The Voice of the Retail Investor

Regulatory leadership on OBSI needed - Investment Executive

It seems to us that only a legislated enabled OBSI will function in Canada.Given the low access to justice, politicians should provide this investor safeguard especially given senior demographics. Some of OBSI's problems today stem from a Dept of Finance decision to allow Bank's to buy their own complaint handling service. Here's an editorial from Investment Executive that drives home the inaction of Canada's securities regulators. *Regulatory leadership on OBSI needed* http://www.investmentexecutive.com/-/regulatory-leadership-on-obsi-needed?redirect=%2Fsearch

By IE Staff | Mid-November 2013
It's been more than two years since an independent review of the investment sector's dispute-resolution service recommended sweeping changes. In the autumn of 2011, the Navigator Co. of Australia submitted a report on its review of the Ombudsman for Banking Services and Investments (OBSI), which warned that the organization was in need of fundamental reform. The review found that OBSI was facing increasing resistance within the sector to its work as an independent arbiter of client complaints. The review also found that the criticism OBSI was getting was unfounded.The Navigator report suggested that the active intervention of regulators and broad reforms were necessary to act as a "circuit breaker" to the growing opposition. Indeed, the report said, this sort of intervention is "well and truly overdue."

Since then, regulators have largely ignored the report's recommendations. And, as predicted, OBSI's position has deteriorated. In the past two years, one of the big Canadian banks has withdrawn from the service (leaving OBSI with just three of the Big Five). More disturbing, OBSI has had six investment firms refuse the service's recommendations for compensation, after having only one refusal in the previous 10 years.
In response to changes to banking legislation, OBSI proposed amendments earlier this year to its terms of reference that would reduce its powers to investigate systemic issues, which would weaken it further. The Ontario Securities Commission's Investor Advisory Panel has called these proposals "unacceptable and a major blow to investor protection."

The Navigator report noted that there was no substantive basis for the investment sector's criticism of OBSI's investment complaints methodology. The report suggested that the unjustified criticism is not being balanced by consumer-sensitive governments or authoritative regulators.
Regulators clearly have failed OBSI — and investors. Surely, there's a leader within the sector with enough strategic perspective and vision to see the inherent value in ensuring that investors can turn to a credible, cost-effective dispute-resolution service. A business that rises and falls on the trust and confidence of its clients demands it.

We couldn't have said it better.

Shake up the investment industry
http://www.steadyhand.com/industry/2013/11/20/shake_up_the_investment_industry/?utm_source=feedburner&utm_medium=email&utm_campaign=Feed%3A+Steadyhand+

%28Steadyhand%29 Ton Mradley expresses his views.

November was Financial Literacy month. This year's theme: Financial Literacy across Generations. Click on the link below to find out more.
http://www.osc.gov.on.ca/en/Investors_inv_news_20131129_flm.htm

If you invested like Canada's billionaires, would you be rich too?
http://www.canadianbusiness.com/investing/if-you-invested-like-canadas-billionaires-would-you-be-rich-too-we-did-the-math/ Would also be paying less on fees (%) and get really solid advice on tax/ estate planning.

Northern Securities Refuses OBSI Recommendation
On Nov. 20 , the Ombudsman for Banking Services and Investments (OBSI) today announced the refusal of Northern Securities to compensate retail investor clients in the amount of $16,022. Mr. T, recommended an investment in a Stelco bond that was unsuitable given their low-risk, income-producing investment objectives. As a result of the Stelco investment, Mr. and Mrs. B suffered compensable losses of $16,022, which Northern Securities refused to pay. Northern is now a defunct investment dealer.

Fund Facts Tour http://www.getsmarteraboutmoney.ca/tools-and-calculators/infographics/fund-facts-interactive-sample/index.html Gives a high level tour on how to use FF.s.

