September 30, 2016

Josée Turcotte, Secretary, Ontario Securities Commission
Me Anne-Marie Beaudoin, Corporate Secretary, Autorité des marchés financiers

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
The Manitoba Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Nova Scotia Securities Commission
Ontario Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan

CSA Consultation Paper 33-404 – Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives toward their Clients

WealthBar is a Vancouver based online financial advisory firm. We are registered with Canadian securities regulatory authorities in British Columbia, Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Quebec and Saskatchewan as a Portfolio Manager.

At WealthBar, we provide a unique approach to wealth management by using technology, our specialized investment focus, low cost advice and the highest standard of client care. We offer financial planning and discretionary investment management services.

We are strong advocates of regulation reform, transparency and plain language disclosure that will strengthen clients' confidence and investment experience. We agree that NI 31–103 lacks specific requirements to prioritize the interests of the client when responding to conflicts. We thank you for the opportunity to comment on the proposed reforms. Please find our responses to your comment questions below.

1. Is this general approach to regulating how registrants should respond to conflicts optimal? If not, what alternative approach would you recommend?

We agree this is a satisfactory approach and do not have alternative recommendations.

2. Is the requirement to respond to conflicts "in a manner that prioritizes the interest of the client ahead of the interests of the firm and/or representative" clear enough to provide a meaningful code of conduct? If not, how could the requirement be clarified?

Yes.

3. Will this requirement present any particular challenges for specific registration categories or business models?

We do not foresee any significant challenges for our registration category or business model. We do expect this requirement to increase oversight resources and costs.

4. Do all registrants currently have the proficiency to understand their client's basic tax position? Would requiring collection of this information raise any issues or challenges for registrants or clients?

We would like some clarification as to the specifics that define "basic tax position." We have the ability to collect information about our clients' income, registered account types and balances, from which we provide simplistic tax optimization as to the different types of accounts to utilize and contribution proportions. We are able to do this as our business model provides financial planning which allows us to collect such information. In our opinion we feel that other business models do not have the resources in place to collect and understands such client information. Additionally, we have concerns about the over collection of personal information.

5. Should the CSA also codify the specific form of the document, or new account application form, that is used to collect the prescribed KYC content?

The CSA should not codify the specific form of the document, or new account application form, that is used to collect the prescribed KYC content. Registrants should have the flexibility to collect only necessary information required to make suitable recommendations, and this may be determined by the registrant's business model, services offered and advice provided including types of products being recommended.

Any forms used should be intuitive to complete, easy for the client to understand and only collect the information needed to operate the account to meet the client's objectives. All completed forms should be acknowledged by both the client and the representative, and record the time and date of the acknowledgment.

6. Should the KYC form also be signed by the representative's supervisor?

Where a representative requires supervision the KYC forms should be reviewed and approved by the supervisor prior to action being taken on a client's account.

7. Is this general approach to regulating how representatives should meet their KYP obligation optimal? If not, what alternative approach would you recommend?

This general approach is adequate. We recommend that the scope should be expanded beyond individual products to encompass complete portfolios that may be offered by some registrant categories and business models. While understanding individual products is important, so too is understanding how individual products work together in a portfolio.

8. The intended outcome of the requirement for mixed/non-proprietary firms to engage in a market investigation and product comparison is to ensure the range of products offered by firms that present themselves as offering more than proprietary products is representative of a broad range of products suitable for their client base. Do you agree or disagree with this intended outcome? Please provide an explanation.

We agree. Firms should engage in market investigation and product comparison. A better understanding of the product shelf, including market comparison, will lead to more appropriate product recommendations.

9. Do you think that requiring mixed/non-proprietary firms to select the products they offer in the manner described will contribute to this outcome? If not, why not?

The current reform may not contribute to the desired outcome, as it does not specify expectations of the size of a reasonable universe of products, nor does it provide guidelines as to the metrics that should be analyzed in the market investigation and product comparison. This could lead to disparate interpretations and methods among firms that does little to improve the suitability of recommendations.

10. Are there other policy approaches that might better achieve this outcome?

We cannot present alternative approaches to better achieve this outcome.

11. Will this requirement raise challenges for firms in general or for specific registration categories or business models? If so, please describe the challenges.

We do not expect this to raise challenges for firms.

