



July 24, 2014

Via Electronic Mail m.bensalem@iosco.org
consultation-2014-03@iosco.org

Mohamed Ben Salem
Senior Policy Advisor
International Organization of Securities
Commissions (IOSCO)
Calle Oquendo 12
28006 Madrid
Spain

Dear Mr. Ben Salem:

RE: Public Comment on the IOSCO Strategic Framework for Investor Education and Financial Literacy

We are writing to provide our Members' comments on the Consultation Report on the IOSCO Strategic Framework for Investor Education and Financial Literacy (the "Report") issued by the Committee 8 on Retail Investors (C8) in May 2014.

The Investment Funds Institute of Canada ("IFIC") is the national association of the Canadian mutual funds industry. Our Members include fund managers, distributors and industry service organizations (including accounting, legal and other service providers). The Canadian mutual fund industry is comprised of investment fund managers that sponsor, manage and administer funds, and dealer and broker firms that distribute funds' securities. As of June 2014 the mutual fund industry in Canada represented about CAD \$1.1 trillion in total assets under management in highly-regulated, publicly offered mutual funds.

Strategic Approach to Investor Education and Financial Literacy

IFIC welcomes and supports IOSCO's initiative to set out a strategic framework for the development of member programs for investor education and financial literacy. We believe that international guidance in these areas can help to enhance investor protection, build investor confidence, and encourage more engagement by investors in their own financial planning and decision-making. We share these objectives and offer comments in this letter that we believe will help to support these goals.

To assist in this endeavour, C8 members have identified a number of practices that have been useful in designing and implementing investment education and financial literacy programs for retail investors. We agree with these principles and offer suggestions for further improvement in 3 specific areas: 1) recognition of the key role that advice plays in investor education; 2) importance of consulting with the financial industry; and 3) involvement in early education through elementary and high school curriculum-based programs.

A role for financial advice

It is through working with an advisor that most investors learn to define their goals and understand how to structure their savings and investment contributions to realize the benefits of saving. They also acquire the discipline required to maintain an investment plan over a number

of years. This is shown by research to be one of the most important determinants of long term success for investors.

The role for financial advice in investor education is an important one, and it is continually being enhanced. In Canada, for example, a great deal of regulatory attention has been placed on getting information to the investor when they first begin working with an advisor and at or before a decision is made to invest. Rules are currently being implemented for Point of Sale disclosure and the Client Relationship Model which will ensure that investors have access to clearer and better information about their investments and how their advisors are compensated at these key learning points. Canada's mutual fund industry has welcomed these changes and believes that they will result in better informed, more knowledgeable and more engaged investors over time.

IOSCO's strategic framework would benefit from a more explicit recognition of the pivotal and growing role of the advisor in delivering investor education and financial literacy.

Consultations with the financial industry

The principles for coordinating and consulting with other groups are heavily weighted towards non-industry organizations. Practice 6 contains the only reference to collaborating with the financial industry, and this is qualified with a strong caution about conflicts of interest or the appearance of conflicts of interest in partnering with industry.

This, we believe, is an understatement of the role that the financial industry can play in helping to inform regulatory programs in this area. A best practice in this regard might be for regulators to seek input from, and collaborate with, the financial industry. Financial firms are the front line providers of financial products and services, and have the closest connection to investors, the best understanding of financial products, and the greatest access to research on investors and the market. Conflicts, if they appear to exist in seeking input from individual firms, can be managed by working through their industry associations which do not have marketing imperatives and can deliver unbiased information.

Our industry is deeply committed to developing better informed and more engaged investors and would welcome an opportunity to take a more active role in the investor education and financial literacy programs of our regulators.

Elementary and High School Curriculum-based Programs

For the majority of adults, the acquisition of detailed knowledge about financial matters occurs at what are commonly referred to as "teachable moments" – those points in time when the information is required in order to act upon it in the near term. But successful application of that knowledge almost always depends upon a solid foundation previously acquired. For example, understanding the relative costs of different mortgage terms requires an understanding of compound interest – a basic concept that can and should be included in basic lower and upper level school curricula.

In Canada, provincial governments are in the process of building financial literacy into school programs, using various approaches. In 2004, British Columbia was the first province to introduce curriculum-based financial literacy, building modules into its Grade 10 career planning course. More recently, the province of Ontario mandated financial literacy for grades 4-12, taking a more integrated approach, with financial literacy woven throughout many different subjects. In Manitoba, the Building Futures project helps teachers to integrate basic economic and financial education into the grade 4-10 school curriculum. A unique aspect of Building Futures – one that can serve as a model for many cash-strapped jurisdictions - is that it was developed through a partnership between the province, a social enterprise organization (the Canadian Foundation for Economic Education) that developed the content, and a financial services firm (Investors Group) that provided no-strings funding for both content and teacher training. Other provinces are expected to adopt similar models.

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We strongly urge IOSCO to include elementary and high school curriculum-based financial education in its framework, with recognition of the potential for leveraging social enterprise and private sector resources.

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We appreciate the opportunity to express our views. Please contact me at jcockerline@ific.ca or at 1-416-309-2327 if you have any questions about our comments, or if you would like to discuss them in more detail.

Yours sincerely,

THE INVESTMENT FUNDS INSTITUTE OF CANADA



By: Jon Cockerline
Director, Research