IIAC's Ian Russel gives his views on investor participation
http://investmentexecutive.newspaperdirect.com/epaper/iphone/homepage.aspx#_article12a33271-12b7-409f-a429-a2ad62505cc3

Compensation: Bonuses [' for "advisors "] to switch firms shoot upward - Investment Executive http://www.investmentexecutive.com/-/compensation-bonuses-to-switch-firms-shoot-upward?redirect=%2Fsearch The large amounts being paid will cause terrific stress on “advisors” to produce. This constitutes a designed in systemic risk for retail clients especially the elderly. The word "producer" doesn't mean the production of better client outcomes; it means the production of revenue for the dealer. Is there still any doubt that the advice industry in Canada is essentially all about sales.?If regulators do not act on Best interests, than they are leaving themselves open to willful blindness accusations.

Interview with Steven D. Lockshin, author of Get Wise to Your Advisor | Daniel H. Pink
http://www.danpink.com/2013/10/interview-with-steven-d-lockshin-author-of-get-wise-to-your-advisor/ "...Advisors who must meet a “suitability standard” are required only to offer advice that’s*suitable* for their clients, which means they can suggest products that earn them big commissions but that aren’t necessarily the best choice for the client. Financial advisors who must meet a “fiduciary standard” are legally obligated to put their clients’ interests first.Think of it this way. Some advisors say, “If there are two products and they’re both decent, I’ll always select the one that *pays me more*.” But others say, “If there are two products to choose from and they’re both similar and appropriate, I’ll always select the one that *costs the client less*.”....."

Case shows how a defective KYC leads to mis-selling and losses

http://docs.iiroc.ca/DisplayDocument.aspx?Language=en&DocumentID=1095ADF84E1E4598B3DE31E6CD91D764 Note the Red flags cited on page 8.

A Blueprint for the Evaluation of an Ombudsman
http://www.icann.org/en/help/ombudsman/blueprint-for-evaluation-of-an-ombudsman-nov08.pdf

Minimize cost. The impact of fees on end values
https://personal.vanguard.com/us/insights/investingtruths/investing-truth-about-cost
If you use 2.40 % MER and invest for 25 years at an assumed rate of return of 6% you will lose nearly 50% of the market return. The point here is that fees count and unless you are getting index beating returns , a heavy price is paid over an extended period. This assumes no other fees are paid such as DSC, FEL etc.Note that the chart is interactive.

Dead Funds Walking... But Not Talking | Dan Solin
http://www.huffingtonpost.com/dan-solin/dead-funds-walking_b_4401628.html"....Here are some questions to ask your broker the next time he recommends an actively managed fund, using past performance data:

1. If the SEC states that past performance is not indicative of future results, why should I pay attention to past performance?

2. What are the chances you can select a fund that will survive over the long term, much less outperform?

3. What are the chances the fund you select will outperform its benchmark over the long term?

4. Does the data you are providing include or exclude the performance of "dead" funds?

If you receive honest responses to these inquiries, you may conclude you would be better served investing in a globally diversified portfolio of low management fee index funds......"(Same situation exists in Canada) See also **The mutual fund graveyard - an analysis of dead funds .**
https://personal.vanguard.com/pdf/s362.pdf

Nature and risks of Investments Goldman Sachs
http://www.goldmansachs.com/disclosures/mifid/info-on-nature-risks-of-investments.pdf

INVESTORS' BILL OF RIGHTS CVM (Brazil)
http://www.cvm.gov.br/ingl/ProtInv/DIREITOS.asp

Risk and Return models
http://people.stern.nyu.edu/adamodar/pdfiles/acf3E/presentations/risk&ret.pdf

