

November 15, 2016

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Financial Sector Policy Branch  
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Emailed to: [LegislativeReview-ExamenLegislatif@canada.ca](mailto:LegislativeReview-ExamenLegislatif@canada.ca)

Dear Sir/Madam:

Thank you for the opportunity to comment on the Consultation Document for the review of the Federal Financial Sector Framework. We do look forward to participating in the review and consultation of the Policy Paper that will be developed in 2017.

The Registered Deposit Brokers Association (RDBA) was formed in 1985. Previously to this, independent deposit brokers were individuals not associated with other financial industry organizations and effectively were considered a cottage industry or 'mom & pop' shops if you will. Thirty some years ago, a group of these deposit brokers got together and determined to change that perception by building a national organization of professionals that would be respected by Regulators and Government Agencies and being even more trusted by consumers throughout Canada. Their purpose was to establish an organization that demanded a high level of integrity, compliance and best practices. The Federation of Canadian Independent Deposit Brokers (FCIDB), as it was then known was formed. The RDBA is governed by a Board of Directors made up of both Financial Institution members and Broker members. This unique dynamic of both Manufacturers and Distributors work together for one common purpose and one respected industry.

The RDBA has developed a strong representation of our industry across Canada that provides the opportunity for our members to serve Canadian consumers well through up to date training courses, compliant and industry accepted forms, stringent on boarding process for membership, annual compliant questionnaire, annual requirement of AML training with an online exam and a broker audit process. We continue to develop electronic systems that not only are compliant but will assist our members to be prepared for the technological demands of the 'new' world. From our start over 30 years ago, we have met our original determination and enjoy a wonderful working relationship with Regulators and Government Agencies. Our growing industry and client base has earned the trust and respect of consumers all across Canada.

The RDBA and its members sincerely appreciate the opportunity we have to help our clients manage their financial needs in a strong, stable & secure financial system for which Canada is envied throughout the world!

Thank you for your overview of the Canadian financial landscape. We would strongly agree with your core policy objectives of Stability, Efficiency and Utility. We find ourselves striving towards those same goals in our industry. Stability and security is essential for consumers. The need for efficiency is being increasingly demanded but requires the need to mitigate inherent risks to consumers. Independent Brokers form an essential and competitive service to Canadian consumers helping them understand their varied options and effectively achieving their financial goals. May we make the following points in response to the Consultation Paper and your questions.

1. One of the most demanding trends that the financial industry faces is the push by consumers and the industry to find faster and more efficient means to transact business while at the same time maintaining adherence to compliance with regulations.
  - a. The drive to a higher level of efficiency increasingly demands the need for standardization of procedures which typically has not been achievable to date.
  - b. Most institutions interpret the regulations inconsistently with their peers and the varying compliance requirements create confusion when Brokers are assisting clients. There is a growing level of consumer resistance with the level of personal information and ID that is demanded and that needs to be continually updated.
  - c. The area of finding appropriate financial advice has been thrown open to the world where consumers can find information on financial planning from sources on the internet that do not comply with our domestic advice regulations. Inappropriate and unbalanced advice is provided from sources that have not achieved the minimum standards of the advice channels in Canada. Financial literacy especially amongst youth needs to promote the fundamental basics of planning.
  - d. There is an increasing need to have compliant electronic processes for financial transactions, (ID, EFT, Data Transfer, Authorization), that incorporates industry standards which will promote level playing fields for all brokers and institutions.
  - e. Brokers are finding it increasingly difficult to appropriately identify senior Canadians who no longer drive or travel and are living longer. This same group, which is growing as per your landscape overview, continues to desire traditional financial products, transactions and processes. They have a fear that these transactions and processes soon will not be available to them as institutions either eliminate these processes or increase the fees for them.
  
2. Fintech provides a much higher level of efficiency for our deposit industry. Our association continues to leverage these technologies to the benefit of our clients and members. As you stated in your paper, this has produced a fast growing opportunity for tech companies. Our concern would be the management of this developing service industry, its compliance to regulation and privacy, ensuring adherence to AML requirements and the protection of financial industries & consumers against financial loss. Additionally:
  - a. Senior Canadians have a high level of fear of new technologies and electronic transactions.
  - b. Young Canadians may be over embracing and accepting technologies with minimal consideration of personal risks.
  - c. Promoting compliant standards for electronic non face to face financial transactions is essential.
  - d. Assuring all Canadian consumers that the new technologies and processes are secure and their assets are safe in this computer age is vital.
  
3. Deposit Brokers provide an essential diversification and competitive option for clients. Their personal relationships and processes with clients increase their client's financial literacy and confidence. Brokers represent a number of Institutions in various Financial Industries and from a variety of jurisdictions (Federal, Provincial). As such, deposit brokers need to comply with multiple sometimes conflicting regulations by the different regulators each representing their different area. It seems that each regulator and watch dog agency is developing rules and policies without the consideration of their effect once added to other levels of regulation. Although it may cover or hopefully eliminate some Regulator concerns, they substantially increase the administrative demands on the 'troops in the trenches, (Independent Advisors), who struggle to comply with

all. This increased administrative process is putting significant pressure on bottom lines for segments of the industry. What tends to happen in light of this is:

- a. Brokers may end up exiting the industry because they can no longer manage a profitable service to consumers.
- b. It tends to drive consumers to the larger institutions with the deeper pockets.
- c. This begins to eliminate diversity in the financial industry, minimize consumer choice or option and reduce healthy competition.

4. The increased regulation and rumoured changes to allowed industry compensation will have a very negative effect on consumers. Independent Advisors generally provide a very personal level of advice and help our Canadian Youth get well founded in sound financial practices. This relationship does not promote a 'one model fits all' approach. Rather it encourages a plan specifically developed to individual needs and objectives. There is a higher level of financial literacy amongst Broker clients. Consumers just beginning in small ways to plan and invest for their future cannot afford to pay fees which essentially will eliminate any early financial gains.

To a large degree the Canadian Financial Sector continues to help and serve our consumers fairly well. Removing components of this sector would remove consumer choice and service options. Ensuring stability, efficiency and utility especially in light of new technologies is essential to the future success of our system.

Once again we are very thankful to have this opportunity and remain committed to the consultation and review process of the Canadian Financial Sector. We look forward to communicating with you further in the months to come.

Yours sincerely,

REGISTERED DEPOSIT BROKERS ASSOCIATION



Brian J. Evans, Chair, Board of Directors