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Bob Christie
Chief Executive Officer
Financial Services Commission of Ontario and
Superintendent of Financial Services
5160 Yonge Street, Box 85
Toronto, Ontario
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Dear Mr. Christie:

Re: FSCO Statement of Priorities for Fiscal 2007/2008

Advocis appreciates the opportunity to provide comments to the Financial Services Commission of Ontario (FSCO) regarding its Draft Statement of Priorities for Fiscal Year 2007/2008 (the "Statement").

Advocis, the Financial Advisors Association of Canada, is a national professional association that is committed to preparing, promoting and protecting financial advisors in the public interest. We do this by providing a professional platform including career support, designations, best practices direction, education, timely information and professional liability insurance. This strengthens the relationship of trust and respect between financial advisors and their clients, the public, and government. Advocis is Canada's oldest and largest voluntary professional membership association of financial advisors representing life and health insurance licensees, and mutual fund and securities registrants across the country.

As FSCO is the regulatory body for insurance intermediaries in Ontario, its strategic priorities and activities directly impact the members of Advocis.

Key Challenges

The Statement identifies a number of key challenges that FSCO must take into account in developing its strategic priorities. We agree that it is important to recognize that financial services stakeholders are increasingly calling for national rather than local solutions to regulatory issues. This is a direct result of emerging global market conditions, which drives at Canada's ability to compete internationally.

It is vital that regulators anticipate and react to changing market conditions. We welcome the development of mechanisms that will facilitate harmonized solutions for national issues. The

Statement outlines that FSCO requires the adoption of refined methods of multi-sectoral regulation that address issues facing financial services providers both large and small, in a manner that best utilizes resources. Moreover, risk-based methods of regulation provide a means to achieve this objective, by using regulatory resources more efficiently and in areas where they have the greatest potential return.

Advocis agrees with this approach in principle. However, we would add that, in taking a risk based approach, regulation can and should be complemented with a principles-based approach to implementing regulation as has recently been the case in the development of the principles around managing conflicts of interest for insurance intermediaries. Once it was determined by the Industry Practices Review Committee (IPRC) of the Canadian Council of Insurance Regulators (CCIR) and Canadian Insurance Services Regulatory Organizations (CISRO), which FSCO chairs, that no illegal practices were occurring in Canada, the IPRC decided the best course of action was to examine the implementation of principles by the industry, especially given that no significant problems existed. This demonstrates an appropriate regulatory response to the circumstances that is risk-based at its rudimentary level.

We agree with FSCO that, while innovation in the financial services marketplace has empowered consumers providing them with more products and services to choose from than ever before, the complexity of a more diverse marketplace has made it more difficult for consumers to make well-informed choices. Advocis has taken a leadership role in ensuring that consumers of life and health and accident and sickness insurance products are well informed and that the products are suitable to meet the needs of consumers. Its guidelines on suitability and the tools and templates to facilitate this process have been well received in the marketplace. This demonstrates that a principles based approach to regulation can work effectively and needs to be evaluated as a first alternative before prescriptive rules and regulations are adopted.

We applaud FSCO for recognizing the importance of the fact that consumers are turning to professionals increasingly for assistance when making financial decisions. Therefore, consistency in the delivery and advice of financial products and services is vital and Advocis as the largest association of professional financial advisors has the vehicles to achieve this through, for example, its Best Practices Manual and Continuing Education programs. We would encourage FSCO to give consideration to examining in greater detail the capabilities of Advocis in promoting widespread compliance of principles based regulation through its proven industry tools and techniques.

Strategic Priorities

In order to respond to these challenges, FSCO has identified the following key strategic priorities:

- I. Promote a coordinated national approach to regulatory issues.
- II. Enhance the risk-based approach to regulation.
- III. Review and recommend amendments to the regulatory framework to keep up with changes in the marketplace.
- IV. Improve delivery of services.

The following specific comments relating to these priorities are in respect of the areas that coincide with the priorities of Advocis and those that directly impact our members.

