John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
Fax: (416) 593-8145
E-mail: jstevenson@osc.gov.on.ca

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Anne-Marie Beaudoin, Secrétaire
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22e étage
Montréal, Québec H4Z 1G3
Fax: (514) 864-6381
E-mail: consultation-en-cours@lautorite.qc.ca

CANADIAN SECURITIES ADMINISTRATORS CONSULTATION PAPER 33-403:*THE STANDARD OF CONDUCT FOR ADVISERS AND DEALERS:EXPLORING THE APPROPRIATENESS OF INTRODUCING A STATUTORY BEST INTEREST DUTY WHEN ADVICE IS PROVIDED TO RETAIL CLIENTS*

Thank you for the opportunity to provide input on this Consultation. This is a very important topic to retail investors. Most people, like myself, when seeking financial advice, believe the person they are meeting with **already has an obligation to act in their best interest** and has a fiduciary responsibility. It was shocking for me to learn otherwise!

Even now, knowing this information does not put me on a level playing field. Many of the products are complex, their tax implications need careful review and consideration , a full and understandable disclosure of the risk factors involved need to be clearly explained as well as the short and long term implications of any and all fees and commissions. Most of this information is quite difficult to figure out on my own . This means I am again dependent upon trusting my “advisor" to be fair and upfront.

Unfortunately, expecting someone to deal fairly and honestly, can't always be counted on. I have learned the hard way, that in the real world, what an advisor says and what he/she does and what truly is, does not necessarily always line up. When that happens, look out because now you are truly in a David and Goliath position! Investors seldom realize they are in buyer beware position and we often do not have the knowledge or experience to defend ourselves.

People go to these "professionals" for help in financial planning and investment advice, and are often vulnerable and unsuspecting of the pitfalls of the industry believing it is designed to "help" them. Many forms are so tied up in legal mumbo jumbo that you are left dependent on the advisor for interpretation. If he has no legal obligation to act in your best interest, guess whose interest he/she may be acting in?! At least, with a car salesperson, you know this going into the discussion and so your radar is up. But with the financial industry and all the advertising and marketing hype, most of us go in unaware that this trusted individual with whom we are expected to disclose all of our most personal financial information to, in reality has no obligation to act in our best interest. The nature of the trust required, common sense and decency, tells me this is just not right!

More and more workplaces are moving away from offering defined pension plans and I fear our young people are being pushed into the arms of these 'financial advisors'. Safeguards need to be put in place to protect the consumer going forward. The boomers in retirement or approaching retirement are often being taken advantage of by this industry. Some of these advisors are only trained by the industry and therefore just mere puppets of their employers, parroting what they have been told. Both of these populations: young people due to inexperience and older people due to age and perhaps diminished capacity are vulnerable to the industry when they are least prepared to defend themselves.

In the case of mutual funds, people often do not realize they are paying a lot for the advice they receive. This DSC commissions is an area where I feel the investing public needs to be better informed. I believe the average investor would be outraged to learn that, when they invested their $200,000 at the end of an hour meeting, their advisor made a $10,000 commission instantly. A study was done that revealed most investors have no idea how their advisor is paid and almost half thought their principal was guaranteed even though they were invested in mutual funds. Financial literacy is low and it appears clients are in the dark about many important issues that should be transparent. All fees commissions and charges should appear on client account statements so we can decide if we are getting our money’s worth.

I also recommend that the complaint handling process fall under a Best Interests regime. The dispute resolution process is often biased and that means valid complaints are being ignored and investors are being cheated out of restitution. For example over 30% of OBSI decisions end up overruling the dealer’s denial of responsibility. Many people never go on to OBSI having been intimidated and dismissed by the compliance department of a firm.

It’s good to shift the regulatory focus from transactions/trades to advice and to beef up fee and conflict-of-interest disclosure. In reality though until the financial incentive system is product-neutral, retail investors can never be truly confident that their advisors are focused on their best interests. Sales commissions must go, just like in the UK and Australia.

Financial advisors and dealers who act with integrity and are worth their salt, will not fear a fiduciary obligation. Protection for the consumer should be paramount. This should have been in place yesterday, please do not hesitate any longer, many Canadians financial futures are at stake.

I sincerely hope you find this feedback of use.

Sincerely,

Debra McFadden , retail investor