



October 19, 2018

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Financial and Consumer Services Commission (New Brunswick)
Manitoba Securities Commission
Nova Scotia Securities Commission
Ontario Securities Commission
Superintendent of Securities, Nunavut
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

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

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
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RE: CSA Notice and Request for Comment – Reforms to Enhance the Client-Registrant Relationship (Client Focused Reforms)

CARP, formerly the Canadian Association of Retired Persons, is a national, non-profit, non-partisan organization with more than 300,000 members that advocates to uphold the rights and improve the lives of Canadians as we age.

CARP is pleased to provide comments on the proposed client focused reforms as we believe action is urgently needed to protect the vulnerable and improve the retirement security of all Canadians.



CARP commends the CSA for its stated goal of:

“better aligning the interests of registrants with the interests of their clients, improving outcomes for clients and making clearer to clients the nature and the terms of their relationships with registrants.”

While CARP applauds the objectives of the client-focused reforms, we remain skeptical about the ability of these reforms to achieve those objectives, particularly when much of the meat of the reforms is included in guidance rather than as part of the instrument itself.

Statutory Best Interest

CARP continues to believe that our members and indeed all Canadians would be best served by a statutory best interest duty from their financial advisors. Our members don't make investment decisions in isolation but rather as part of a larger financial decision making process.

For example, clients may ask, or be asked to consider:

Should I draw down my investments and defer my CPP?

Should I commute my pension and invest the proceeds rather than remaining in my defined benefit pension plan?

Should I seek to maximize my retirement income by taking out a line of credit against my home and invest the proceeds?

In the vast majority of cases, the answers that best serve an older client (yes, no, no!) are the ones that least serve the advisor. CARP believes these differences in interest will not be reconciled by disclosure and will be exacerbated under business models where advisors' compensation and even continued employment depend not only on the size of their books of business, but on the growth of those books.

CARP members strongly support a best interest standard. In a 2017 poll of 1900 CARP members, 89% supported a Best Interest Standard.

Undue Reliance on Disclosure

CARP is concerned that asking registrants to address conflicts does not go far enough. We prefer language such as “avoid or actively mitigate”. CARP is concerned that in the absence



of stronger language firms and advisors will *address* conflicts predominately if not solely through disclosure which will offer limited protection to our members.

While clear, limited disclosure in plain language is beneficial to consumers, too often critical information is buried and clients remain ill informed. We have only to look to the explosion of user agreements on the internet to see how widely disclosure is disregarded. The Security expert Mikko Hyppönen reportedly said: "The biggest lie on the internet is 'I have read and agree to the terms and conditions'."¹

CARP is concerned that disclosures will not be read, understood and acted upon by consumers in their own best interests. CARP believes that even if consumers are required to read and sign off on a statement of conflict, this exercise will be of limited use. We can envision an advisor telling their client "this is just something we have to have you sign as part of the paperwork" or a similar message that effectively undercuts the warning. CARP is gravely concerned that disclosure alone will not offer sufficient protections to our members.

Prioritizing competitive costs

When it comes to investing, cost is one of the single most important elements influencing return. When it comes to mutual funds, according to Morningstar Research: "*The expense ratio is the most proven predictor of future fund returns*"². This reality should be a foundational principle that underlies all CSA policy and practice.

Misleading titles

The Proposed Amendments provide that registrants must not hold themselves out in any way that could deceive or mislead people, including with regards to their title or designation.

While we appreciate this reference, CARP believes that stronger title reforms are overdue and should be included as part of this package. As we have previously stated in submissions to the CSA and in other public statements:

¹ I read all the small print on the internet and it made me want to die, The Guardian, accessed October 19, 2018 <https://www.theguardian.com/technology/2015/jun/15/i-read-all-the-small-print-on-the-internet>

² Predictive Power of Fees: Why Mutual Fund Fees Are So Important, Morningstar Research, accessed October 19, 2018, <https://corporate1.morningstar.com/ResearchArticle.aspx?documentId=752589>



Too many investors have placed their trust in individuals with credible sounding titles - such as Vice-President, Seniors Specialist, or Wealth Manager - without realizing that such titles are essentially meaningless; they do not promise a specific level of education or experience, or a commitment to a standard of ethics.

CARP continues to believe that people whose role it is to sell investments must be designated as such. When people realize they are dealing with a salesperson, they naturally bring a degree of skepticism to their decision making; they instinctively protect themselves from poor advice that doesn't serve them well. Misleading titles result in misplaced confidence and trust, and in the worst of cases, substantial financial losses.

CARP members strongly support title reform. In a 2017 poll of 1900 CARP members, 89% agree or strongly agree that regulating titles used by people selling investments to the public would help investors make more informed investment decisions. This should not be delayed as a longer-term project.

We thank you for the opportunity to provide our comments and views in this response. We welcome its public posting and would be pleased to discuss this letter with you at your convenience.

A handwritten signature in blue ink that reads "Wanda Morris".

Wanda Morris, CPA
Chief Advocacy and Engagement Officer

A handwritten signature in black ink that appears to read "Laura Tamblyn Watts".

Laura Tamblyn Watts, LLB
Chief Public Policy Officer