Vanguard Group | Vanguard Named Morningstar ETF Provider Of The Year
http://www.newswire.ca/fr/story/1270059/vanguard-named-morningstar-etf-provider-of-the-year
Vanguard Investments Canada Inc. received *ETF Provider of the Year* and *Best Equity ETF* awards yesterday at the 19th annual Morningstar Canadian Investment Awards. Coming as Vanguard celebrates

its second year anniversary in Canada, the awards are based on quantitative and qualitative evaluations from fund analysts across the industry."Beyond recognition for Vanguard, this is an acknowledgment that costs matter. By controlling costs—one of the few factors an investor can control—you keep more of what you earn," said Atul Tiwari, managing director of Vanguard Investments Canada. "We are strong believers in the value of ETFs, which we view as an extension of indexing. ETFs enable investors to build broadly diversified, balanced portfolios at a very reasonable all-in cost."Vanguard secured the *Best Equity ETF* award for the $186 million Vanguard U.S. Total Market Index ETF (CAD—Hedged) (VUS). The fund had an management expense ratio (MER) of 0.17% as of December 31, 2012. Congrats to Vanguard. Our usual cautions apply re Investment Awards.

Understanding financial certifications - How do you know if your advisor has the right skills to meet your investment needs?
http://www.newswire.ca/en/story/1270519/understanding-financial-certifications-how-do-you-know-if-your-advisor-has-the-right-skills-to-meet-your-investment-needs The Investment Industry Regulatory Organization of Canada (IIROC) has issued this Investor Bulletin to help investors understand what certain financial certifications mean, what it takes to achieve them and to offer resources that provide important information about advisors' certifications and registrations. In essence, it means that the term "advisor" is elastic and investors should be on guard.

Series D: More choice, lower fees for self-directed investors - Investment Executive
http://www.investmentexecutive.com/-/series-d-more-choice-lower-fees-for-self-directed-investors
There's a game-changing development for discount-brokerage/DIY clients who invest in mutual funds. Three additional sponsors- Mackenzie Financial Corp., Invesco Canada Ltd. and BlackRock Asset Management Canada Ltd. - will soon launch Series D funds with much reduced trailer commissions. Invesco Canada president Peter Intraligi said the new Invesco series reflects the company's belief that investors have a right to decide how they should pay for advice, or not pay for it if they choose to invest on their own. Though Invesco is a strong supporter of advice channels and takes the position that investors achieve better results when working with an advisor, Intraligi said it would be hypocritical to advocate choice for clients of advisors while restricting choice to investors who choose to act on their own. Intraligi told Morningstar that Invesco began internal discussions that led to the creation of its Series D in December 2012, when the Canadian Securities Administrators (CSA) released its discussion paper on fund fees. Among the possibilities raised in that paper, which prompted numerous submissions by the industry, consumer advocates and other interested parties including Morningstar, was a ban on trailer commissions and other compensation paid to brokers and dealers out of the funds' management fees. NOTE: TD's eFunds have been available for years but require a online brokerage account. They are all index based.

Statement on Risk Disclosure by Mutual Funds :Stanford a University
http://www.stanford.edu/~wfsharpe/art/fer/fer96.htm

Series D: More choice, lower fees for self-directed investors - ..... And something for regulators, eh
http://www.investmentexecutive.com/-/series-d-more-choice-lower-fees-for-self-directed-investors?utm_source=newsletter&utm_medium=nl&utm_content=investmentexecutive&utm_campaign=INT-EN-saturday Mackenzie's message to advisors said that by correcting an obvious inequity with Series D, it is demonstrating its ongoing commitment to fair treatment of investors. "We believe that demonstration will carry weight in future discussions with our regulators that affect our industry."-Mackenzie president Jeff Carney

Online investors in it for the long haul, poll shows - Investment Executive
http://www.investmentexecutive.com/-/news-58856
The top reasons investors cited for opening an online account include:

• convenience (96%)
• having control over investments (95%)
• achieving cost savings on fees and commissions (92%)
• becoming a better educated investor (76%)

Nearly three-quarters of online investors have been investing for longer than three years and of these, 92% are 36 years of age and older. Of 630 investors polled, 85% said they use their online accounts for either long-term goals or a combination of long-term and short-term ones. Only 9% said they're seeking short-term profit through their online investing accounts.

