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The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, Ontario M5H 3S8

Dear Sir/Madam,

In response to the proposal to limit referral relationships.

Although we recognize the challenges that the OSC has had in regulating these relationships, the current proposals fail to account for the tremendous value added to the client in well-managed relationships.

No one in the financial services industry can provide all the knowledge and services that a client requires to effectively address their investment, income tax, and estate planning needs. It is only by working together that clients get the full benefit of these services. Referral arrangements have been a valuable component of ensuring these services are continuously available to our clients.

1) Referral sources should be subject to some regulatory oversight, but that should not be limited to the OSC. Other regulatory bodies should be trusted to ensure both the proficiency and ethical treatment of clients by the referrer, similar to the recognition given to a CFA Charter holder, a Chartered Financial Accountant (CFA), a Chartered Professional Accountant (CA), or the proficiency gained from the Institute of Financial Services Institute (IFSE), the RESP Dealers Association of Canada, CSI Global Institute (CSI) and the United States Financial Industry Regulatory Authority (FINRA).

2) Although we recognize not all referral relationships are structured the same and can only speak to the referral sources that we work with, these individuals provide tremendous value to our clients. This includes extensive financial and tax planning work. This work is not limited to a three-year period but is part of a continuous planning process. As a smaller firm, we do not have the ability to have a financial planner permanently on staff and the ongoing team work between our portfolio managers and the financial planners that refer the client facilitate our ability to provide effective portfolio management.

The financial plan produced and regularly updated by these financial planners help us to better define the objectives of the client and facilitate a more comprehensive KYC process. To be clear, we are not suggesting the financial planners have a role in the KYC process, but the completion of a financial plan assists our portfolio managers in defining target returns and the relative risk of various outcomes.

3) Many of these referral agents are insurance licensed and, may also be holder of proficiency requirement from any of the regulatory institutions mentioned above. If their ability to refer clients to licensed portfolio managers is terminated, which these proposals effectively do, their only choice is to place those clients in segregated funds, at much higher cost to the client. For those that are MFDA licensed it forces



the advisor to limit the options to mutual funds that generally carry a higher fee and less personalization. It is hard to see how this outcome places the best interests of the clients first. In fact, it would appear to contradict some of the proposals under the KYP section, which suggest any registrant must justify utilizing options that are not the lowest cost alternative.

It also seems contradictory that an advisor can recommend a series of mutual funds managed by an anonymous PM but cannot refer the client to a PM dealing specifically with clients like themselves and expect to receive a stream of ongoing compensation as they would through trailer fees, recognizing that the referrer in both cases continues to provide services to the client.

These proposals seem designed to limit choices presented to clients, not enhance access to a wide variety of services.

Regulations have already been passed to ensure disclosure and transparency in these relationships, which are important and supportive of client choice.

It is difficult to see what harm the regulator believes is inherent in these relationships that enhance choice and deepen the skill sets made available to clients.

Furthermore, the proposal would prevent any grandfathering of existing relationships. These are contractual agreements that were established in good faith. It is unnecessarily harsh to prevent a grandfathering of referral arrangements made in compliance with current legislation.

We would like to suggest that the Commission consider the following changes to the proposal:

- 1) A grandfathering of client relationships established under existing referral agreements that meet current regulatory requirements.
- 2) No limitation on payment periods where an on-going relationship exists between the referral source and the client
- 3) No limitation on the percentage of fees paid to the referral source where an on-going relationship exists. This is a commercial negotiation that should reflect the value-added by each party.
- 4) An extension of those eligible to receive referral payments to include those that are insurance licensed or accredited financial planners.

Thank you for considering our comments.

Sincerely,
Logan Wealth Management

Timothy Logan, CFA
President