

Sent Via email

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## W. Schalle Comment Letter

Robert Day  
Senior Specialist, Business Planning and Performance Reporting  
Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario M5H 3S8  
(416) 593-8179  
[rday@osc.gov.on.ca](mailto:rday@osc.gov.on.ca)

### **ONTARIO SECURITIES COMMISSION NOTICE 11-771 – STATEMENT OF PRIORITIES REQUEST FOR COMMENTS REGARDING THE STATEMENT OF PRIORITIES FOR FINANCIAL YEAR TO END MARCH 31, 2016**

I am a retired senior and am delighted to have an opportunity to share my views with the OSC Re the proposed OSC priorities for the fiscal year 2015-2016.

**Recommendation #1. Implement a Fiduciary standard for all advice givers** The current advice standards are based on a transaction model and are wholly inappropriate for a professional advice model which the financial services industry purports to provide. A fiduciary standard is congruent for advice giving that is in effect, for many Ontarions, their retirement savings. The advantage consumers receive from the receipt of fiduciary advice is in overcoming investos' own inherent limitations in achieving an understanding of the increasingly complex capital markets. The application of the fiduciary standard of conduct will increase the demand for financial advice and as a result in greater participation in our capital markets. This in turn will likely provide the individual investors with superior long-term rates of return for investors' portfolios well above the returns offered in bank depository accounts; in turn retirement security is better assured. The advantage product providers and issuers receive is the increased investment by consumers, as capital is allocated with the aid of fiduciary counsel toward investments which are likely to possess superior long-term returns. A .Fiduciary standard would protect investors from dealer/advisor malfeasance, while suitability rules protect brokers from investor lawsuits. The fiduciary standard of conduct's importance to individual Canadians, and to Canada itself, should not be understated.

**Recommendation #2. Focus on Protection of Seniors** With the gradual demise of Defined benefit Plans, seniors are more dependent than ever on their own investments for retirement. The key issues involve advisor proficiency to manage a de-accumulation account, client vulnerability and potential abuses such as reverse churning, selling expensive segregated funds , imposing excessive account fees, introducing high

redemption fee products , employing unnecessary leverage and exposing the elderly to complex structured / exempt products and Outside Business Activities. The RRSP –RRIF “rollover” point of inflection is a major risk for seniors and merits close OSC attention. Substantial evidence exists that compels the conclusions that enhanced disclosures, as called for by the Investment Dealer community, are ineffective to protect consumers – a fiduciary standard is what is required and it is required now as record numbers of Ontarions are dependent on the industry for their financial wellbeing , their retirement security and the education of their children.

I also urge the OSC to establish a Seniors Advisory Panel to track and monitor progress in implementing concrete measures to protect our most vulnerable citizens.

**Recommendation #3. Increase oversight over IIROC** There is a need to increase oversight of IIROC in view of the manner in which the entity handles client complaints. I note most settlement cases involve individuals who rarely pay imposed fines vs. dealers who do pay the fines but are rarely prosecuted. I am also concerned about a proposal to allow Representatives to become executors .The IIROC rules for complaint handling are antiquated and unfit for 20<sup>th</sup> century dispute resolution. Bank and insurance owned dealers should not be permitted to overlay their own so-called independent “ ombudsman” into the dispute resolution stream –this streaming does not serve complainants well. Requests by investors to have the IIROC logo on client statements have been ignored .A review of their Board suggests it is stacked with current and past industry participants. Unlike the OSC with its Investor Advisory Panel , IIROC has little engagement with retail investors despite it being delegated by the OSC to provide front line investor protection. I also suggest that IIROC commence releasing Bulletins and ALERTS that would help prepare investors to deal with non-fiduciary advisors rather than focussing solely on outright fraud.

**Recommendation #4. Deal with OBSI dysfunctionality** OBSI has encountered a record number of Name and Shame cases and in its 2014 Annual report cited the serious issue of low balling restitution settlements by investment dealers. Such blatant mal- treatment should not be tolerated by the OSC. The current system is demonstrably not working and is not trusted by investors. The facts are clear as to what has to be done .OBSI should be given the mandate to (a) provide binding restitution (on dealers) and (b) investigate systemic complaints / issues for regulatory follow-up.

**Recommendation #5. Ensure CRM2 reporting is robust and useful** The disclosure of fees/expenses and account performance reporting is very important. My concern is that the CSA initiative will fall short of anticipated results if not closely monitored. Concerns include report formatting, location, font size and type, definition of terms, not accounting for inter-dealer account transfers in return calculations and the lack of a CSA Guide on how investors can use the reports for better decision making. I urge the OSC/CSA to put out a guidance document of best practices/ practices to avoid for report presentation that will make the reports readable and easy to understand/interpret by retail investors.

There are several other regulatory issues facing retail investors but I believe these are among the most important ones.

Generally speaking, the proposed priorities appear to address key investor protection issues.

I agree to public posting of this Comment Letter.

Sincerely,

William Schalle