



**TPC FINANCIAL**  
GROUP LIMITED  
INTEGRATED FINANCIAL MANAGEMENT

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October 15<sup>th</sup>, 2018

Canadian Securities Administrators

CSA Secretariat  
Tour de la Bourse  
800, Square Victoria  
Suite 2510  
Montreal, QC H4Z 1J2

Re NI 31-103

To whom it may concern,

I would like to voice my concerns over the CSA's proposed amendments to *Referral Fees*.

I have been in the financial services industry since 1979 and have built a company that currently employs 19 people on a full-time basis in two jurisdictions.

For the last 15 years I have been transitioning our company so that we have no reliance on product sales and derive over 95% of our revenue from fees.

Currently, we have two fee platforms:

- 1) A monthly fee that is paid directly from the client to TPC Financial Group Ltd
- 2) A monthly fee that is paid to Raymond James for investment management

If a client chooses to do their own investing or to work with another investment advisor, they are free to contract with us directly. This method currently accounts for approximately 12% of our total revenue.

Most clients prefer to have their money professionally managed and as a result 88% of them chose to contract with Raymond James. As per our referral agreement with Raymond James, TPC Financial Group Ltd. receives 45% of fees collected. This arrangement is set out in Raymond James Client Disclosure Letter and their Schedule A Referral Fee Schedule (both enclosed).

*"Bringing your financial picture into focus"*

As of the end of September 2018, the average client fee was 1.10% (including tax). This includes investment management provided by Bill Scott (Raymond James) as well as comprehensive financial planning provided by TPC Financial Group Ltd.

Of the 19 people employed collectively by Bill Scott and TPC Financial Group Ltd., 16 are employed by TPC Financial Group Ltd. Our entire client base is less than 400 households with average AUM of less than \$750,000.

If the proposed amendments to restrict referral fees are put into place it would effectively put us out of business. There is no way that we can run our business without ongoing fees (no restriction on time) and our current 45% split.

By restricting the length of time, you are forcing financial planners to continue to bring in new business which is effectively forcing them to sell. This is the exact conflict of interest I have strived to avoid and have advocated against for years. Furthermore, you are taking away the very revenue that allows us to continue to service our clients on the planning side throughout their lifetime. Essentially, what I'm reading into this is that according to the CSA, the financial planner is getting paid to do nothing after the initial 36 months and that the investment advisor is providing at least 75% of the value. As a former investment advisor, I can assure you in our situation this is certainly not the case.

Based on our model I can not think of one way that these proposed amendments will benefit our clients.

First, right now they pay one fee to Raymond James. Regardless of whether the investments are personal or corporate, registered or non-registered the entire fee is either tax deductible or taken from the registered account.

Under our current structure, the clients receive a comprehensive service while only paying one fee. If the client has to start paying us directly their fees are neither deductible nor can they use their RRSPs. This results in a higher cost to clients for the same services they are currently receiving.

Second, our team of 16 professionals spends all our time working in our client's best interest. We do not advertise, prospect or worry about collecting as many clients as possible. We are totally client focused.

Your proposed rule changes would force all of us to try and get as many clients as possible in order to replace the fees that would drop off after 36 months. Furthermore, we have to reduce (perhaps eliminate) the amount of time we spend working with our existing clients because we could not afford to work for nothing.

Clients would have to pay Raymond James (or any other investment advisor), plus pay us a non-deductible fee.

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This would most certainly cause many clients to drop us as planners because they couldn't afford to pay both.

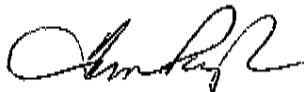
What I see as the biggest problem with referral fees is not that they're being paid but rather they're not (in all cases) being disclosed.

We work incredibly hard for the fees that we earn. At TPC Financial Group Ltd. we encourage all our staff to continue their education; all our planners must have or be working on their CFPs. We pay for all continuing education courses for all our staff so that we are able to provide the very best in client service.

Cutting or restricting our main source of revenue is both unfair and unreasonable. This is not in our, or our client's best interest.

Should you decide to proceed with these proposed amendments to Referral Fees, there should be a grandfather clause to provide for those established businesses that have built their business based on referral fees as their primary source of income.

