

----- Message from Marvin G Baer <mgb1@qsilver.queensu.ca> on Wed, 28 May 2003 11:35:21 -0400 (EDT) -----

**To:** Stephen Paglia <SPaglia@fsco.gov.on.ca>  
**Subject:** Re: Joint Forum Consultation on Practice Standards Closes on May  
**t:** 29, 2003

Dear Mr. Paglia

Thank you for reminding me of the deadline for comments on the proposed "Principles and Practices for the Sale of Products and Services in the Financial Sector." I think the Consumers Advisory Committee of FSCO should support the adoption of these Practice Standards. However, I am disappointed that at least some of the principles are not compulsory.

The principles that should be compulsory include adequate handling of complaints, adequate financial redress, quality assurance by industry associations, and compensation schemes for intermediaries that do not create a conflict of interest. These relate to Principles 4,6,8 and 9 of the document.

Principle 8 Client Redress and 9 Compliance

While intermediaries should be encouraged to handle complaints or disputes in a timely and forthright manner, they should be required to refer them to the appropriate person or process established by industry associations in a timely way. Industry associations should be required to establish a process for handling complaints and should be required to report to government regulators on the number, nature and disposition of complaints or disputes.

Adequate financial redress for injured consumers ought to be compulsory. This should be arranged through industry associations and not be dependent on the financial resources of individual intermediaries.

If membership in an industry association is not a prerequisite to acting as an intermediary, then industry associations ought to be encouraged to foster a public campaign indicating the benefits to consumers of dealing with members. Of course this assumes that are some advantages, such as active enforcement by the association of the Principles and Practices, a dispute handling mechanism and financial redress for injured consumers.

6. Conflict of Interest

There should be more emphasis on the obligation of the financial service providers not to create potential conflicts of interest. This should specifically identify compensation structures which cause intermediaries not to act in the client's best interest.

## 2. Needs of the Client and 5. Confidentiality

In addition to making at least some of the principles mandatory, I think there needs to be fuller explanation of how the intermediary should act to meet Principles 2 Needs of the Client and Principle 5 Confidentiality. Clients will continue to be reluctant to make full disclosure of their financial needs if they believe this information will be used by the intermediary to pressure the client into switching existing financial products to a new provider. I do not believe that the general exhortation in Principle 1 will prevent this from happening.

The principle of confidentiality will have very little force if intermediaries routinely ask for the client's permission to waive the requirement. The permission may be too readily granted by clients who are not fully informed of the extent and significance of the proposed disclosure.

Please convey my comments to the Sub-committee on Practice Standards.

Yours sincerely,

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