The Crown Capital case
http://www.osc.gov.on.ca/en/41599.htm A number of governance issues uncovered.

Shareholder Assessment of Risk Disclosure Methods (ICI), April 1996
http://www.ici.org/research/reports/rpt_riskdiscl

Canadians deserve real price competition in mutual funds - Ermanno Pascutto
http://www.investmentexecutive.com/-/canadians-deserve-real-price-competition-in-mutual-funds?utm_source=newsletter&utm_medium=nl&utm_content=investmentexecutive&utm_campaign=INT-EN-saturday

Indian Mutual Fund plans will carry colour codes to signal risk grade, coding plan to help retail investors - Economic Times
http://articles.economictimes.indiatimes.com/2013-02-20/news/37200328_1_equity-savings-rajiv-gandhi-equity-vicky-mehta Read also http://www.sebi.gov.in/sebiweb/home/adsearch.jsp?type=advanced and *Can assessing risk in mutual funds become easy with better colour codes?* http://www.personalfn.com/knowledge-center/mutual-funds/views-on-news/13-08-26/can_assessing_risk_in_mutual_funds_become_easy_with_better_colour_codes.aspx

Harmony Conservative Portfolio - Wrap Series
https://www.agf.com/t2scr/sharedDistT2scrWeb/doc/pos/HFP_00011_12_E.pdf
Yes, fund on fund products must publish 'look through' pricing data. And they're doing that here. But have a look at the "service fee" section on page two. It shows there that this is kind of like F-series in that the "service fee" or trailer is not embedded but paid separately - for which AGF will redeem units to pay the fee (just like F series...but AGF calls it Wrap series because these are only available through dealer fee based platforms).

CSA Fund Facts vs IOSCO standard (2011)
http://faircanada.ca/wp-content/uploads/2011/09/SIPA-research-Fund-Facts-vs-IOSCO-standards.pdf
IOSCO Principles on Point of Sale Disclosure Final Report 01022011
http://www.investorpos.com/documents/IOSCO%20Principles%20on%20Point%20of%20Sale

%20Disclosure%20Final%20Report%2001022011.pdf

Top Manager: Leader of the pack - Mawer Funds wins Investment Award
http://www.investmentexecutive.com/-/top-manager-leader-of-the-pack?utm_source=newsletter&utm_medium=nl&utm_content=investmentexecutive&utm_campaign=INT-EN-saturday Please note are critical view of investment awards but nevertheless congrats to Mawer.

Is it wise to borrow for an RRSP? - The Globe and Mail
http://www.theglobeandmail.com/globe-investor/personal-finance/retirement-rrsps/is-it-wise-to-borrow-for-an-rrsp/article15612038/ "This is where the human nature side comes in," Mr. Church says. "People say, 'I'll borrow and pay it back out of my refund,' and then the refund comes and there's something else they would like to do, like that trip to Florida. Some people just don't have the discipline to stick with the plan and that's where these things go astray." Our default position is : Don't borrow to invest.

The ice is melting….and sun is not yet full out! | Depth Dynamics
http://blog.moneymanagedproperly.com/?p=3110 Credit should go to the investment funds Branch of the OSC.CSA Chair Bill Rice also deserves a lot of credit for supporting these pro- investor initiatives. There are clearly some leaders in the industry - they have taken a first step forward towards reform- there is a lot more to be done .If done with wisdom, the reforms will be WIN-WIN and Canadian society will be all the better.

