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To the members of CSA:

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

**Re: CAILBA comments on proposed amendments to National Instrument 31-103
“Registration Requirements, Exemptions and Registrant Obligations”**

The Canadian Association of Independent Life Brokerage Agencies (“CILBA”) wishes to thank the CSA for the opportunity to comment on the proposed amendments. CAILBA is a voluntary trade association that acts as the single voice for Managing General Agents (MGAs) across Canada. Working closely with our insurance carrier counterparts, we help our members to stay abreast of change and to effectively implement compliance and regulatory updates that support fair treatment of consumers. We foster best practices across Canada in order to better the insurance industry and build unity in the MGA community nationally.

CILBA believes that the amendments proposed are generally quite consistent with requirements in the life insurance industry and with the emerging Fair Treatment of Customers standard and will generally have the desired impacts in enhancing the client-registrant relationship.

In particular, we support the decision not to create an overarching and rigid best interest standard, but rather to create more targeted and practical reforms of conflicts of interest and suitability requirements.



The revisions to the KYC requirements are particularly consistent with the Fair Treatment of Customers and needs-based selling requirements in the life insurance industry and serve to create more customer-centric rather than account-centric activity. Enhanced fact-gathering will assist advisors in their analysis and recommendations.

The proposed requirements for KYP identified in 13.2.1(1) through 13.2.1(6)(7) are of particular interest to us. If implemented, we would expect that the quality of recommendations made by investment advisors, particularly in matching the risks and rewards associated with an investment to the risk tolerance and expectations expressed by the customer, will improve significantly. Clearly, this addition is consistent with Fair Treatment of Customers requirements.

CAILBA fully supports the proposed specific suitability determination requirements. In particular, 13.3(2) is fully consistent with Fair Treatment of Customers requirements in that it imposes an ongoing responsibility to perform suitability determinations over the course of the client relationship.

In reference to conflict of interest revisions, we support the introduction of conflicts of interest that must be avoided and believe these will reduce the risk of fraud, among other things. We also believe that 13.4.5, which requires disclosure of material conflicts of interest, is quite necessary. However, we are concerned that, even with best efforts, an investment advisor and firm would not always be able to fully identify the potential impact and risk of a particular conflict on the client or that there will be satisfactory ways to address all conflicts in the “best interest” of the client. What is in the client’s best interest is, after, all the client’s decision to make after all available information is presented. We assume that the intention is to allow clients to make these determinations based not only on the outcome of recommended investments. Therefore, some form of client validation of “best interest” is advisable.

In reference to referral fee revisions in 13.7, CAILBA would like to ensure that “registrant” includes other financial services businesses and professionals such as insurance advisors. Almost all major investment dealers and national accounts businesses maintain relationships with insurance advisors, often through affiliated firms. When specialized expertise is needed, allowing payment of referral fees by these firms and individuals may often be more advisable than requiring investment advisors to receive commission and maintain licenses for selling products they do not fully understand. We believe this might serve to reduce the number of insurance-related complaints against investment advisors.

CAILBA fully supports the recommendations made regarding RDI. We believe that full disclosure to the customer, above all else, is necessary and is the most significant action registrants can take to maintain appropriate relationships with their customers.



Regarding the question you raise regarding referral fees, CAILBA does not believe that “nominal” compensation on a one-time basis is always an appropriate response to an advisor from one financial sector entrusting the client to a potential competitor advisor. Often there is a significant amount of information-sharing and communication involved. We do believe that failing to allow referral fees to non-registrant but licensed advisors will limit the customer’s choices.

In summary, CAILBA fully expects that the key concerns identified in CP 33-404 may be addressed partially or in full, with few exceptions, as a consequence of these substantial amendments, which will result in the fair treatment of customers.

On behalf of our CAILBA members, we wish to thank you again for the opportunity to comment on these very important issues. CAILBA looks forward to further collaboration with CSA on these important issues.

Best regards,

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