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Financial and Consumer Services Commission (New Brunswick)
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CANADIAN SECURITIES ADMINISTRATORS CONSULTATION PAPER33- 404 PROPOSALS TO ENHANCE THE OBLIGATIONS OF ADVISERS, DEALERS, AND REPRESENTATIVES TOWARD THEIR CLIENTS

http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20160428_33-404_proposals-enhance-obligations-advisers-dealers-representatives.htm

You will likely hear from many in the industry. The consultation paper is complex and most small investors either do not know about the deliberations or would not find themselves comfortable addressing such a large daunting document. But the voice of the public is of utmost importance and needs to be heard. I want to try and be a voice for those persons. I need you to listen to the pain in the voice of this Canadian woman, a widow in her seventies with a dependent blind son at home and remember her as you make your deliberations.

http://unpublishedottawa.com/sites/unpublishedottawa.com/files/letter/41555/victim%20audio_3.mp3

[.victim audio.mp3](#)

I used to think regulators did not understand the plight of small investors. I can see from reading through your Consultation Paper and your summary of the research you requested, that you have a good understanding of many of the problems and issues small investors face. Now I can't understand why things have been left in such a horrible state for so long.

I am glad that we can at least agree that things cannot remain the same. I was pleased to read this the other day in the Financial Post:

"Industry representatives have also argued that new rules requiring greater disclosure of fund fees will improve outcomes for investors by giving them a better understanding of what and how they pay for advice. Jensen called these "critically important" changes, but said "disclosure alone is not enough." In her speech, she cited research from the National Bureau of Economic Research that she said suggests a combination of embedded fees and unsuitable portfolio construction has caused the investment returns of advised clients to lag passive market benchmarks by two to three per cent a year.

"The impact of these fees on investor returns is significant," she said. "Investors experiencing this kind of outcome on a consistent basis would never break even and would, in fact, be worse off." <http://business.financialpost.com/news/fp-street/canadas-market-watchdogs-look-at-fundamentally-flawed-embedded-fees-on-investment-funds>

I believe there has been more than sufficient research, discussion, roundtables, and feedback given to the CSA, what we need now-is action.

The financial advice industry must honour the complex trust being placed on them by those they **serve**.

The industry wants to be seen as a respected profession. The transaction based model does not reflect what consumers expect, nor what the wealth management industry portrays in the titles they give themselves and in their advertising to the Canadian public.

The investment industry is getting all the upside of a fiduciary standard, they enjoy the veneer of being a professional, they gain the trust of ordinary Canadians but then want nothing to do with the accountability that true professionals like doctors and lawyers have to adhere to.

They also need the requisite skill and training to handle giving advice regarding complex products, all while considering the unique needs of Canadian consumers at various points in their lives.

The industry must see past its own immediate self interest or it will fail to build a sustainable long term future. Otherwise lack of trust will increase as consumers become more aware of the situation that has for too long been hidden from their view. Technology may even disintermediate them faster than any further regulatory burdens and watchdogs will.

In reality a statutory fiduciary best interest standard will not only serve investors better but in the long run will decrease the red tape of regulation. By continuing to avoid a fiduciary standard regulators have to keep coming up with more and more rules due to new products and new issues that inevitably arise. To be blunt, it is much like sticking a finger in the dyke only to have another leak spring up elsewhere. Consumers are losing too much money, the industry is buried in paperwork and quite frankly the regulators are running out of fingers to stem the tide rushing in!

The structure is flawed. It needs a revamp. It is not a transaction based sales industry, it is an advice based industry. Continually working from a wrong premise will not bring about the desired results for anyone. If the foundation of a building is poor, it does not matter what you build on top of it, or how nicely you decorate the rooms in it. The foundation issue has to be dealt with first.

Canadians deserve advisers who acknowledge the high level of duty we are entrusting them with. Advice givers need to understand their role and have the requisite skill, training and supportive regulatory and industry culture going forward.

Canadians need real professionals who are willing to embrace the true role of a fiduciary professional adviser.

Respectfully submitted,

Debra A. McFadden