12. Will this requirement cause any unintended consequences? For example, could this requirement result in firms offering fewer products? Could it result in firms offering more products?

The additional level of oversight requires resources. We expect that firms that offer fewer products will utilize less resources. This may lead to fewer non-proprietary solutions in the marketplace for clients.

13. Could these requirements create incentives for firms to stop offering non-proprietary products so that they can fit the definition of proprietary firm?

If there is a focus on mixed/non-proprietary firms which leads to an increase in costs some firms may decide to stop offering non-proprietary products.

14. Should proprietary firms be required to engage in a market investigation and product comparison process or to offer non-proprietary products?

Proprietary firms should also engage in a market investigation and product comparison to ensure their products are competitive and meet the client's objectives.

15. Do you think that categorizing product lists as either proprietary and mixed/non-proprietary is an optimal distinction amongst firm types? Should there be other characteristics that differentiate firms that should be identified or taken into account in the requirements relating to product list development?

We feel that such categorization is unnecessary and all firms should have a through knowledge of its product shelf including market comparison and ensure they are suitable for their client base.

16. Do you agree with the requirement to consider other basic financial strategies?

Registrants should understand a client's financial circumstances. Clients are going to registrants for investment advice. Informing clients of other basic strategies that may help them achieve their investment goals is the essence of financial advice. However, if clients seek more than basic strategies this should not prevent registrants from offering investment advice that involves the transaction of securities.

17. Will there be challenges in complying with the requirement to ensure that a purchase, sale, hold or exchange of a product is the "most likely" to achieve the client's investment needs and objectives?

We expect there to be some challenges. For example:

- Clients that want to hold legacy securities to which they have an attachment, and which in the registrant's view are not likely to achieve the client's investment needs and objectives.
- The registrant may need to perform transaction needed to keep the client on track to reach their objectives such as rebalancing which can result in taxable events that impact a client's cash flow. The client may not perceive such transactions which have a real impact on their cash flow to be beneficial to an non guaranteed expectation to most likely achieve their objectives.

18. Should there be more specific requirements around what makes an investment "suitable"?

Registrants and firms in the Portfolio Manager category have already been deemed to have the necessary qualifications and resources to classify the suitability of an investment for a client through the registration process. We recommend firms document their processes for determining "suitable" investments for clients.

19. Will the requirement to perform a suitability assessment when accepting an instruction to hold a security raise any challenges for registrants?

We expect there to be conflicts when clients want to hold securities which are in the registrant's view not suitable. Clients may have differing motivations for holding securities which conflict with the registrant's understanding of the clients' investment needs and objectives.

20. Will the requirement to perform a suitability analysis at least once every 12 months raise challenges for specific registrant categories or business models? For example, a client may only have a transactional relationship with a firm. Notices / News Releases April 28, 2016 (2016), 39 OSCB 4002 In such cases, what would be a reasonable approach to determining whether a firm should perform ongoing suitability assessments?

The requirement to perform suitability analysis at least once every 12 months should not raise a challenge. We feel that a suitability analysis should not be necessary when a representative leaves the firm for certain business models. For a business model where the firm has a rigid process for performing suitability analysis, all individual registrants of the firm follow this process, and the account is reviewed by more than one registrant there should not be a need to preform the suitability analysis prior to the 12 month anniversary in the event a registrant leaves the firm.

21. Should clients receive a copy of the representative's analysis regarding the client's target rate of return and his or her investment needs and objectives?

No. Providing clients with a copy of the representative's analysis regarding the client's target rate of return and his or her investment needs and objectives can create confusion and lead to a false sense of security. Target rates are subjective, rely on numerous assumptions that may not be easily understood by the client and are not guaranteed.

22. Will the requirement to perform a suitability review for a recommendation not to purchase, sell, hold or exchange a security be problematic for registrants?

We expect there to be similar challenges as described in Question 17.

23. Do you agree with the proposed disclosure required for firms registered in restricted categories of registration? Why or why not?

We agree. Clients should immediately understand the limitations, adequacy and independence - or lack thereof - of the firm they are working with.

24. Do you agree with the proposed disclosure required for firms that offer only proprietary products? Why or why not?

We agree. Clients should be aware the advice they receive is limited to the proprietary products and the lack of independence may prevent the client from investing in a product that is better suited to their objectives.