"Risk is a loss that is so large as to put the long-term goal of the account in jeopardy. Risk is not volatility which may be uncomfortable, but does not threaten the accomplishment of the mission unless the discomfort forces the investor to jump out before the long-term time horizon is reached." - Michael Lipper

Ipsos presentation to IFIC Value of Advice (2010)
http://www.mutualfundreporter.com/articles/2010_issues/Ipsos_Reid_May_2010.pdf

Pulling Off the Bandage Quickly: ridding yourself of DSC funds
http://canadiancouchpotato.com/2013/11/27/pulling-off-the-bandage-quickly/?utm_source=rss&utm_medium=rss&utm_campaign=pulling-off-the-bandage-quickly

NASAA Investor Bill of Rights
http://www.nasaa.org/wp-content/uploads/2011/08/Investor-Bill-of-Rights.pdf

PMAC 2013: Inadequate KYC poses greatest compliance concern - Investment Executive
http://www.investmentexecutive.com/-/pmac-2013-inadequate-kyc-poses-greatest-compliance-concern?redirect=http%3A%2F%2Fwww.investmentexecutive.com%2Fhome%3Bjsessionid%3DVWnhBXjxIPDo3HIXxHp5YQLV%3Fp_p_id%3D101_INSTANCE_7mNgPO2cLPES%26p_p_lifecycle%3D0%26p_p_state%3Dnormal%26p_p_mode%3Dview%26p_p_col_id%3Dcolumn-1%26p_p_col_pos%3D1%26p_p_col_count%3D3 Rebecca Cowdery, partner, Borden, Ladner Gervais, discusses the number one compliance concern according to both regulators and

industry – going beyond the KYC form to truly know your client. Cowdery gives pragamtic tips on effective ways to know your client. She spoke at the Portfolio Management Association of Canada (PMAC) 2013 conference and annual general meeting in Toronto.

CSA Consultation Paper 33-403 - **The Standard of Conduct for Advisors and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advise is Provided to Retail Clients** - Ken Kivenko (Kenmar Associates) Letter of February 13, 2013 http://www.osc.gov.on.ca/documents/en/Securities-Category3-Comments/com_20130213_33-403_kivenkok.pdf You might find our submission on Best interests interesting and informative.It demonstrates how low the suitability standard is especially when it is based on a foundation of quicksand, the KYC protocol.If OBSI proposals for eliminating a mandate for systemic investigations and splitting portfolios to break out insurance products are eliminated ..,investor vulnerability in Canada will move to the highest level. It will be open season on the elderly.

Leverage in the retail financial services industry is a systemic issue! | Depth Dynamics blog http://blog.moneymanagedproperly.com/?p=2871Fines and sanctions should be larger for unnecessary / excessive leveraging and applied to the dealer not the salesperson (aka"advisor").SRO rules on leveraging need to be tough especially given changing demographics .Our view is that commissions should not be paid on leveraged investments.

Some funds risky in RRIF's
I came across a November 2005 Toronto Star article on Segregated funds by Ellen Roseman.In it she points out that Segregated funds are dangerous in RRIF's because of the mandatory withdrawal rules .You may have to cash in early and lose the guarantee. When the man, the subject of the article, bought his segregated funds he didn't use an insurance broker or an independent financial advisor; instead he dealt directly with Transamerica life Canada. The clients of this case will lose money in their segregated funds which are down in value since their peak in March 2000. And since Seg funds have higher management fees than mutual funds ,which have no guarantee ,they will pay too much for their investments . The minimum annual withdrawal rate is 7.38% at age 71 and it rises over time. A good adviser might've suggested setting up a self-directed RSP to hold the segregated funds . This provides more flexibility later on. He could have set up a self-directed RRSP and converted it to a self-directed RRIF the could've cashed out other investments and left the segregated funds alone Transamerica segregated fund policies do not allow for swaps of assets or transfer from client name to nominee or intermediary name . The segregated funds have a guaranteed value of $662,000; about $100,000 could be at risk because of mandatory annual withdrawals. More information might have provided this problem . Cashing in segregated funds before maturity will make your guaranteed void . If you are more than 60 facing a deadline to convert your RSP within 10 years, beware of the RRIF withdrawal rules and plan your finances accordingly.

