

October 19, 2018

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
The Manitoba Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Nova Scotia Securities Commission
Ontario Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan

CSA Notice and Request for Comment -- Proposed Amendments to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and to Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations -- Reforms to Enhance the Client-Registrant Relationship (Client-Focused Reforms)

Dear Me Anne-Marie Beaudoin, Corporate Secretary, Autorité des marchés financiers & The Secretary, Ontario Securities Commission,

WealthBar Financial Services Inc. (“WealthBar”) is a Vancouver based online financial advisory firm. We are registered with Canadian securities regulatory authorities in all provinces and territories across Canada as a Portfolio Manager.

At WealthBar, we provide a unique approach to wealth management by using technology, our specialized investment focus, low cost advice and the highest standard of client care. We offer financial planning and discretionary investment management services.

We are strong advocates of regulation reform, transparency and plain language disclosure that will strengthen clients’ confidence and investment experience. WealthBar supports the goals of Client-Focused Reforms that prioritize the interests of the client when responding to conflicts. We also agree with a client centric relationship with a focus on client outcomes and financial literacy will address concerns in the identified by the information gap and information asymmetry.

We thank you for the opportunity to comment on the proposed reforms.

WealthBar is concerned the Proposed Amendments as prescribed do not consider the existing client relationship a registrant has with its clients, the registrant’s business model and may lead to outcomes that are counter intuitive to the expected goals of Client-Focused Reforms.

Know Your Client (“KYC”)

When we interact with clients we want to ensure we are collecting all the necessary information that will give us an accurate picture of the client to make a suitable

recommendation. We also respect our clients and are careful not to collect any unnecessary information that would not be used directly when determining suitability or for the administration of the account. Client information is both sensitive and important, thus we strive to minimize its collection and storage while protecting it with the highest level of security.

We understand the importance of assessing the client's risk profile and the client investment knowledge should be obtained. Our view given our business model is that client's investment knowledge would not impact the investment recommendation being made to the client. However, it is crucial in the delivering the recommendation. We explain the investment recommendation to all clients at a level in line with those that have limited investment knowledge and in plain language through transparent communication.

We suggest limiting the collection of personal information to the essentials needed for providing a recommendation and administration of the account. This can be done without collecting civil status/family situation, number of dependants, or employment status and occupation.

We identified some overlap between liquidity needs in client's financial circumstances and the client's investment horizon. We suggest that these should be considered as a whole.

Know Your Product (“KYP”)

The implementation of KYP as prescribed has the potential to become onerous and for small firms with limited resources it may lead to a lack of product available to client and increased cost that would be passed on to clients.

In particular the requirement that “a registered individual must not purchase a security for, or recommend a security to, a client unless the registered individual's sponsoring firm has approved that security to be made available to clients” does not consider the registration category and creates an unnecessary level of administration. WealthBar is registered as a Portfolio Manager and its registered individuals as Advising Representatives. In our view the proficiency requirements of an Advising Representative are sufficient for the registered individual to understand the features of a security and recommend a security prior to it being approved by the firm.

Conflict of Interest

WealthBar as a portfolio manager is a fiduciary and fully supports a result orientated best interest standard to resolve conflicts of interest. We find that the reforms are to be ridged are potentially complex to implement when applied to registrants that already follow a best interest standard.

Referral Agreement

How a client is introduced to a registrant should not be limited to a single group such as registrants as it has the impact to restricts client accessibility to investment advice. WealthBar engages in marketing practices where non registrants are compensated for client that open accounts. These include peer referrals and referrals from individuals or groups that are not related to wealth management.

Through WealthBar's peer referral model clients introduce the service to a friend and they both receive \$50 reward in their investment account. Rewards for peer referrals are an efficient form of marketing, where all parties benefit and reduce our overall marketing costs. We propose that peer referral models where both the referrer and the client receive a benefit be explicitly permitted.

When we engage in referral from groups and individuals this is typically a channel we do not directly market to. Thus, increasing the number of Canadians that are able to gain access to low cost investment advice through a greater and more diverse number of channels.

We feel that elimination of these referral practices will increase cost and reduce access to low cost advice.

WealthBar has developed a technology platform that allows financial planners ("Planners") across Canada to provide greater access for Canadians to have a low cost, professional financial advice and financial planning. Through the platform the client is able to understand the scope of services, who is providing the services and how much they are paying WealthBar and the Planner for their services. Such division of responsibility, combined with transparency of fees, allows the client to understand the services they receive and evaluate the costs.

Furthermore, clients should be able to direct WealthBar to make payments for goods and services directly from their investment account which would include payment of fees to Planners.

We believe financial planning is the cornerstone for clients meeting their financial goals and those with a financial plan are better prepared for retirement. Financial planning is a professional service that provide great value for a client.

We propose that Planners be explicitly permitted to receive fees ("Service Fees") from the client that are processed by WealthBar from the client's investment account provided the following conditions are met:

- The scope of financial planning services is defined to the client in plain language.
- Details of the Services Fees are clearly defined, communicated to and must be agreed upon by the client.
- The client has the ability to terminate the agreement at any time and stop the payment of Service Fees.

- Service Fees are clearly disclosed on the client's statement.
- The Planner clearly communicates they are unable to provide registerable services, registerable services are the responsibility of WealthBar, the process for the client to engage with WealthBar to receive registerable services and agreement of this by the client.

The implementation of this model allows regulators to monitor the activities of the Planners receiving Service Fees that are being processed by WealthBar.

We feel that the limitations on referral fees do not consider the business model of the registrant and may result in the unintentional direction of clients into higher fee services. Those with high management fees have greater ability to incentivise referrals than those with low management fees. For example, under the proposed amendments a high net worth firm charging a fee of 1.25% on a \$1,000,000 can pay a referral fee up to \$3,125 compared to a low cost digital adviser charging a fee of 0.50% on a \$100,000 can pay a referral fee of \$125.

Imposing time constraints on referral payments may indirectly increase costs. For example, an efficient low-cost digital adviser is better position to pay a lower referral fee over a longer period of time.

We want clarity on marketing practices where other market intermediaries such as professional associations, member reward platforms, non-financial online services are also prohibited from receiving a fee for participating in joint marketing arrangements. We feel that smaller, independent firms like WealthBar are disadvantage when have to compete with large integrated financial institutions with the ability to leverage non-registered co-branded affiliate for referral marketing. Thus, smaller advisers and those without co-branded affiliates will incur higher marketing costs.

Summary

In conclusion we support all reforms that lead to a better client experience. The Proposed Amendments as prescribed do not consider all business models and when applied to a low cost, innovative, technology focused company like WealthBar may fail to achieve the goals these reforms are setting out to achieved.

- KYC requirements are overly prescriptive, do not consider the business model, use of the information and privacy of the client.
- KYP does not consider the registration category of the registered individual and adds layers of administration.
- Registrants held to a best interest standard should be exempt from the Conflict of Interest section.
- Referral arrangements need to be expanded to increase accessibility of low cost financial advice to all Canadians. Planners play an important role in helping Canadian reach retirement and need to be able to work with registrants to provide a comprehensive client solution.

We would be delighted to discuss our comments with you in more detail.

Sincerely,



Neville Joanes
Chief Compliance Officer
WealthBar