



SIPA

SMALL INVESTOR PROTECTION ASSOCIATION

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

March 30, 2018

Re: FCAC Report March 20, 2018

An open letter to Canada's leaders

"Canadians deserve a secure and dignified retirement after a lifetime of hard work. Their economic security strengthens our entire economy."

The Right Honourable Justin Trudeau states on the Liberal Party website.

The Financial Consumer Agency of Canada (FCAC) March 20th 2018 report is a powerful indictment of Canada's financial regulatory system.

The report is FCAC's response to the Standing Committee on Finance (FINA) bank inquiry last June, 2017. The Bank Inquiry was precipitated by CBC Go Public investigative journalism and in particular their March 29th 2017 explosive disclosure on CBC's The National with Peter Mansbridge:

<https://www.youtube.com/watch?v=DLuUftmbyG0&feature=youtu.be>

The CBC Go public's reports resulted in thousands of responses from bank employees confirming their findings.

As a result CBC's investigative team of Erica Johnson, James Roberts, Amar Parmar, Karen Burgess and Alison Broddle earned the Business, Industry & Economics Award for their exposé on big banks' high pressure sales tactics, Erica and her team has certainly had impact that resulted in FINA action to call on FCAC to submit a report on the banks.

While the FCAC report does not add anything in terms of regulatory change and enforcement its findings are strongly supportive of such.

The FCAC's review resulted in five key findings:

1. Retail banking culture is predominantly focused on selling products and services,
2. Performance management programs—including financial and non-financial incentives, sales targets and scorecards
3. Certain products, business practices and distribution channels present higher sales practices risk.
4. Governance frameworks do not manage sales practices risk effectively.
5. Controls to mitigate the risks associated with sales practices are underdeveloped.

The report raises serious concerns for Canadians over the impact of sales targets and incentives on the risks of mis-selling, these very same issues the CBC's Go Public first brought to light in the spring of 2017.



However, the proposed action seems to offer only more of the same:

- the banks would continue to self-regulate
- the FCAC would enhance efforts on financial education so consumer investors could protect themselves

In short it would perpetuate the Caveat Emptor savings and investment environment that prevails today for Canadians. This is clearly insufficient. The FCAC findings point to the need for much deeper regulatory changes to protect Canadians.

There is a history of reports dating from before the revealing Stromberg reports in the 1990s to the Wise Persons Committee Report published on December 13th, 2003 recommending meaningful investment regulation across the country.

Over a decade ago, 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 These 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."

Now the FCAC report validates the comments made by so many, over so many years.

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

Canadians are experiencing the loss of retirement security and of financial health, due to the industry-serving design of the current regulatory system. With our changing demographic, and fewer defined benefit pension plans being offered by employers to Canadian workers it is imperative that our Government act.

Yours truly

Stan I. Buell
President
Small Investor Protection Association