25. Is the proposed disclosure for restricted registration categories workable for all categories identified?

The proposed disclosure seems adequate.

26. Should there be similar disclosure for investment dealers or portfolio managers?

There should be similar disclosure to allow the client to understand the services provided, products offered, limitations and conflicts of all firms that provide investment management services.

27. Would additional guidance about how to make disclosure about the relationship easier to understand for clients be helpful?

Any additional guidance to make disclosure easier to understand for the client would be helpful. We stress this should be based on research which includes client surveys and then tested by clients prior to being implemented.

28. To what extent should the CSA explicitly heighten the proficiency requirements set out under Canadian securities legislation?

We are registered in the Portfolio Manager category. We believe that the current proficiency standard for representatives is adequate in this category because it requires a high level of knowledge and

significant experience. However, it can be heightened with additional requirements to understand products, strategies, and cost in the context of their clients' objectives as well as continuing education. It would better serve clients if representatives across all categories have the same proficiency requirements and we feel that the current proficiency requirements of an Advising Representative of a Portfolio Manager should be used as the starting point.

29. Should any heightening of the proficiency requirements for representatives be accompanied by a heightening of the proficiency requirements for CCOs and UDPs?

We feel the current proficiency requirements for CCOs is acceptable. However, it can be supplemented with a continuing education requirement. We welcome a proficiency requirement for UDPs which illustrates the individual's understanding of the registration category and compliance framework.

30. Will more strictly regulating titles raise any issues or challenges for registrants or clients?

We agree there is much confusion among clients regarding titles. We feel that strictly regulating titles may help to alleviate some of the confusion but not solve the problem. We suggest surveying clients to determine the source of confusion, then designing appropriate regulation to address the problem, which must also be accompanied with an education campaign directed at clients.

31. Do you prefer any of the proposed alternatives or do you have another suggestion, other than the status quo, to address the concern with client confusion around representatives' roles and responsibilities?

Of the proposed alternatives we prefer Alternative 2. It uses titles that are simple in description, easy to understand and from our perspective do not differ from the client's expectation of the role. We recommend that for any implementation of prescribed titles the representative be required to explain their title (new or existing) and what that means to the client in terms of services they offer and any limitations. This should also be accompanied with an education and media campaign.

32. Should there be additional guidance regarding the use of titles by representatives who are "dually licensed" (or equivalent)?

Representatives who are "dually licensed" should be required to explain to the client they hold multiple licenses, identify conflicts of interest and act in the manner which best serves the client's objectives.

33. Should we regulate the use of specific designations or create a requirement for firms to review and validate the designations used by their representatives?

As the use of most designations are governed by their issuing body, we would prefer requirements for the firm to review and validate the designations used by representatives. This should include using titles relevant to the investment industry and the clients objectives, and explaining to clients the designations a firm's representatives are holding.

34. Are these proposed clarifying reforms consistent with typical current UDP and CCO practices? If not, please explain.

These proposed clarifying reforms are consistent with current practices.

35. Is there any reason not to introduce a statutory fiduciary duty on these terms?

All clients that have their portfolio managed on a discretionary basis deserve a statutory fiduciary duty regardless of the registration category or business model.

36. Please indicate whether a regulatory best interest standard would be required or beneficial, over and above the proposed targeted reforms, to address the identified regulatory concerns.

We are in favour of any reform that prioritizes the client's needs. If firms and representatives are acting in a manner that is in line with client expectations this will increase client confidence. In our opinion a fiduciary duty would be better for the client.

37. Please indicate whether you agree or disagree with any of the points raised in support of, or against, the introduction of a regulatory best interest standard and explain why.

We agree with all the outcomes that best interest standard is setting out to achieve. We are not convinced this would be preferable to establishing a fiduciary duty, and we believe there will continue to be inconsistencies in the client's experience and expectations between those registrants that have a fiduciary duty and those that do not.

38. Please indicate whether there are any other key arguments in support of, or against, the introduction of a regulatory best interest standard that have not been identified above.

We have not identified additional key arguments.

39. What impact would the introduction of the proposed targeted reforms and/or a regulatory best interest standard have on compliance costs for registrants?