Shake up the investment industry That's the message from Steadyhand president Tom Bradley. http://opinion.financialpost.com/2013/11/19/shake-up-the-investment-industry/ “By 2016, mutual fund firms and investment dealers will be required to tell their clients what they’re paying and how they’re doing. Our country’s provincial regulators have also initiated discussions as to whether investment advisors should be held to a higher standard of fiduciary duty, rather than the current “best interests.” These and other changes are good news for Canadian investors, but ones the wealth management industry is desperately fighting.....But I know a lot more about the client experience than they do, or IIAC does, or the structured products manufacturers do. And I can tell you, it's not good down there on the street. Investors are generally poor consumers of investment services and as a result, have not done as well as they should have and are paying too much for what they get. As I told a group of investment executives last month, the fund industry is "in denial" and as a result, has ceded leadership on client-friendly initiatives to the regulators.I don't want to see the CSA take its foot off the gas, even if it means a proliferation of new regulations. With the pension challenges our country faces, improvements are needed now. This shouldn't be a smooth transition for the industry. It should be jolting, expensive and soul searching. The industry needs to be shaken up."

Comments on IDA Complaints & OBSI Terms of Reference:TAMRIS Consultancy
http://www.moneymanagedproperly.com/newsletters/TAMRIS%20Consultancy%20-%20Suitability,%20IDA%20Complaints%20and%20OBSI%20Terms%20of%20Reference%20comments.pdf
A classic document on complaint handling in Canada (circa 2007-2008)
Great video: Investing products that can be a problem in your portfolio with Warren MacKenzie and Rob Carrick http://www.getsmarteraboutmoney.ca/en/managing-your-money/planning/investing-basics/Pages/video-investing-products-that-can-be-a-problem-in-your-portfolio.aspx?group=Investing&page=4&utm_source=eNewsletterPro&utm_medium=Email&utm_term=English&utm_content=October+2013&utm_campaign=Newsletter#.Uot-N7K9KSM

"For every complex problem, there's an answer that's clear, simple,and wrong." -H.L. Mencken
Does this apply to the CSA's goal for providing such a measure for the Fund Facts Risk rating scale?

FCAC issues Guide for Seniors
http://www.fcac-acfc.gc.ca/eng/about/news/pages/ConsPress-ConsPresse-0.aspx?itemid=246 The free online guide covers every aspect of personal finance from budgeting, social programs, investing, fraud prevention to estate planning. For next issue we'd like to see more on Baystreet proofing- the legitimate behaviours of "advisors" that can destroy a consumer's nest egg.

Solicitation of Comment on the Use of Bond Mutual Fund Risk Ratings in Supplemental Sales Literature (NASD Notice to Members 96-84) ICI Response (1997)
http://www.ici.org/policy/comments/97_NASD_VOLATILITY_RTGS_COM "‥ The Institute [ICI] is particularly concerned that investors are likely to place undue reliance on fund risk ratings if they are permitted in supplemental sales literature. Investors are likely to regard the rating as the most relevant measure of a fund's risk, eliminating any incentive to read the discussion of the fund's investment risks, which might include information far more relevant to an investment decision. As such, the use of fund risk ratings will frustrate the ongoing efforts of the SEC and the industry to equip investors with understandable and meaningful information on risk.The Institute's concerns in this regard are well-founded. The propensity of investors to rely on ratings has been demonstrated by the almost blind faith that many investors place in performance rankings, such as those compiled by Morningstar and Lipper. The statistics are enlightening: According to a study prepared by Financial Research Corp., in 1995, 87% of all new money that was invested in stock funds went into funds that received five stars by Morningstar, despite the fact that lower ranked mutual funds would be more appropriate for many investors.[20] Even Morningstar itself recognizes that many investors place undue reliance on their rankings. According to Catherine Voss Sanders, an editor at Morningstar, "no matter how many times we say it, some people insist on buying five-star funds without knowing what five stars really

means."[21] As at least one commentator has noted, "For a fund company, getting the top five-star rating from the oracles at Morningstar is better than being blessed by the Pope."[22].

