

## GUEST COLUMN

# Regulators should move cautiously

*It's crucial that future regulation not be based on Canada's lack of confidence due to a misguided inferiority complex*

BY JOANNE DE LAURENTIIS

AS CANADIANS, WE HAVE A TENDENCY to look elsewhere for excellence, not always fully recognizing our nation's achievements and strengths. This lack of confidence is unfortunate. As individuals and as institutions, we have many accomplishments we can point to in a wide range of areas.

One such area is securities regulation, for which Canada has been ranked by international research bodies as being among the best in the world. A study from the Organization for Economic Co-operation and Development ranked Canada second in securities market regulation and investor protection, while a recent World Bank study ranked Canada fifth in terms of investor protection.

Supporting these findings is research that consistently demonstrates that Canadian investors have very high levels of trust in their financial advisors. The 2012 **Canadian Securities Administrators'** investor index found that nine in 10 investors are comfortable raising concerns and questions when speaking with their

advisors. And in an online consultation carried out for the **Ontario Securities Commission's** investor advisory panel, 88% of survey respondents agreed with the statement: "I generally trust the advice I receive from my financial advisor."

Investor interests in Canada are protected through the duty of dealers and advisors to act fairly, honestly and in good faith within detailed rules on suitability, relationship disclosure, product disclosure, complaint handling, dispute resolution, performance reporting and the use of plain language.

These rules serve Canadian investors well and continue to evolve. The mutual

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funds sector is proud to have worked with regulators on measures to enhance investor protection significantly — most recently, the client relationship model (CRM) rules and point-of-sale requirements, including the creation of *Fund Facts*.

In contrast to Canada's regime of strong disclosure, a few jurisdictions have recently moved to more interventionist models. For example, the U.K. now requires advice fees to be separated from the price of the product. This may be causing less affluent investors to lose access to advice,

as advisors focus more intently on high-wealth clients.

Why does this matter? Independent research in Canada has found that members of households who have worked with a financial advisor for four to six years accumulate more than 1.5 times more assets than people in non-advised households who are identical in all other respects.

After 15 years or more with a financial advisor, a household accumulates more than 2.5 times more assets than an otherwise identical non-advised household. Advisors are the most popular way, by far, for Canadians to purchase mutual funds.

The accumulation of wealth, through the discipline that financial advice brings, helps individuals achieve self-reliance in retirement and reduces dependence on publicly funded programs. Building savings is extremely important with today's shifting demographics; aging populations in countries around the world mean that a higher percentage of people will rely on public pensions and fewer young people are working and contributing to the economy.

This is one reason that securities regulators around the world have been reviewing investor-protection frameworks in recent years. In doing so, regulators are observing the changes initiated by their colleagues in other jurisdictions, evaluating whether to make changes to their local regimes.

In Canada, we need to proceed with utmost caution before importing solutions that have been shaped by non-Canadian legal, business and cultural frameworks.

The strength and breadth of our existing regulatory system is an impressive model for the world. Canadian investors today have access to one of the most competitive and sophisticated financial services markets, with easy, affordable and convenient access to a wide range of products through a variety of channels.

The CRM and *Fund Facts* have put us firmly on the leading edge of transparency and accountability — to the benefit of investors. Over the next several years, as these initiatives are implemented fully, we will be able to observe how successfully they further investors' understanding and insight. Only then will we be in a position to consider whether further measures are needed.

In the meantime, Canada's regulators should take pride in what they have accomplished. There is no doubt that our strong policy framework and rigorous regulatory system are key reasons that our investor-protection regime ranks so high.

It is crucial that future regulatory changes preserve the strength and accessibility of our existing system, and not be based on Canadians' lack of confidence due to our misguided national inferiority complex.

Advisors must take the time to ensure their clients understand and make full use of the CRM and *Fund Facts*, so that regulators are not tempted to import less effective systems that might ultimately reduce access to financial advice in Canada. **IE**

*Joanne De Laurentiis is president and CEO of The Investment Funds Institute of Canada.*

## HUMOUR

## Phone stories from H\_\_\_. (Rhymes with "Bell")

*Fifty years of faithful payment means nothing to the mother corp.*

BY PAUL RUSH

IT WAS A SUMMER SATURDAY AFTERNOON when the polite call came from Bell Canada: I was two weeks behind on my phone bill; when was I going to pay it?

And that is when I lost it.

