



October 19, 2018

As an Independent Asset Manager that works collaboratively with a variety of dedicated professionals with the ultimate goal of providing clients with unsurpassed service and expert advice we wish to express our deep concern over the surprise announcement by the CSA contained in its June 21, 2018 “client-focused” reform proposal.

Transparency

Transparency is one of the core aspects of our business when servicing our clients. With that said, we believe that the real focus of this proposed CSA change should be addressing full disclosure and transparency of trading commissions which Banks receive on fixed income trades, whether a Bank acts as an Agent or Principal in a new issue, the cost associated with a Foreign Exchange transaction to clients (spread above spot price) and the interest rate spread made on cash held in client accounts. By focusing on providing **full disclosure** to clients about these associated costs, we believe that we would be in a better position to inform our clients about all costs related to transactions in managing their accounts even though they may not be privy to this information currently. It is our understanding that the US has already addressed these transparency concerns for their market.

A far less important matter concerning referral arrangements

The proposal to restrict certain referral agreements under section 13 of National Instrument 31-103 not only has the potential to materially impact the livelihood of smaller firms like our own it also has the potential to harm the financial well-being of individual Canadian families. In particular the CSA proposes that:

- Certain referral relationships be terminated after 36 months
- Have a 25% limit in place on payments to referring parties in relation to fees or commissions collected
- Limit referral agreements between registrants

As discretionary Portfolio Managers we have always acted in the best interest of our clients by fully disclosing referral fees associated with their Advisors. The relationship we have with our referring Advisors includes but is not limited to:

- Involved in client meetings
- Involved in all onboarding KYC, KYP, suitability and holistically understanding the client’s financial situation
- Advisors are involved in Financial Planning

The relationship between the Portfolio Manager and the Advisor is clear to all parties involved. The Portfolio Manager is responsible for the investment decisions in the client account to help the client meet their financial goals. The Advisor provides an extensive review of the portfolio including risk assessment and understanding of client’s situation. This is on top of the compliance measures the Portfolio Manager also takes with the client directly.

It is stated in the agreement between the client, Advisor and Portfolio Manager there is no conflict for the client to pay more for selecting certain products as this is the decision of the Portfolio Manager.

The benefits to the client are as follows:

1. Full fee transparency, not just CRM2 compliant
2. Fully diversified portfolio, usually at a lower cost when compared to mutual funds.
3. A portfolio suited to the client's situation in regard to risk profile.
4. A clear division of responsibility and duties, effectively eliminating conflicts of interest.

We have spent a considerable amount of time and resources building the trusted partnerships with our referring Advisors as well as their clients.

As part of our onboarding with clients we provide a form clearly explaining the relationship between the discretionary Portfolio Manager and the Advisor. The client is made aware that the Portfolio Manager is responsible for making discretionary investment decisions and collecting fees for the service.

The type of clients that are referred to us through the Advisor partnership channel that we have established are usually invested in mutual funds. Most of the clients have reached a level of sophistication where they can and want to take on a broader investment approach to diversify their portfolios. The Advisor, acting in the best interest of the client, refers them to a discretionary Portfolio Manager to invest in Stocks, Bonds and Alternatives. The relationship between the client and the Advisor is maintained at the same level after the account is transferred to the new Custodian and is then managed by the Portfolio Manager.

We have taken a considerable amount of time reading through your 200+ page PDF available on the CSA website and would appreciate our concerns being taken into consideration before a final ruling.

At MacNicol & Associates Asset Management Inc. we have proudly served the needs of Canadian investors for over 17 years. But we have not done so alone. We have worked closely with talented and dedicated professionals in areas such as Law, Accounting, Financial and Retirement Planning, and Actuarial Sciences. Moreover, we have always engaged in such dealings in a manner that is clear, transparent and - most importantly of all - a net benefit to the client.

In short, we believe that good advice is worth paying for and that a structure which helps Canadian investors navigate the increasingly complex investment landscape should not be prematurely terminated by an arbitrary deadline.

We have spent over 17 years building trusted relationships with well trained, well credentialed professionals across Canada. Professionals that are as passionate about helping clients in other aspects of their overall financial affairs as we are about focusing on their investment needs.

Accordingly, we ask the CSA to re-consider its stance on the surprise elements of Section 13 as we view them arbitrary and hurtful to the most important variable of all our clients.

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