

Dear Mr. Stevenson.

Re - Proposed amendments to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations

I have been corresponding for the last 8 months with IIROC and a Bank owned dealer about the low quality of disclosure in the monthly statement that I receive from the dealer. The conclusions I have reached from this correspondence are as follows:

1. The Dealer has no interest in improving disclosure to clients without being forced to. Excuse: "because of the added cost".
2. IIROC is unwilling to enforce the existing provisions (they have a conflict of interest).
3. IIROC has re-written the existing the part of "National Instrument 31-103" that relates to client statements as IIROC Rule 200. This rule is applied in a way that accommodates the Dealer member's difficulty in reporting historical cost "book value" from records that do not naturally include such information. In this way they are allowing their members to avoid complying with National Instrument 31-103.
4. IIROC can not be trusted to comply with any modified version of National Instrument 31-103 without convincing compulsion. The minimum of showing the cost of investments once a year (IIROC - in the Client Relationship Model Proposals) is inadequate.
5. The new version of National Instrument 31-103 should be more effective at ensuring that statements include opening and closing balances on the account that includes both cash and all investments and keep track of the historical dollar amount of the dealer's "Fiduciary Responsibility" to the client. In addition, Statements should be required to include a list of current investments, including cash, disclosing cost "book value" and a total which, if the statement is correct, will agree with the closing balance of the account. This should be disclosed at least quarterly.
6. The ability to see and check that the account balance after all transactions adds up to the total of investments at month end is the one feature most likely to improve client understanding of and interest in statements.
7. Other information provided in conjunction with the statement such as Market Value, Asset Allocation, Return on Investment, and any other information regulated or desired by the dealer or client should be encouraged.
8. Regulations should allow for clear and succinct statements by encouraging detailed descriptions of transactions which may be required for disclosure in transaction confirmation notices to be abbreviated on statements. This might make statements more readable, understandable and read by clients.

It was my understanding from my reading in preparation to become an Investment advisor that the requirement of NI 31-103 to provide Statements to clients was motivated, at least partially, to provide a mechanism for reporting by clients of any errors in their accounts to Dealers and/or IIROC. Had NI 31-103 been implemented as I believe it should have been, clients would have received Statements which would have

shown opening and closing balances and all transactions in their accounts which would have shown how the historical dollar amount of their deposits had changed over the period. This is accounting for the dealer's fiduciary responsibility to the client for the funds deposited with the dealer. This function has been made completely ineffective by item 3 above and must be re-instated. If statements are made more meaningful, clearer and less verbose (Item 8 above), I believe clients will begin to read and understand them better and, I hope, respect the industry more.

A final thought – without accurate times and values of transactions in statements, such things as performance (ROI) are unlikely to be noticed or believed because people know intuitively that “if you can't show it on the statement it is unlikely that you can include it in a calculation that needs it”. I, as an investor, know or care little about the “technicalities of how investments are held” but I do know when I am not being told the whole story in my monthly statements. Nothing kills confidence and respect quicker.

Yours Truly

Hamish Porter