What I basically said was that I had been paying Bell bills for 50 years. Bills for phones and cellphones and computer hookups and what have you. Fifty years. Why was Bell now harassing me for a \$100 bill?

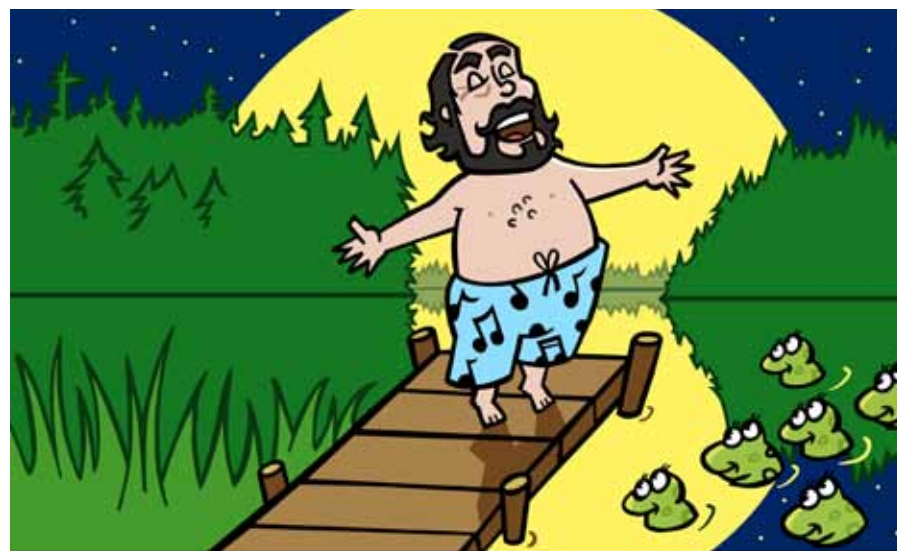
Somehow, we ended that phone call with a slightly changed address for me and Bell possibly waiting patiently. But it caused me to think about Bell Tel.

To wit: years ago, we bought a cottage in the Haliburton wilderness about 130 miles northeast of Toronto. I called Bell and they said they could have an installer there at nine on a Monday morning.

So, on the appointed morning, I drove up from Toronto and waited for Bell. And waited some more.

At noon, still Bell-less, I drove to the local marina and called them.

"Oh," said a polite voice, "the installer couldn't make it up, so we called your number and left a message."



JON JARRO

"A message in Toronto?" I asked. "Indeed," said the polite voice, "it was the only number we had."

"But I was waiting in Haliburton," I said. And that is pretty much where that incident ended. But we did get a phone in Haliburton. It was a party line, and there hangs another tale.

Late one quiet summer night, when I had to call my wife in Toronto, I picked up the phone and it was in use: voices and singing came over the wire. So, after 15 minutes, I picked it up again and realized I was listening to Luciano Pavarotti. A neighbour's phone was off the hook. What to do?

First, I thought of getting in my canoe

and paddling about the lake in search of an Italian tenor. But there was no guarantee the phone was even on the same lake.

So, I made my call from the marina and then called Bell to tell them what was happening on my party line. Could they give me an address?

Nope.

Could they send a loud screeching noise over the line to alert the party responsible?

Nope.

So, I went back to my cottage, yelled at Luciano a few times and went to bed. In the morning, he was gone.

But you will know I had more adventures with Bell. Later, I had a cottage on an

island and a phone line under the water. And, as does happen, that line went dead. So, I took out my cellphone and called Bell. They could send someone out in a couple of days, said the polite voice. So, there I was, in a couple of days, waiting for the Bell person who never showed.

So, I called Bell.

"Your phone is on an island," a polite voice said.

"Surrounded by water," I replied.

So, we chatted about this for a minute or two, then I waited some more. Then, I called Bell again and was told someone was on the way. But when no one showed and when I called yet again, they seemed stumped by the island. Although they were polite.

And there is more.

Instead, I can say that a pleasant Bell person recently came by and installed a router so I would have high-speed Internet service. I was away at the time, but I assumed instructions on using high-speed might have been left. I was wrong.

The only thing I knew about this was that I should take care to remember a 26-digit code. Thus, once again I called Bell. Once again, I fought my way through their phone-answering forest. Once again, I found a polite person. His name was Ronaldo and — amazing to say — he steered me through the router process.

It took 45 minutes.

And yes, the router is now part of my overdue phone bill. And, no, I have not yet paid it.

After 50 years, Bell can cut me some slack. **IE**