and activities* (GN- 3400-21-003). A narrower definition of what constitutes a "recommendation" could accommodate non-tailored advice and permit OEO dealers to provide relevant information to their clients. For example, clients who trade in certain securities may want more specific information about those products.

Flexible rules on providing non-tailored advice should be permissive, rather than required (i.e., OEO dealers should not be required to provide warnings on products or services). By its nature, non-tailored advice is not personalized. OEO firms that choose to provide non-tailored advice should be able to rely on existing exemptions and not be subject to KYC, suitability assessment or account appropriateness standards. Overall, the goal should be to broaden the accessibility of reliable information in a manner that is easily operationalized in existing business models.

2. Non-Tailored Advice Lowers Costs and Enhances Investor Education

By allowing OEO dealers to provide non-tailored advice, the OSC would be helping to close an advice gap by making non-tailored advice more easily accessible to the investing public. In OSC Staff Notice 11-796, *Digital Engagement Practices in Retail Investing: Gamification and Other Behavioural Techniques*, the OSC acknowledged that certain techniques could be employed in a manner that has positive influences on retail investors such as encouraging or improving:

- deposits to investment accounts,
- diversification of the investor's portfolio, and
- monitoring progress towards long-term retirement savings goals.

We agree that investor education and awareness campaigns are beneficial to our clients. Our focus is on the client experience through their investment journey and we want to be able to provide helpful information and tools, such as links to relevant resources. Client needs are evolving and changing, not just from a product perspective, but how clients look to be serviced. This will only accelerate with the growth of digital advice and new artificial intelligence technologies. With appropriate guardrails, OEO channels should be permitted to keep pace with client demands. This requires a regulatory framework that can be responsive and flexible in a way that allows DIY clients to access the information they are looking for from a reliable source.

3. Stakeholder Engagement to Better Support Innovation and Modernize Regulations

TD supports the OSC's commitment to solutions that balance innovation and technological advances in the financial sector, with investor needs and safeguards. In our view, to achieve this

balance, requires constructive dialogue between the regulators and market participants, including investors. We invite the OSC to actively engage and consult in advance with industry participants on the development of new guidance and requirements. For instance, we generally support the comment letter submitted by the Investment Industry Association of Canada on the matter of non-tailored advice in OEO channels and we encourage regulators to maintain an open and continuous dialogue with stakeholders to achieve this priority.

We appreciate the opportunity to provide our comments and welcome the opportunity to discuss these important issues with you in further detail. Should you require any further information please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to be 'Paul Clark', written over a horizontal line.

Paul Clark
Executive Vice President, Wealth Advice
Ultimate Designated Person, TD Waterhouse Canada Inc.