



# SIPA

SMALL INVESTOR PROTECTION ASSOCIATION

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

June 15<sup>th</sup>, 2018

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

In March 2017 three brave bank employees stepped forward to reveal the incredible pressure they worked under to make sales. This story initiated a groundswell reaction from employees of all levels of banking services from all six Charter 1 Banks, with over three thousand employees contacting CBC and thousands of public comments left on their website after each new investigative story launched.

On March 20, 2018 the Financial Consumer Agency of Canada (FCAC) released its long-awaited report titled "Domestic Bank Retail Sales Practices Review". On Monday, May 28, 2018 Conservative MP Dan Albas summed up what we believe are many peoples reaction, *"I have to say Ms. Tedesco, I'm a little disappointed in your report."* SIPA is too. Ms. Tedesco stated *"In terms of comparing ourselves to our international peers, I would say that their consumer protection frameworks have probably evolved a little faster than ours."*

Ms. Tedesco repeated to the Committee a number of times that the FCAC is there to apply the legislation and that the role of the FCAC is very specific. *"What we oversee at the FCAC are very specific provisions under the Bank Act. They're called Consumer Provisions and those provisions are very, very specific. It's a protection regime based on disclosure and some business practices."* It was later stated there are *"no mis-selling provisions in Bank Act as such."*

Unfortunately, the FCAC report is vague with regards to its recommendations, making it difficult for the Standing Committee on Finance to make solid recommendations to policy makers.

We agree with the Honourable Wayne Easter, Chairman of the Standing Committee on Finance *"What I'm more worried about is if anybody in the public starts to feel that the government or the FCAC or any of the other regulators are not providing enough protection for the little guy because they happen to be the big powerful banks, then we have a real problem. I think that's where we are."*

On May 24, 2018 The Star reported, *"TD reported Thursday a bigger quarterly bump, with its net income attributable to common shareholders of \$2.85 billion for the quarter, up 17 per cent from a year earlier, while RBC reported a 9-per-cent increase to \$2.98 billion."*  
<https://www.thestar.com/business/2018/05/24/surge-in-business-loans-eases-mortgage-growth-plateau-for-rbc-td.html>

In 2017 RBC reported *"We had a great year in 2017, with record earnings of \$11.5 billion, driven by robust growth across our businesses," RBC president and CEO Dave McKay said in a statement Wednesday.* <http://www.cbc.ca/news/business/royal-bank-earnings-1.4424359>



Almost \$1 billion per month. That is just one bank...one month! We understand that a business must make a profit but at what cost?

Just a few of the employees' statements illustrate the severity of the issue:

- *"I will do anything I can to make my goal."*
- *"You don't know what it's like to go to bed at night knowing your job is now to set people up for financial failure."*
- *"Customers are prey to me."*
- *"I was forced to lie to customers, just to meet the sales revenue."*
- *"I have invested clients' savings into funds which were not suitable, because of the ... pressure."*

These few statements illustrate uninformed consent, lack of disclosure, documents being forged, risks not explained or even alluded to, high fees, outright lies and deception occurring and the FCAC Commissioner *stating "I will say that, as a result of the industry review, FCAC now has a deeper understanding of the context within which the financial institutions we regulate are operating."*

Do they really?

These are more than goals gone wild. Canadians are being grossly taken advantage of with barely a wrist slap even occurring. \$650,000 in fines in the past year. \$1.6 million in the past five years! One bank alone is making \$1 billion in one month.

There is a pent-up demand for serious change. The Government of Canada must hold a public inquiry so they hear directly from the people. For too long Government has depended upon regulators controlled by the industry and have been shielded from the truth.

It is understandable that some Members of Parliament are frustrated with the FCAC report and its lack of solid direction on what needs to happen. Canada has an aging population, fewer defined benefit company pensions are being offered, record personal debt and more Canadians in charge of setting up their own retirement savings and forced to trust and rely upon the banks.

The banks advertise themselves as trustworthy advocates working in their clients' best interests.

They must be made accountable and held to a fiduciary responsibility when they are dealing with Canadians' life savings.

SIPA offers some specific suggestions:

- A Fiduciary Standard is required if retail investors are to trust the "advice" they receive. Big Banks say trust us, advisors say trust us, regulators say trust us. Are these meaningless words? In Canada, it appears possible to defraud tens of thousands of clients for up to a decade under recent No Contest Settlements by paying insignificant



finances to evade admitting responsibility and civil action. 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.
- Canada is in dire need of an ongoing informed, independent and thorough assessment of financial regulation. An Independent Consumer Protection Agency is vital for the fair governance of financial regulation and would help compel regulators to act in the public interest by finally giving a viable voice to public concerns. It is no longer appropriate or acceptable for the financial services industry to self-regulate. History shows this has failed and in failing has adversely impacted the future of a great number of Canadians.
- Sanctions with teeth are needed coupled with no nonsense enforcement. A statutory Ombudsman service for banking and investments is needed that has a mandate to make decisions and ensure that restitution is paid. One Ombudsman for all banking complaints that would work in conjunction with the national Consumer Protection Agency. To rely upon voluntary codes and client consent to protect consumers is not sufficient. History shows the industry is incapable of regulating itself; the conflicts of interest are just too much

Over a decade ago in 2004, SIPA in partnership with CARP published a report *"Giving Small Investors a Fair Chance"* [http://www.sipa.ca/library/SIPAdocs/CARP-SIPA\\_Report\\_20040928.pdf](http://www.sipa.ca/library/SIPAdocs/CARP-SIPA_Report_20040928.pdf). The report's recommendations are as valid today as they were then:

*"In order to ensure investor protection, a Federal Investor Protection Act should be passed which includes the establishment of a single, national independent Investor Protection Agency (IPA) accountable to Industry Canada or the Attorney General of Canada. The IPA, in collaboration with provincial regulators, should be empowered to: oversee the regulatory bodies, establish a central registry of industry participants, create a central database of complaints, monitor dispute resolutions, order independent investigations or inquiries, order restitution in cases of industry wrongdoing."*

If you are not yet convinced, you must hold a public inquiry and listen to the people. As a primer you could read SIPA's Voices Report issued in April this year and available on our website:

[http://www.sipa.ca/library/SIPAsubmissions/ListenToTheVoices\\_letterForward\\_20180414.pdf](http://www.sipa.ca/library/SIPAsubmissions/ListenToTheVoices_letterForward_20180414.pdf)

It is time for the Government of Canada to legislate a National Authority to provide consumer/investor protection for all Canadians.

Sincerely

Stan I. Buell, P. Eng.  
Founder and President