



SIPA

SMALL INVESTOR PROTECTION ASSOCIATION

**A Voice for Small Investors
Seeking Truth and Justice**

Standing Committee on Finance
Sixth Floor, 131 Queen Street
House of Commons, Ottawa ON K1A 0A6

November 1, 2018

Honourable Wayne Easter,

The Small Investor Protection Association (SIPA) was established in 1998 inspired by a widow named Shirley who faced a grave injustice. We could see that the regulatory system did not provide adequate protection for the small investor. SIPA has worked hard to be a voice for those small investors.

Since SIPA was formed there have been many Expert Committees, studies, round table discussions and consultations that have taken place over the years. It is now 2018 and I can sadly attest that little has changed to protect small investors. Investor protection reforms needed have been infinitesimally slow.

Now it's the Standing Committee on Finance, FINA's turn. As a fellow islander, I appeal to you to listen to voices of ordinary people. Over 3,000 bank employees came forward after the first three brave employees described the toxic workplace environment on CBC Go Public.

A CIBC financial advisor says she and her colleagues are "stunned" that a recent report by Canada's banking regulator did not find widespread instances of customers who were upsold due to pressure on employees to meet sales targets.

"I can't even explain to you how disheartened we all were," says the financial advisor...The financial advisor — and several employees from other banks who've contacted Go Public — say the pressure to sell initially eased up after media reports last year, but then gradually worsened... "Now that this [FCAC] report has come out, the [sales] pressure is 100 per cent full force. It's every single day. 'How many products did you sell?'... "You don't feel good. All the time," she says. "You go home and you know that you told somebody that they needed to put their money into an investment because you had gaps that needed to be filled." <http://www.cbc.ca/news/business/cbc-financial-advisor-reacts-to-fcac-report-bank-sales-culture-1.4625096>

Recently Sep 16, 2018, CBC reported on Do It Yourself investors being charged for advice that they don't even receive! Charging DIY investors trailer fees for advice they're not getting is "an industry-wide" issue. After the story published a class action lawsuit was launched. Citizens should not have to resort to the courts for justice on this kind of obvious wrongdoing.

Beyond the DIY situation, is the problem with mutual fund fees in general, with Canadians paying some of the highest in the world.

"While Bates said he believes paying trailer fees to discount brokers is "ridiculous," he said those products are really just a small segment of the total mutual fund market, which totals \$1.49 trillion, according to the Investment Funds Institute of Canada.

"The impact of mutual fund fees on retirement accounts, over time, is the biggest secret on Bay Street," said Bates. "Investors are unaware, and the industry wants to keep it that way."



A typical mutual fund's total fees range from 1.5 per cent to 2.5 per cent a year, Bates said.

"Those fees are deducted from retirement accounts," he said. "But the industry never presents a bill. Investors are never showed the quantum of fees they pay, and they don't see the impact of those fees over time." <https://www.cbc.ca/news/business/do-it-yourself-investors-charged-trailing-commissions-for-no-advice-1.4820813>

During the last Committee meeting you said to Ms. Tedesco,

"You're the Financial Consumer Agency of Canada, and people believe you are there in legislation to protect the little guy, whether it's right or wrong. When you're not seen as protecting the little guy, then more and more of the public become disillusioned with what the FCAC is doing, and whether or not the government is protecting the big banks and not protecting them. That's the risk we run here. If there needs to be more authority in the legislation, then we need to know that.

There's been a fair bit of discussion on both sides about these sales practices. If I hire somebody, I expect them to sell. If I have somebody on my farming operation selling my product, I want them to sell it. Yet we read in the CBC report that some of the sales people felt desperate to meet sales targets, which is probably true too. How do you find the balance?

May I suggest that this is how you find that balance: Anyone who handles or advises another person's money as part of their employment must do so with a fiduciary duty. They need a duty of loyalty and care to act in their client's best interests. It is essential that Governments act to revise Statutes to ensure that all firms and individuals offering investment advice are held to a fiduciary standard regardless of their titles. Those tasked with over-viewing industry conduct must be impartial, willing and capable of effectively punishing those who persist in unfairly harvesting Canadians savings. They must levy appropriate financial fines and incarceration when warranted. Those tasked with over-viewing industry conduct must be NOT be paid, selected or appointed by industry stakeholders.

Canada is in dire need of an ongoing informed, independent and thorough assessment of financial regulation. Consumer provisions need serious updating: they assume a certain level of conduct on behalf of financial institutions that just does not occur in real time. Establish an Independent Consumer Protection Agency. This would greatly improve the governance of financial regulation and would help compel regulators to act in the public interest by giving a viable voice to public concerns.

A proper duty of care to clients' needs to be established in law in order for a true cultural shift in the industry to happen. There must be absolute clarity governing the banker/customer relationship, legally obliging financial institutions to act in their customers' best interest.

I thank the Committee for the opportunity to provide my comments. I urge you to listen to what ordinary citizens have been saying and that you will recommend the changes that will protect them.

Sincerely,

Stan I. Buell