INVESTMENT DEALERS ASSOCIATION OF CANADA

ASSOCIATION CANADIENNE DES COURTIERS EN VALEURS MOBILIÈRES

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Secretary
Ontario Securities Commission
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Fair Dealing Model Concept Paper Comments

We are writing to provide your Commission with our comments on your concept paper, the Fair Dealing Model.

General

Your model states it has, as one if its components, a set of business conduct standards for an advice driven marketplace. We whole-heartedly agree with that and many of the other proposals. But the paper appears to equate business conduct standards with rules and allocation of responsibilities. Rules that attempt to structure relationships are restrictive and act to manipulate best practices. We believe that business conduct standards are a guide to integrity and professional competence. This includes reasonable and diligent efforts to avoid any misrepresentation. It demands that we must always act for the benefit of our clients and always place their interest above our own. This is what fair dealing is all about.

Relationships are like fingerprints, where no two are alike. On page 19 of the FDM you suggest that 'a regulatory model that recognizes three distinct relationship types is more attuned to the diversity of today's investment industry than the traditional "one size fits all" approach'. One size has never fit all and to suggest that investors must chose one of three types is not to recognize the diverse personalities of investors and the extent to which they want or require advice and attention.

The IDA member firms here in PEI are proud of their record of very few client complaints. We think that our investment community encourages each of us to guard against acting in a way that might discredit our members. This ethical culture is not enhanced by a sea of rules of regulations. Business ethics are themselves a solid business strategy. Investor confidence would be better served by robust prosecution and greater penalties for those business leaders who have pillaged their company's shareholders.

Specifics

Page 34 makes reference to the difficulty some of us have learning how to run a washing machine but you go on to say that 'if clients are taking on more responsibilities for decision making it needs to be part of the representative's expertise to be able to make things clear so the client understands what they are deciding'. Does this mean that if the client does not want to make the decision then he must have a managed-for-you account? Perhaps we should enforce a 'how to use a washer' exam or refuse this consumer purchase of such a device and order him or her to the drycleaners.

Page 46 outlines the proposed content requirements of the Fair Dealing Document. We think that most of the requirements are beneficial but it falls short of the all-important know your client. If Mr. Jones, a wealthy businessman, calls and wishes to buy 1000 shares of Royal Bank and the advisor's firm research team does not recommend the purchase of Royal Bank, must you require that Mr. Jones resort to a self-managed account? If Mrs. Smith gets a tip on ABC mining at her bridge club it is important that we dissuade her rather than suggest she choose a self-managed relationship and do what she wants? We must be gatekeepers to protect our clients rather than drive them away.

Page 67 refers to determining risk levels. We don't mean to diminish the importance of measuring risk by applying a mathematical formula such as standard deviation measure to Mr. Jones request to purchase Royal Bank, or Mrs. Smith's desire to purchase ABC Mining is not, for all practical purposes, an issue. Knowing your account is the issue and no amount of subjective analysis will change that.

Your model is very helpful insofar as it is a concept which forces us to reflect on how we conduct business. More transparency is desirable and longer-term measures of performance are important. We appreciate the time and energy that you have devoted to this paper and hopefully we can draw on its strengths in the development of client-advisor relationships.

Respectfully,

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