199 Bay Street, 5th Floor
Commerce Court West
Toronto ON M5L 1A2
Tel: 416-943-5965

June 9, 2017

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Financial and Consumer Services Commission (New Brunswick)
Manitoba Securities Commission
Nova Scotia Securities Commission
Ontario Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Dept. of Justice and Public Safety, PEI
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Nunavut
Superintendent of Securities, Yukon

Submitted via email: comments@osc.gov.on.ca; consultation-en-cours@lautorite.qc.ca

Re: CSA Consultation Paper 81-408 – Consultation on the Option of Discontinuing Embedded Commissions

Dear Sirs and Mesdames,

Canadian Imperial Bank of Commerce ("**CIBC**" or "**we**") is pleased to provide comments on the Canadian Securities Administrators' ("**CSA**") Consultation Paper 81-408 *Consultation on the Option of Discontinuing Embedded Commissions* (the "**Paper**") which consults with stakeholders on the potential option of discontinuing embedded commissions and transitioning to direct pay arrangements in Canada. CIBC directly, and through its subsidiary, CIBC Asset Management Inc., manages several families of mutual funds. In addition, several CIBC subsidiaries provide dealer services to clients through which mutual funds are sold.

We support the CSA's goals of increasing transparency, reducing the complexity of fund fee structures and achieving investor awareness, understanding and control of dealer compensation costs. We are also supportive of the CSA's desire to ensure fair, efficient and competitive capital markets. However, we believe that the CSA should carefully consider the impact of regulatory initiatives that have been recently implemented to address many of the same objectives as the Paper and consider the potential unintended consequences of discontinuing embedded commissions before making any broad regulatory changes.
Our response will not address all of the specific questions posed by the CSA, but rather will highlight what we view as important considerations, including the potential impact on investor choice and access to advice. In addition, CIBC has participated in working groups established by the Investment Fund Industry of Canada ("**IFIC**"), the Investment Industry Association of Canada ("**IIAC**") and the Portfolio Management Association of Canada ("**PMAC**"), to study the Paper, and we share many of the concerns raised in the IFIC, IIAC and PMAC response letters.

Discussion

Assess the Impact of Recent Regulatory Changes and Proposals

The CSA has recently implemented new rules which are aimed at improving investor awareness and understanding of fees and performance under point of sale disclosure ("**POS**") and the client relationship model phase 2 ("**CRM2**"). The CSA has also consulted on a proposal to enhance the relationship between clients and their advisors and dealers through CSA Consultation Paper 33-404 *Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives Toward Their Clients* ("**CSA CP 33-404**"). POS and CRM2 have had an impact on the disclosure of mutual fund fee information, including information related to trailing commissions. These initiatives are expected to increase investor awareness of the costs of investing in mutual funds and address many of the CSA's concerns discussed in the Paper. We are of the view that Canada has a regulatory framework that is aimed at addressing many of the investor interest concerns highlighted in the Paper and that a thorough assessment of the impact of POS and CRM2 and any potential impact of the proposals outlined in CSA CP 33-404, if implemented, should be made prior to any discontinuation of embedded commissions. Consequently, we encourage the CSA to ensure that, before it proceeds with any further regulatory action, it gives adequate time to allow for a meaningful assessment of the impact of any such action.

Unintended Consequences

We are concerned that proceeding with a discontinuation of embedded commissions without carefully exploring the impact of this change could have unintended consequences. We believe that eliminating embedded commissions may disproportionately impact less affluent Canadian investors and, in particular, those investors that deal with smaller independent dealers. Such investors may be unwilling to pay for, or appreciate the value of, advice in a direct pay model. Nor is it clear that such investors would be inclined to obtain advice from robo-advisors as is suggested by the CSA. This and other unintended consequences need to be properly addressed in the consultation and should be reflected in any possible final proposed implementation timelines to allow market participants sufficient time to structure their operations, educate their clients and refine their offers.

Conclusion

CIBC supports the CSA's efforts to increase investors' awareness and understanding of the costs of owning mutual funds so that they can make informed investment decisions. We are of the view that many of the potential regulatory actions outlined in the Paper could have significant unintended negative consequences for investors and market participants. In addition, CIBC encourages the CSA to carefully monitor and assess the impact of current regulatory initiatives in Canada and internationally before taking steps to propose further changes in Canada.

We thank the CSA for this opportunity to provide comments on the Paper and look forward to participating in further discussions.

Yours truly,

Steve Geist
Senior Executive Vice-President and Group Head
Wealth Management