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Kathryn Royal, Manager,
Strategic Planning and Reporting
Ontario Securities Commission
kroyal@osc.gov.on.ca

Consultation on the OSC 2023-2024 Priorities

I am happy to contribute to this public consultation. As an individual investor I applaud all efforts made towards increasing investors' protection. I find that OSC has too many 'priorities' with no ranking or urgency among them. If fewer top priorities are implemented, the rest will automatically follow. The top priorities should be: **education, information, transparency** and **fiduciary responsibility.**

1. Unfortunately, due to historical and constitutional reasons, the financial regulators in Canada are under provincial jurisdiction which weakens their power. We need a stronger OSC, able to impose stricter rules and to collect fines. The provincial regulators should be better aligned and compare the number of open cases, complaints, fines in order to assess the level of regulatory enforcement across Canada. It is well known that the rules are weaker in Canada, and many scammers find refuge in Canada. There are no 'perp walks' in Canada for financial wrongdoers, the level of convictions for financial crimes is very low compared to the US, the whistleblowers program should be greatly improved.

2.The new investor, especially the young, the immigrant, the starting, the less knowledgeable and the elderly are less informed investors. I will call them '**vulnerable**' and they need especially to be protected by the government. They need to know that there are rules and laws in place for their protection and that the process is meant to be honest and transparent. This honesty and transparency encourages participation in the markets and investing. Saving and investing is good for everyone, the investors prosper and are less dependent on government help. But the rules need to be accessible, easy to find, understandable, be written in common language, avoiding jargon or technical terms.
A good example is https://www.fca.org.uk/investsmart of FCA (Financial Conduct Authority) in the UK.

3. All firms (banks, investment firms) need to provide the clients (or potential clients) a government approved **information booklet** (or links to the government site as discussed above) with the investing basics, rules and an explanation of the complaint process. Right now, the asset management firms distribute marketing material showing inflated (manipulated) returns. The new investor is embarrassed to ask questions, is afraid of looking 'stupid' and hides his ignorance. The investor needs to be empowered, to ask questions and to understand his investments. He needs to stop assuming that the person from the bank or investment firm is automatically respecting the rules and is on his side. They should remember that they are sales people, compensated according to the product they sell. The complaint resolution process and the bodies involved should be clear before the investor makes the investment.

4. This **misrepresentation** needs to stop. The mutual fund sales people the client meets are authoritative and call themselves VPs. They even have printed business cards with the title of "VP" which is meant to intimidate and impress the vulnerable client, so they don't question what they are told. These are not real VPs, they do not have the education, background or experience of a bank VP.
Rather than waiting for complaints, the regulators could visit financial institutions disguised as clients (like the restaurant reviewers) and see if they get the correct information (**the booklet**) including information about the complaint resolution process. Well too often, the salesperson would rush into making a fund sale, chosen such as to get him/her the largest commission.

5.The central issue is the **"fiduciary duty"** which needs to be well understood by everyone at all levels of financial firms employees, from bank tellers to financial advisors and the clients. This is presently not the case and is still fought against by financial firms. The fiduciary duty comes in direct conflict with the business model of the consultant and the firm. The client should ask the firm how they handle the conflict of interest arising from their fiduciary duty. The regulators should ask the same as part of the registration of financial firms.

6. Another issue is that the financial advisors (firm employees) have to offer the **best execution** of the clients demands as well as they can and in a **timely** manner. I recently had an issue with moving portfolios between institutions and it took about a month for the move (the regulations say 3-5 days). The two institutions blamed each other, nobody knew anything. Instead of actively pursuing what needed to be done, they were practicing friendly small talk. The clients don't need friends at the bank, they need competent, efficient people that do what needs to be done fast and well.

7. The **investment advisory fees** (1.5 to 2%) charged in excess of the funds' own MERs should be exposed and be justified by the advice requested and given. These fees sound small at under 2% per year but they can amount to millions in decades due to compounded interest.
Some advisors wrongly pretend to know in advance the market movements and help the client attain superior returns. Nobody can do that, all the market information is public and free to all, those who claim otherwise are liars and crooks. This should be part of the booklet (or website) for new investors together with the information that they can invest with **no advisory fees** in a "self-directed" brokerage account and choose ETFs.
Since we are in the "fees" chapter, the movement to **stop DSC** started some 11 years ago. Counting the 7 years schedule with the last DSC-funds sold this summer, there will still be DSC fees paid until 2029!! That's a total of 20 years to stop the DSC. OSC should get the courage to act in a timely and decisive manner. On whose side is the OSC??

8. The **KYC rules** are part of the regulatory framework and were meant to fight money laundering and help the advisor choose the most appropriate investments for the client. Unfortunately the KYC is not used in the best interest of the client; it is done just by "going through the motions" because it's required, the advisors don't genuinely care. I would submit that in most cases it is unnecessary and increases the risk of compromised personal information, and it is even used as entertainment or gossip between bank employees.
It is most often used by financial advisors as a defence. For instance, part of the client file there is a risk tolerance questionnaire. One question is "how would you feel if your investment loses 10%, 20%,..?". If the client checks 20%, he cannot go back to the advisor and complain that his investment lost 20% since he signed the form that he would be comfortable with that loss level. This is a regulatory good intention to protect the client that boomerangs into a defense of bad advisors.

9. **Know your advisor, KYA**, besides the **KYC**. I suggest that the client needs to ask and get honest answers from the firm to questions like: How is the firm (and the advisor/sales) making money? What are the fees for different services, what are the ongoing fees? Are there no-fees alternatives, direct investing, TFAs? Why is the bank employee recommending a specific investment? How did he choose that investment? What is the education, experience, licensing, qualifications of the advisor?

10. Regarding the protection against financial exploitation and **scams,** there is a lot that the regulators could and should do. Recently we had the meltdown of the crypto firm FTX. The SEC (and OSC) are not regulating the crypto as there are questions about what "type" of assets they are. The investors bought first (to ask questions later) based on endorsements by celebrities and self declared investment gurus.
I propose a solution: the SEC (and OSC) should **outlaw paid testimonials**. Apply this to financial products, where you can only judge the "value" by popularity (NFTs, cryptos). If **all paid testimonials are illegal**, the problem disappears. The public needs to learn that these investment 'pump to dump' schemes use celebrities as paid actors, they do not buy themselves the securities in the ads. and they lie about it. Nobody on social media (or in the emails you get) cares about you getting rich; they are just trying to make a buck for themselves by making you buy.

The OSC may post this letter on their website.

Michaela Sanielevici, individual investor
Toronto ON