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January 21, 2013

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, ON M5H 3S8

C.S.A. Consultation Paper 33-403

Dear Mr. Stevenson,

I am pleased to respond to your request for comment on the captioned matter. By way of background, I had three positions in my work career:-

- 1) The Royal Trust Company (RTC) – 1958-1966, final position, Senior Trust Officer
- 2) Fiscal Consultants Ltd., final position, President, 1966-1980
- 3) President, Hughes, King & Company Ltd 1980-1997
- 4) President, Fideliter Holdings Inc., (a private company)

Essentially, during these periods, I was actively involved in corporate finance, estates, trusts, and agencies (i.e. investments), licensed in March of 1966 as Investment Counsel/Portfolio Manager until 2004 when I surrendered my license and retired.

The question of 'Fiduciary Duty' is problematic as it seems to vary depending on categories of licensing, particularly brokers.

During my years at Royal Trust, we were taught that our primary duty was to our clients If we looked after our clients, they would look after our company and in

return reward us for a job well done. In those days, before trust companies opened banking services, and ultimately disappeared into the banking group, the culture of banks clashed with trust companies, as the banks dealt with clients (now termed customers) on a creditor/debtor relationship. (The banks had no idea when in fact they even became constructive trustees of client assets following seizure of collateral.)

When the structure of fixed commission rate of brokers/dealers was abolished in the 1960's in favour of negotiated commissions, volume discounts, and subject to competitive pressures, brokers sought (augment) other classes of "securities" thus creating a broad range of creative, non-productive investments (i.e. investments that do not create jobs, plant and equipment) from, for example, options, puts and calls, hedging techniques, deferred sale charges, securitized investments with alleged triple A ratings, to supplement their investment loss of revenue. The structure of compensation dramatically changed to an open free-for-all. Brokers formed in-house profit centres that were difficult, if not impossible, to control. Supervision faltered, and hence control. There was, of course, a dramatic reduction of independent brokers due to amalgamation and closures from some 400 brokers in the 1960s to the present of around 40. (The Mining Exchange amalgamated with the TSE in 1958.)

To have numerous classes of licenses with different standards of duty/loyalty and resultant fiduciary obligations, in my view, is an absurd posture. This is analogous to saying we have various degrees of honesty!

Much of the debacle of the financial meltdown generally referred to 2008 really started around 1980, when financial institutions acquired brokers, trust companies and insurance entities. As referred to above, these institutions had no idea of the culture and

greed components of their acquisitions. If it was not for our Federal Bank Act that in some measure saved us from similar circumstances as happened to our US neighbor, we would have encountered more serious difficulties.

In general terms, the acquiring character of honesty and moral values is very much dependent on family background, education, and work experience. Obviously, this has become a societal problem and very difficult to regulate. The investing public has a right to expect a transparent standard of duty, loyalty and a fiduciary relationship that is consistent through all licensed registrants. (This can only be achieved in part by or through examination of references, perhaps personal interviews, and realistic and accountable supervision of employees by their corporate employers. There was an old saying on the street, "Tell me how somebody is paid and I will tell you how they behave!")

Your consultation paper goes to great length on the subject matter, and what other jurisdictions have attempted to achieve. Again, in my view, to discriminate between retail and institution investors, and classes of registrations, goes to the very foundation of ethical behavior.

I appreciate the foregoing doesn't directly respond to item 6 – 'investor protection and concerns with the current standards of conduct in Canada', but I feel there are more fundamental issues that need to be addressed first, such as the chartered banks taking more effective control of their brokerage subsidiaries having Compliance Officers independent of Senior Officers and treated as part of the governance structure of the banks rather than having a necessary sinecure position.

I commend the writer of the CSA Consultation Paper 33-403 for taking steps to address an issue that is not only provocative, but becoming a serious threat to an industry/profession that serves our investment community.

I would welcome an opportunity to discuss this further with you, if there is any interest.

Yours sincerely,

A handwritten signature in black ink that reads "C.W. King". The signature is written in a cursive style and is positioned above a horizontal line that extends to the right.

C.W. (Wally) King