SENT VIA EMAIL

September 14, 2018

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

Mme Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, Square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
consultation-en-cours@lautorite.qc.ca

Dear Mesdames/Sirs,

Re: 31-103 CSA Notice and Request for Comment

Please find my general comments and a personal caution regarding additional standards for advisors.

The suggestions will usually start with "wouldn't it be better if . . ." or "wouldn't it be safer if . . ." The securities industry, like any other industry, can be improved. Client advice and services can be better. There is really no limit to the quality of products, services, or advice we can offer our clients outside of cost.

To use cars as an example, wouldn't it be better if we required every car manufacturer to build their cars to the standards of Rolls Royce or Bentley. Of course. The clear issue with that, however, is that every car would cost what a Rolls Royce or a Bentley costs and only a few car buyers would be able to afford cars. Are the improvements really better if they result in most people being blocked from the market by price?

To carry the example further, wouldn't it be great if there were no vehicle-related deaths in Canada next year? That's easy to achieve, just prohibit driving. But it's not practical to make things that safe. Although that level of safety protects the public, it's not at a reasonable price.

Year after year, those dealers who choose to specialize in servicing their clients' investment needs try to warn regulators of the effect over-regulation is having and year after year, we are ignored.

In 1995, there were approximately thirty-six independent full services dealers in Western Canada for the investing public to choose from. Today there are approximately three. Given the trend, I can see a future where the investing public will have no choice but to go to a bank and if you're not rich, that is a pretty poor choice.

This drive for perfection will only result in a narrowly focused gun-shy industry and a dearth of good investment advice for the investing public.

Conflict is a good example of this drive for perfection. The industry is inherently conflicted. This is not unique. Our clients deal with it every day, in every transaction they make. Whether it be the grocery store that only carries the brands they want to sell, or the car dealer who is interested in selling you a car whether you need one or not, or the real estate agent who is being paid by the seller even though you engaged him as the buyer.

If Apple puts out bad financial results and I have 4 clients who own it, who should I call first? I'm conflicted. The only way to avoid this conflict is to convince one of my clients to hire me exclusively and pay me a salary that is enough to make it worth my while. This may be an extreme example, but it demonstrates the problem with not considering cost as a part of new regulatory proposals.

Another example is the increased suitability standards. As an advisor, I must allocate my time. I would not be in business long if I spent the same amount of time on every client regardless of assets. This may sound crass, but it's simply a fact. I have a mortgage and taxes to pay; food to put on the table. I am not a charity. Some clients may get less of my time, but they still appreciate the ability to access my investment council and experience. In an enhanced suitability model, where the time I must devote to each client is regulated, I will simply be forced to eliminate clients who have assets under a certain level. I think sometimes regulators think, out of some altruistic sense of fairness, I will just fall on the sword. Please stand corrected. The more complicated you make my services, the more they will cost, the more they will become the exclusive purview of the rich.

The question regulators never ask and need to start asking is, "What is it going to cost?" It is a question they conveniently ignore. They are like the Fire Department – "Safety at any cost."

The issue with this approach is, if they actually went to the general public and asked the people they are supposed to represent, "Do you care about the cost?" The answer would be YES!

To use the Fire Department example, "I want to live in a house that is safe (of course), but not so safe that the cost of construction means I can't afford the house in the first place."

Disclosing every conflict is expensive and possible (I still question how many of the members of the general public value it or believe it's needed), but avoidance of conflict as proposed is impractical and damaging.

The cost of implementing these regulations and the change to services offered to the general public needs to be weighed against the increase in value the general public sees in the changes. To be clear, the focus needs to be not on whether these changes are seen as better by regulators or government subsidized watchdogs like FAIR, but rather, whether the investing public thinks they are necessary or worth the increased price they will pay.

I have given this advice before; been ignored before.

But as someone said, "If you don't vote, you don't get to complain after the election."

In the time the industry has shrunk by 1200% (36 to 3), regulators have grown by 400%. In other words, there are 4 times as many regulators looking after 88% fewer investment firms.

If it wasn't so tragic, it would be funny that we have regulators introducing conflict regulations. Regulators, who make their living off enforcing rules and who are better off, will have more staff, bigger budgets, better job security if they have more rules to enforce. Now who's in conflict?

As my father once said, "What's an elephant? It's a mouse designed by a government committee."

If this advice does fall on ears outside of the regulatory machine, here's my ask and my advice:

We need to introduce cost and value into the equation. Regulators need to demonstrate to an independent, knowledgeable body that the cost of regulatory changes is valued by the public and that that value exceeds the cost of the proposed changes.

If we don't start to introduce a practical sense of the balance between improvements and their cost, we will simply reduce the public's (outside of the wealthy) investment choices to riskless, generic products which don't require any real thought or advice.

Respectfully,

Brent Wolverton

My background (for context) - I have over 40 years of experience in the investment industry. I was licensed at the highest level in both Canada and the US. For 25 of those years, I ran a Western Canadian full services dealer with a long history and deep roots. I have served on both regulatory and industry boards and my knowledge of the industry in general is substantial. The firm was sold 2 years ago to a competitor and I am happy to no longer be struggling to find a profit amongst the ever-increasing demands of regulators. I do regret the passing of a valuable public service and believe we will look back on the decline of independent investment dealers as a trend which has made the country less.