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Dear Sirs/Mesdames,

Re: Proposed Personal Financial Dealing Amendments

The Investment Industry Association of Canada (the "IIAC") is pleased to provide further comments on the proposed amendments to the Personal Financial Dealing Rule (the "PFD rule").

At the outset, the IIAC would like to commend IIROC for responding to member firm concerns regarding the PFD rule as originally drafted. For many firms, both large and small, the original rule would have caused significant cost and administrative burdens related to the requirement to disclose and obtain pre-approval whenever employees engaged in a permitted personal financial dealing. By limiting the requirements to registered representatives ("RRs") or investment representatives ("IRs"), IIROC has recognized the importance of focusing on those individuals dealing directly with clients and not casting the net too broadly to capture unregistered employees of member firms. For many firms with thousands of employees, compliance with such a broad-sweeping rule would have presented numerous challenges.

By instead incorporating the PFD prohibitions into the Conflicts of Interest Rule, IIROC has recognized that the fundamental priority under the PFD rule is the management of conflicts of interest that flow from such dealings. This allows member firms to make the appropriate assessment to determine if a specific personal financial dealing must be avoided or can be addressed in a manner that is consistent with the best interests of the client. This will also help to avoid including some personal financial dealings which may have been unnecessarily captured in the previous proposed rule. The IIAC agrees that moving the key provisions of the PFD rule to Rule 42, Conflicts of Interest, is the correct approach.

Additionally, the IIAC appreciates the amendments to the requirements related to trustee or executor appointments of the RR or IR. IIROC staff heard the concerns of the IIAC and its members regarding how many unrelated clients wish their advisor to act as a trustee or executor. These clients trust and rely on their advisors regarding their financial affairs and often have had long term relationships with their advisors. Many clients wish to choose their own advisor to act in this capacity and often have no one else that they trust to the same degree. These clients may also not wish to seek out lawyer with whom they have no relationship to take on this role. Further, some firms expressed concern regarding the competitive disadvantage that they would face as compared to those bank-owned members with affiliated trust divisions. We are pleased that IIROC staff acknowledged these issues and have amended the PFD rule accordingly.

The IIAC agrees with the requirements to re-assign the account to an appropriate and independent advisor and the additional supervisory controls necessary.

The IIAC and our members recognize that assignment itself may not be sufficient in all circumstances to appropriately address the conflict of interest and members have obligations under Rule 42 to ensure that conflicts are properly considered.

Further, our members recognize the need to have adequate policies and procedures in place to ensure that conflicts are addressed in a fair, equitable and transparent manner. To that end, members have indicated that their policies and procedures to supervise these accounts may include the following:

- 1) The account would still be in the Pro range and subject to all the Pro account reviews.
- 2) An advisor acting as an executor or trustee, would be considered to be engaged in an outside business activity and as a result, would be required to disclose the activity to the firm and receive pre-approval. Additionally, an OBA would have to be disclosed annually on the Annual Certification to the firm.
- 3) A post trade/order entry review would confirm that the order was entered by the arm's length advisor.
- 4) On the cash side, firms would prohibit funds going out to anyone other than the "Estate" or the beneficiary of the trust.

5) Firms would not permit a joint advisor code on the account or permit the advisor acting as executor or trustee to have any other system access to the account.

6) Some firms have indicated that they would establish a Conflicts Committee comprised of senior management of the firm (i.e. CEO, CFO and CCO) to review the independence of the advisor and to assess any possible conflicts and the manner in which they are addressed.

In closing, we welcome the opportunity for a continued dialogue with IIROC on the Personal Financial Dealing rule and would be pleased to discuss this submission should you have any questions.

Yours sincerely,

M. Alexander