

July 4, 2018

Canadian Securities Administrators  
The Secretary Ontario Securities Commission  
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Toronto, Ontario  
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comments@osc.gov.on.ca

### Proposed Changes to National Instrument 31-103

I am writing to you on behalf of Farm Business Consultants (“FBC”) and FBC Financial & Estate Planning Services Inc. (“FEPS”) in regards to comments relating to the proposed changes to section 13.8 Referral Fees.

#### Background

FBC was founded in 1952 to provide small businesses and farms tax preparation, bookkeeping, payroll & other services. Today, FBC represents over 18,000 farms and small businesses (preparing over 50,000 individual returns) located primarily in rural centers across Canada.

FEPS was founded in 1998 to provide financial & estate planning services, including the sale of investment and insurance products, to rural farms and small businesses. Today, FEPS has close to 1,300 active insurance and/or investment clients.

FEPS currently provides complementary financial & estate planning plans and advice to its’ clients in anticipation that the client will purchase investment and insurance products from the advisors who represent FEPS. FEPS is contracted with qualified financial and/or estate planners across Canada who are also licensed to sell mutual funds and/or securities and insurance.

FEPS advisors travel throughout rural Canada providing financial and/or estate planning advice to rural Canada where this type of advice is scarce and in many cases, unaffordable.

Rather than charge the client a fee for this service, our advisors earn a commission on any insurance or investment product sale emanating from the financial/estate plan.

For this fee, we provide our clients with the ability to call our main office and we’ll investigate and answer any question they have regarding financial and/or estate planning. If we are not licensed to answer a specific question, we will have one of our advisors answer the question. We also provide our advisors and clients with a plethora of tools, presentations, newsletters dedicated to educating and providing information to our clients.

FEPS shares in any revenue generated through the use of split commissions (FEPS Is life insurance licensed) for life insurance or referral fees with various mutual fund or securities dealers. FEPS discloses such referral fees in the manner currently prescribed by the MFDA or IIROC.

## Proposed Changes

The proposed changes to section 13.8 and 13.8.1 are very problematic for our business model and our clients. The changes would impact the manner in which our clients receive advice, and in many cases would inhibit access to advice based on cost.

In addition, the proposed changes would essentially eliminate the ability for FEPS to share in the revenue generated through the sale of investment products as it is not currently a MFDA or IIROC licensed entity.

The impact of the proposed changes would result in the following:

- i. Assessing a Financial and/or Estate Planning Fee to each client.
- ii. Limit client access to only life insurance and segregated fund based products.
- iii. Stop providing clients with financial and/or estate planning advice.

Regardless of the solution, the proposed amendments would result in a drastic change to our business model and the manner in which financial & estate planning advice is dispensed to our clients.

As the registrant is the individual providing the advice; he/she must follow the rules and regulations pertaining to such registration regarding suitability, therefore, it's unclear as to what the proposed changes are trying to achieve.

It's not the responsibility of the CSA to monitor and dictate business models, rather, it's to regulate and monitor unfair, improper or fraudulent practices while fostering fair and efficient capital markets. If a client agrees to pay a registrant or non-registrant part of the fees and/or commissions generated, why must the CSA interfere? Also, why must the CSA determine and interfere with the amount of fee paid or the length of time the fee is paid. Is that not up to the client to determine what he/she is willing to pay? If they chose to imbed these fees as part of an ongoing trailer fee; isn't that up to them? Many Canadian's can't afford to pay the fees necessary to receive financial & estate planning advice and therefore, choose to receive the advice by paying a commission or higher trailer fee. What's unfair, improper or fraudulent about these practices?

If someone chooses to specialize in a field of work, for example, financial and/or estate planning advice and chooses to refer his/her clients to an investment specialist who is MFDA or IIROC licensed, why shouldn't they have the ability to embed their fees, if the client so chooses, in the fees already borne by the investor? Many clients don't want to pay the cost of the advice out of pocket and would prefer the investment specialist work with the financial and/or estate planner share in the fees charged on their account.

Finally, in regards to non-registrants receiving referral fees vs. registrants; what's the difference in advice if a registrant refers a client to another registrant for advice? What value is the registrant adding to the process. I would argue that the non-registrant is likely adding a different type of advice and is working with the "registrant" to the mutual benefit of the client. What about referring to robo-advisors? What's the difference between a non-registrant (for example, life licensed individual) referring a client to a ROBO advisor and receiving a referral fee vs. that of a registrant? Ultimately, there has to be value added before a client will pay anyone, anything. A client will not sign a referral disclosure document unless they feel value has been added by the registrant / non-registrant referring party.

In summary, there is no clear evidence the changes to 13.8 and 13.8.1 of the proposed NI 31-103 amendments will result in improved investment advice, investor oversight or reduced costs to the consumer. Rather, we believe that clients served by these types of arrangements will not receive the type of advice they're looking for and/or will receive it at a greater overall cost. It is our opinion that no changes should be made to 13.8 and 13.8.1.

Regards,

Ken Rousselle, CFP, CLU, Ch.FC

Director, FBC Financial & Estate Planning Services