Respectfully submitted,



Timothy Paziuk  
President  
TPC Financial Group Ltd.

Cc/ BCSC  
Cc/ FPSC

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CLIENT DISCLOSURE LETTER

(Client referred by third party to Raymond James Ltd. to provide services that referring party is not licensed to provide)

Re: Referral arrangement between TPC Financial Group Ltd. (TPC FINANCIAL GROUP LTD. or Referring party), to William Scott, agent of Raymond James Ltd.

I, the undersigned, acknowledge that I have been referred by \_\_\_\_\_ of TPC FINANCIAL GROUP LTD. to William Scott, financial advisor at Raymond James Ltd. to provide investment management services.

I acknowledge and agree that:

- a) I have been advised that TPC FINANCIAL GROUP LTD. is business providing financial planning services, and it is not licensed or registered under securities legislation as an investment dealer to trade in securities. I understand that TPC FINANCIAL GROUP LTD. and its representatives may not provide me with such services and the full responsibility for this function will be assumed by Raymond James Ltd. through its agent WILLIAM SCOTT.
- b) I have been advised that William Scott is registered under the applicable securities legislation as *Registered Representative* and Raymond James Ltd. is registered under the applicable securities legislation as an *Investment dealer and underwriter*, and is a member of the Investment Industry Regulatory Organization of Canada (IIROC). WILLIAM SCOTT and Raymond James Ltd. are licensed to provide me with investment management services. I understand that all activity requiring such registration will be provided to me solely by WILLIAM SCOTT or his designated alternate.
- c) I have been advised that WILLIAM SCOTT will pay a referral fee to TPC FINANCIAL GROUP LTD. in the amount determined as described in Referral Fee Schedule A.
- d) I have been advised of the following conflicts of interest that may exist in respect of the relationships as between \_\_\_\_\_, WILLIAM SCOTT, and Raymond James Ltd. in respect of this referral arrangement as between the parties. The referral arrangement has the potential to create a conflict between my interests and those of \_\_\_\_\_, associate of TPC Financial Group LTD. (the "Referrer") and its representatives because it could create an incentive for the Referrer and its representatives to refer me to Referee regardless of whether the services offered by Referee are appropriate for me. However, the Referral Arrangement creates no obligation, legal or otherwise, for Referrer to refer contacts or clients to Referee. Referee may place buy and sell orders through Raymond James in respect of my account and Raymond James will receive and share with its registered representative its customary investment dealer commissions for those trades.
- e) I acknowledge and agree to the payment of such referral fee as described in referral fee Schedule A.

These instructions shall continue in effect for as long as I have money under management with WILLIAM SCOTT agent at Raymond James Ltd.

If more than one client is signing this form, the above acknowledgment, confirmations and agreements are given jointly and severally by each of the undersigned.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 201 .

Client Name (Please print) Client Signature Witness

Client Name (Please print) Client Signature Witness

**SCHEDULE A Referral Fee Schedule**

**Role**

**TPC FINANCIAL GROUP LTD.**

**TPC FINANCIAL GROUP LTD.**

**Referrer**

\_\_\_\_\_  
**Associate: Role**

\_\_\_\_\_  
**Associate:**

**Referrer**

We acknowledge and agree that:

**(a) Services:** Referee will provide the following **Services** to the above-noted client(s):

Investment Management Services

**(b) Fees**

Investment Management Fees payable by Client(s) to Referee will be 45% of gross revenues generated from the accounts calculated and charged and paid by the Client monthly in arrears at the end of each month.

In consideration for the referral, the Referee will compensate the Referrer on the following basis:

Referral fee       Split Commission       Client Buyout       Other (note below)

Provided the Agent remains employed by Raymond James, and the Client remains its client, the Referee/Agent will pay the Referrer referral fees representing 45% of the investment management fees received by the Referrer from the Client. (c) The compensation will be calculated by the  Referrer  Referee and will be paid directly to the Referrer's firm with the following frequency: Monthly in arrears

(d) Other considerations  none -OR- as noted:

\_\_\_\_\_  
**Name**

\_\_\_\_\_  
**TPC Financial Group Ltd. Inc.**

\_\_\_\_\_  
**Date**

**William Scott, Agent**

**Raymond James Ltd.**

**Date**