We expect the introduction of the proposed reforms to create both an increase in implementation and ongoing compliance costs. Additional costs would include employees, training, data monitoring tools, and development of new procedures and infrastructure.

40. What impact would the introduction of the proposed targeted reforms and/or a regulatory best interest standard have on outcomes for investors?

We expect the the introduction of the proposed reforms will improve clients' experiences. Clients will be presented with more relevant information, specific to their objectives and explained in plain language.

41. What challenges and opportunities could registrants face in operationalizing: (i) proposed targeted reforms? (ii) a regulatory best interest standard? Notices / News Releases April 28, 2016 (2016), 39 OSCB 4003

(i) We expect the major challenges to be development of infrastructure, cost and increase in resources. Firms that have centralized operations and can scale infrastructure easily should be able to implement targeted reforms more quickly and at a lower cost.

(ii) We do not expect there to be significant challenges to implement a regulatory best interest standard.

42. How might the proposals impact existing business models? If significant impact is predicted, will other (new or preexisting) business models gain more prominence?

We expect these reforms to increase the focus and resources dedicated to compliance. They will also strengthen the client relationship which will benefit all business models.

43. Do the proposals go far enough in enhancing the obligations of dealers, advisers and their representatives toward their clients?

At this stage there is no all encompassing solution. We feel the proposals are a much needed reform of the current framework and will have a positive impact on enhancing the obligations of dealers, advisers, and their representatives towards their clients. Only after implantation, review and enforcement occurs can we determine its effectiveness.

44. Is it appropriate that disclosure by firms be the primary tool to respond to a conflict of interest between such firms and their institutional clients?

The proposed disclosure seems adequate.

45. Are there other specific situations that should be identified where disclosure could be used as the primary tool by firms in responding to certain conflicts of interests?

We cannot cite any specific situations.

46. Is this definition of "institutional client" appropriate for its proposed use in the Companion Policy? For example: (i) where financial thresholds are referenced, is $100 million an appropriate threshold?; (ii) is the differential treatment of institutional clients articulated in the Companion Policy appropriate?; and (iii) does the introduction of the "institutional client" concept, and associated differential treatment, create excessive complexity in the application and enforcement of the conflicts provisions under securities legislation? If not, please explain and, if applicable, provide alternative formulations.

We cannot comment.

47. Could institutional clients be defined as, or be replaced by, the concept of non-individual permitted clients?

We cannot comment.

48. Are there other specific examples of sales practices that should be included in the list of sales practices above?

We do not have any other examples.

49. Are specific prohibitions and limitations on sales practices, such as those found in NI 81-105, appropriate for products outside of the mutual fund context? Is guidance in this area sufficient?

There should be consistent guidelines on sales practices across all product types.

50. Are limitations on the use of sales practices more relevant to the distribution of certain types of products, such as pooled investment vehicles, or should they be considered more generally for all types of products?

We feel the the limitations on the use of sales practices should be considered more generally for all types of products. Restricting to certain types of products my cause a shift to such products as a result of less oversight.

51. Are there other requirements that should be imposed to limit sales practices currently used to incentivize representatives to sell certain products?

We cannot cite additional requirements.

52. What type of disclosure should be required for sales practices involving the distribution of securities that are not those of a publicly offered mutual fund, which are already subject to specific disclosure requirements?

In our opinion there should be a consistent level disclosure for all types of products. We recommend that the disclosure should explain in plain language the sales practices that give rise to material conflicts to the client, specifically detailing the practice, the conflict and the potential impact on the client.

53. Should further guidance be provided regarding specific sales practices and how they should be evaluated in light of a registrant's general duties to his/her/its clients? If so, please provide detailed examples.

The proposed guidance seems adequate.

54. To what extent should the KYC obligation require registrants to collect tax information about the client? For example, what role should basic tax strategies have in respect of the suitability analysis conducted by registrants in respect of their clients?

As we commented in Question 4, we would like some clarification as to the specifics that define "basic tax position." The requirement to collect such information should be viewed in context of the advice being sought by the client. We feel that individual tax situations are complex and so called "basic tax strategies" cannot be widely attributed without detailed planning and tax consultation. Registrants should communicate to clients the different types of registered and non registered accounts offered, tax advantaged products or strategies available and how they can impact the client's objectives.

