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April 29, 2013

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Comments on OSC Notice 11 -768 Priorities for fiscal year ending March 31, 2014
http://www.osc.gov.on.ca/en/SecuritiesLaw_sn_20130404_11-768_rfc-sop-fiscal-2013-2014.htm

The consultation paper lists thirteen priorities . For me, there is one that should top the list-**investor protection.**

There is overwhelming evidence to support the proposition that the asymmetry between investor and advisor investment knowledge will be resolved by introducing a Best interest standard. Further, a statutory est interest standard would also increase the incentive for investors to engage with their advisors and learn more about the investing process, which would result in increased financial literacy for Canadians. The prevailing suitability standard does not set the bar high enough to ensure that investors are receiving appropriate investment advice. There is persuasive documented evidence to support the proposition that investors are getting the short end of the stick

Canadian mutual funds have been rated the highest in Morningstar's 2011 international study on mutual fund fees. Canadians have over \$850 billion invested in mutual funds. The very fact that billions of dollars are invested in high MER actively-managed underperforming mutual funds reveals that the “duty to act honestly, fairly and in good faith....” is not functioning.

Strengthening the current regulatory regime is merely a patch. Many do not consider that the implementation of CRM and the recent addition of the flawed Fund Facts requirements under the CSA’s mutual funds point of sale disclosure project has the potential to alleviate core investor concerns with biased advice. Current rules/ standards of conduct are insufficient to protect investors-- “suitability” requirements, relationship and fee disclosure, as well as product disclosure requirements, do not provide a sufficient framework on which to build a strong investor protection regime. A statutory fiduciary duty is needed to protect the hard-earned nest eggs of Ontarians.

Here are my suggestions for priorities:

(a) Given that millions of Canadians are retiring/entering into retirement/RRIF's over the next few years, action is required NOW This is a major socio-economic issue as well as an important regulatory issue so that the Commission should establish a priority on dealing with the elderly before a nightmare scenario happens.

(b) The OSC's plan to better understand the significant issues affecting bonds and those who invest in them (especially pensioners), and to review its current approach to regulation to determine if any

changes are required is a very positive and timely initiative.

(c) Provide better educational brochures explaining how to protect oneself from commissioned “advisors”.

(d) Fine companies when they put out misleading ads and marketing materials. Set some tough rules re the so-called “Free lunch” educational seminars.

(e) Establish a regulatory framework for advice giving . Ontario retail consumers need increased protection when dealing with the financial planning industry, according to a report released March 26, 2013 by the Public Interest Advocacy Centre (PIAC) entitled, *Purse Strings Attached: Towards a Financial Planning Regulatory Framework* http://www.piac.ca/files/pursestrings_attached_final_for_o.ca.pdf notes that the pace of this process has been slow for an industry entrusted with the financial security of Canadian consumers. The research reveals Canadian consumers are potentially leaving thousands of nest egg dollars in someone else’s hands by not being fully informed .The report concluded that the time remains ripe for provincial consumer and finance ministries to work towards a regulatory framework for financial advisors .

(f) Put some clamps on misleading advisor titles . They lure retail investors into a false confidence. There are far too many advisors, Consultants VP's, money mentors, Seniors Specialists etc. that are really nothing more than salespeople.

(g) I enthusiastically support the Commission's plan to use mystery shopping as a methodology to obtain on the direct information on the financial services industry sales practices. A lot of eyes will be opened when the results are revealed.

(h) Require delivery of mutual fund Fund Facts BEFORE the sale is concluded. Over 12 million Canadians own mutual funds yet they are sold them without even seeing all the risks and fees in advance.

(i) Enforce the current rules/regulations and actually collect the fines that are so publicly announced.

(j) Provide investors with restitution and force wrongdoers to disgorge ill- gotten gains .

(k) Provide meaningful financial incentives for whistleblowers and tipsters .

(l) Establish OBSI as a public interest entity; give it the mandate it needs and provide regulatory oversight.

(m) Re-engineer the KYC/Suitability system so that it works fairly for all stakeholders. If the NAAF/KYC process were re-engineered and standardized, a large number of complaints and litigation could be avoided. Fixing the NAAF was recommended to the OSC by the Regulatory Burden Task Force way back in December 2003.Ref http://www.investorvoice.ca/Research/OSC_RegulatoryBurden_Dec03.pdf

(n) Make it harder for foreign companies to use devious means to obtain listing on the TSX exchange. The Sino Forest experience was very costly to many of us little guys.

(o) Tighten the requirements on dealer complaint handling systems. Investors are getting taken to the cleaners with prevailing case disposition practices.

(p) Regulate complex products better. There is a crying need to be better regulate them and to better understand their method of distribution . These have caused a lot of mis-selling to occur. e.g. Portus, Return of capital mutual funds , reverse ETF's etc. Non-bank ABSP cost Ontarians a lot of grief.

BOTTOM LINE Regulatory bodies exist to safeguard trust in the overall system. Generally speaking , the proposed 2013-2014 priorities do address key investor issues and opportunities. We want however to see more meaningful action plans proposed and/or implemented not just more statements of concerns and thousand page reports .Action and continuous improvement is important to investors.

Some of the thirteen priorities are identical to those in other provinces. Would it be possible to coordinate projects so that thee is more bang for the regulatory buck? Surely, the AMF, ASC and BCSC and others can pitch in their resources to speed things up.

I agree to public posting of this Comment Letter on the OSC website.

Do not hesitate to contact me if additional information is required.

Sincerely,

William Schalle , Investor