Promote a coordinated national approach to regulatory issues:

We support FSCO in its effort to develop harmonized regulatory solutions through its participation in national bodies such as the Joint Forum of Financial Market Regulators (Joint Forum) and the CCIR. Efforts in these organizations will lead to a greater degree of consistency in the manner in which financial services intermediaries are regulated across Canada. That being said, it is extremely important for policy development processes to be transparent and openly consultative in nature as the intent should be for all provinces to adopt a common approach. Furthermore, once an agreed upon common approach is developed with input from industry and all other key stakeholders, it is important that individual regulators within these umbrella organizations, such as the CCIR, follow the recommendations where appropriate and applicable in their respective jurisdictions if national harmonization is to be achieved. If this does not occur, it defeats the main objectives of these types of initiatives within these organizations, diluting their effectiveness. More importantly, it creates an uneven playing field where intermediaries in some jurisdictions are regulated differently than intermediaries in other jurisdictions.

As Chair of CCIR's and CISRO's Industry Practices Review Committee, FSCO has been extremely effective in guiding the process which resulted in the development of an appropriate principles based approach to managing conflicts of interest for insurance intermediaries. Advocis commends FSCO for its transparent consultative approach throughout all stages of this initiative and hopes that this approach will be taken for all regulatory initiatives in the future. We will continue to assist FSCO as it monitors the achievements of principles for managing conflicts of interest in the insurance industry.

Advocis has been actively participating with FSCO in its efforts through the Joint Forum to harmonize point of sale disclosure for Individual Variable Insurance Contracts (IVICs) and mutual funds. This is an important national initiative, thus it is important for the Joint Forum to get significant buy in from all key stakeholders before finalizing a mandated point of sale disclosure template for IVICs and mutual funds. Advocis believes that the Joint Forum would benefit from a roundtable industry consultative approach to determine the most appropriate disclosure format for the point of sale documents. We understand that the Joint Forum will be issuing a consultation paper on this and it is hoped that a common, cost-effective approach can be agreed upon. This will enable FSCO and other regulators within the Joint Forum to effectively promote equivalent consumer protection for the sale of IVICs and mutual funds.

FSCO has also identified the priority to work with the Ombudservices (Ombudsman for Banking Services and Investments, Canadian Life and Health Insurance OmbudService, General Insurance OmbudService) to define performance standards for dispute resolution services; build appropriate measurement and reporting systems around those standards; and promote harmonization and consistency among the industry level OmbudServices. Advocis is encouraged that FSCO continues to engage a broad range of players in the consumer redress system for financial services regarding their efficiency and effectiveness. We would encourage FSCO and other regulators to move quickly to implement systems and to build in elements of transparency and accessibility to permit access and timely reporting to the public.

Advocis was recently asked to participate on the Joint Forum's Industry Task Force to Review the Guidelines for Capital Accumulation Plans (CAPs) released by the Joint Forum in 2004. It is extremely important to measure the success of their implementation and determine if any additional work is required in this area. Advocis was a key stakeholder when the Guidelines were first developed and introduced, and agrees with FSCO through its leadership role in the

Joint Forum that a review at this early stage will assist in determining the effectiveness of these principles based guidelines.

Advocis is supportive of FSCO's initiative through the CCIR to put forward a model for privilege for documents created as part of insurer risk self-assessments. It is hoped that privilege is extended beyond the level of insurance company to apply to intermediaries as well.

Review and recommend amendments to the regulatory framework to keep pace with changes in the marketplace:

As the regulator for provincial pension plans, FSCO has been very active in the development of pension statutes that would serve as a model for federal and provincial governments to consider when they are making amendments to their pension legislation. Advocis believes that harmonization in this area is of vital importance, and will be taking a more active role in the future as a key stakeholder to assist FSCO in achieving this objective. Advocis also intends to provide its expertise in assisting FSCO and the Ontario Government with the examination of legislation that governs the funding of defined benefit pension plans, the rules relating to pension deficits and surpluses and other issues relating to the security, viability and sustainability of the pension system in Ontario.

In closing, I would be pleased to discuss our comments with you and look forward to working with FSCO to support its mandate of protecting the public interest and enhancing public confidence in the regulated financial services sectors. If you have any questions, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to be the initials 'AD' followed by a stylized flourish.