55. To what extent should a representative be allowed to open a new client account or move forward with a securities transaction if he or she is missing some or all of the client's KYC information? Should there be certain minimum elements of the KYC information that must be provided by the client without which a representative cannot open an account or process a securities transaction?

All meaningful KYC information should be collected before opening an account and transacting in securities. As we commented in Question 4, Registrants should have the flexibility to collect only necessary information required.

56. Should additional guidance be provided in respect of risk profiles?

The guidance provided is adequate.

57. Are there circumstances where it may be appropriate for a representative to collect less detailed KYC information? If so, should there be additional guidance about whether more or less detailed KYC information may need to be collected, depending on the context?

We commented in Question 4, registrants should have the flexibility to collect only necessary information required to make suitable recommendations and this may be determined by the business model, services offered and advice provided including types of products being recommended. We do not want to see additional guidance imposed. Firms should develop and implement procedures as to the KYC information that needs to be collected in order for them to provide advice to their clients.

58. Should we explicitly allow firms that do not have a product list to create a product review procedure instead of a shelf or would it be preferable to require such firms to create a product list?

The requirement is to assess a product in conjunction with a recommendation to a client. We expect both the shelf and the product review procedure to adequately allow firms to select products for their clients.

59. Would additional guidance with respect to conducting a "fair and unbiased market investigation" be helpful or appreciated? If so, please provide any substantive suggestions you have in this regard.

Additional guidance would be helpful. We welcome procedures, specific information and assessments to include and exclude when conducting a market investigation. We would like an expectation of the size of the comparable universe. Indication of types of information to include and the weighting of its importance. Would quantitative information (size, performance & cost) carry more value than qualitative information (analyst report)?

60. Would labels other than "proprietary product list" and "mixed/non-proprietary product list" be more effective? If so, please provide suggestions. Notices / News Releases April 28, 2016 (2016), 39 OSCB 4004

We recommend the use of plain language terms easily that can be easily understood by the client. Our suggestions are to use "independent product list" for "mixed/non-proprietary" and "internal product list" for "proprietary."

61. Is the expectation that firms complete a market investigation, product comparison or product list optimization in a manner that is "most likely to meet the investment needs and objectives of its clients based on its client profiles" reasonable? If not, please explain your concern.

In our opinion the expectation is reasonable.

62. What, if any, unintended consequences could result from setting an expectation in the context of the suitability obligation that registrants must identify products both that are suitable and that are the most likely to achieve the investment needs and objectives of the client? If unintended consequences exist, do the benefits of this proposal outweigh such consequences?

We do not foresee any unintended consequences.

63. Should we provide further guidance on the suitability requirement in connection with ongoing decisions to hold a position?

The guidance is comprehensive.

64. Should we provide further guidance on the frequency of the suitability analysis in connection with those registrant business models that may be based on one-time transactions? For example, when should a person or entity in such a relationship no longer be a client of the registrant for purposes of this ongoing obligation to conduct suitability reviews of the client's account?

This is beyond our scope to comment.

65. Should the Standard of Care apply to unregistered firms (e.g., international advisers and international dealers) that are not required to be registered by reason of a statutory or discretionary exemption from registration, unless the Standard of Care is expressly waived by the regulator?

The Standard of Care should apply to all advisors acting on behalf of clients.

66. Do you believe that the Standard of Care is inconsistent with any current element of securities legislation? If so, please explain.

We have not identified any inconsistencies.

67. Do you agree that the Standard of Care should not apply to the underwriting activity and corporate finance advisory services described above? If not, please explain.

We agree, as long as advice to clients has been separated from underwriting activity and corporate finance advisory services.

68. Do you think this expectation is appropriate when the level of sophistication of the firm and its clients is similar, such as when firms deal with institutional clients?

This expectation is appropriate.

In conclusion we support all reforms that lead to a better client experience. Reforms should focus on ensuring all firms and registrants are held to the same standards and they align with client expectations. In addition, there should be education and media campaigns directed at the public to help them better

understand what to expect from firms and registrants. We would be delighted to discuss our comments with you in more detail.

Sincerely,

WealthBar Financial Services

Neville Joanes
Chief Compliance Officer

Tea Nicola
Chief Executive Officer