

5078 South Ridge Drive
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October 11, 2018

Dear - British Columbia Securities Commission,
Alberta Securities Commission,
Financial and Consumer Affairs Authority of Saskatchewan,
Manitoba Securities Commission,
Ontario Securities Commission,
Autorité des marchés financiers,
Financial and Consumer Services Commission of New Brunswick,
Superintendent of Securities, Department of Justice and Public Safety, Prince
Edward Island,
Nova Scotia Securities Commission,
Securities Commission of Newfoundland and Labrador,
Registrar of Securities, Northwest Territories,
Registrar of Securities, Yukon Territory,
Superintendent of Securities, NunavutCanadian Securities Administrators:

Subject: Proposed Changes to National Instrument 31-103

Recently I have become aware of these proposed changes. I am writing to advise that, based on my experience as a client, the proposal to restrict compensation paid by the Portfolio Manager to the Referring Party will not achieve the objectives you set out in your discussion paper.

This change will not result in me:

- receiving better quality tailored advice;
- having freedom from being “forced to select” from broad options;
- having my interests as a client being the foremost consideration in choosing investment products;
- achieving better diversification in my portfolio; and
- receiving lower cost services.

The reason your proposed changes will not result in me achieving these objectives is simple - I am already achieving them. Let me explain.

Using an oversimplified approach, your move to restrict compensation paid by the Portfolio Manager to the Referring Party is too narrowly based on a simple transactional relationship — in essence, remuneration to the Referring Party for delivering a client and his money to the Portfolio Manager.

My relationship with my financial advisor (Referring Party) is much broader, more complex, and enduring than a simple investment transaction or transactions. In fact, the transactional dimension of our relationship is but one dimension of our relationship, and is more accurately viewed as a specific action to progress toward my long-term financial objectives that we have discussed, developed and articulated over the near two decades of our relationship.

During this time, my financial advisor has counselled me on negotiating a severance arrangement, on maintaining or receiving the commuted value of a pension from a previous

employer, on resolving a dispute regarding value of a supplementary pension plan, on life and medical insurance for me and my spouse, investment of pension amounts, RRSP contributions, and most recently, retirement income planning and carrying out the extensive documentation facilitating conversion of RRSPs and LIRAs into monthly retirement income. All of this service has been provided even though the bulk of transactions through my advisor were made in the earlier stages of our relationship.

All these services have been tailored to my specific circumstances. I have not been “forced to select” from a standard list of predetermined options; plans have taken into account my family’s complete financial assets, NOT JUST THE FUNDS INVESTED THROUGH THIS FIRM. As well, we have met regularly to review circumstances, investment objectives, to update and adjust the financial plan, and discuss the cost of these services. With my financial advisor, I have met in person and by phone with representatives of the Portfolio Manager (who has a fiduciary responsibility to act in my best interest) to discuss portfolio questions and appropriate investments given my evolving needs.

Now that I am retired and drawing down my investments held through my advisor, the essence of the relationship described above is continuing. Contrast this to the likely scenario assuming your proposed limitations to Referring Party compensation have been implemented. My advisor would not be receiving income from my investments purchased through him because of the time limitation you propose. What incentive would there be for him to continue to be attentive to my needs, given the only outlook is for no financial return to him for any services provided? His priority would of necessity become clients who have funds to invest, for which he would earn financial compensation. One alternative would be for me to pay for these continuing services, but in the overall scheme of things, I clearly would not be receiving “lower cost services” which is one of the objectives of your proposed changes.

Under the current arrangements, my advisor is motivated financially to continue to meet my needs; he knows that if I become dissatisfied with his service, I and my money, are free to move elsewhere. Contrast this with the situation that would exist under your proposed changes — at the current stage in my investing life, he would likely be happy to see me go so he could devote his time and energy to revenue producing clients.

In conclusion, your proposed changes would not result in me being better off and most likely would find me worse off. This conclusion begs the question of “What precisely is motivating this proposed change?”

Indeed, if there are issues that you feel must be addressed, I urge you to go back to the drawing board to come up with solutions that accurately target the problem areas and do not harm individuals and Referring Parties and Portfolio Managers who today are engaged in business and client relationships that are already delivering to clients the results you are trying to achieve.

Yours truly,

William J. Henderson