Credit risk ratings and fund risk ratings differ in another significant manner: who decides what constitutes success. A credit rating attempts to "quantify the likelihood that an issuer will be able to comply with the terms of a particular obligation...In the case of a debt securities, including convertible debt securities, a rating is an evaluation of the likelihood that an issuer will be able to make timely interest payments and will be able to repay principal. Similarly, a preferred stock rating assesses the relative security of dividend payments."19 Thus, in credit risk ratings there is an independently defined concept of success: the likelihood of timely payment of interest and return of principal. In contrast, the risk associated with fund shares is not related to the failure to fulfill any predetermined obligations, such as to make defined interest or dividend payments, or to repay principal. Instead, it will be the commercial rating services that both define what constitutes "success" (e.g., an "acceptable level" of volatility) and evaluate the likelihood that such "success" will be achieved.

ICI concludes :" As the foregoing discussion demonstrates, Bond fund risk ratings are inherently flawed in several significant respects—they are predictive; they purport to reduce risk to a single measure that focuses on short-term volatility; they are subjectively determined; they may quickly become outdated or stale; and they are subject to strikingly little regulatory oversight. All of this is compounded by the fact that there is no reason to doubt -and every reason to believe-that they will be relied upon to an inappropriate degree by investors, especially the less sophisticated ones to whom bond fund supplemental sales literature is directed. The NASDR would be unwise-in our judgment, even irresponsible—to overturn years of precedent to permit the use of these ratings in sales literature."

Improving Mutual Fund Risk Disclosure (Perspective, V1N2, November 1995) http://www.ici.org/pdf/per01-02.pdf ICI is the investment fund industry lobbyist in the U.S. The Institute ***adamantly opposes*** any requirement that funds report a single, standardized, numerical risk measurement. They say: "Fundamentally flawed, this approach erroneously assumes that a single, optimal yardstick of investment risk exists; ignores that risk is multifaceted, necessarily having different meanings for different investors; and poses the significant danger that investors-neither understanding the limitations of some government-sanctioned, all-purpose risk measure nor accurately assessing its relevance and appropriateness to their particular circumstances and investment objectives-nonetheless will rely on it to their detriment.". For example, ICI argue that any disclosure seeking to address these issues would have to inform investors that: (1) risk ratings are predictive,(or would be interpreted as such) and strongly caution that future results may vary substantially from what is predicted; (2) volatility risk ratings only measure certain types of risk, which may not be relevant in the case of any particular investor; (3) risk ratings are new, untested and different from established credit ratings; (4) risk ratings may become outdated and, accordingly, investors should not rely on the ratings' future applicability to their fund; (5) ratings are subject to little or no regulatory oversight and (6) the rating disclaim any and all liability for the scale ratings and there is no assurance that the fund will be managed in accordance with its risk disclosure. We add that given the choice of word descriptors , investors and advisors may confuse these with similar sounding words on NAF/KYC documents used for suitability determinations.

Mutual funds must currently include in the so -called Simplified prospectuses narrative disclosure describing the principal risk factors associated with a fund. In fulfilling this obligation, mutual funds often include detailed disclosures in the MRFP concerning the risks of the individual securities in which they may invest. According to the ICI ,Funds go to such detail for a number of reasons, including the desire to respond to comments on prospectuses by SEC staff and state examiners and efforts by fund counsel to minimize disclosure liability. As noted by securities regulators, such detailed legalistic disclosure actually obscure a fund's overall risks and deter the reading of the Prospectus. Hence the 2 -page Fund Facts.. The ICI asserts that more important than centering on the risks of individual portfolio securities, disclosure should focus primarily on a fund's broad investment objectives, its strategies to reach those objectives, and the portfolio risks accompanying those strategies. Focusing on overall risk disclosure would greatly enhance investor understanding, particularly when reinforced by annual report discussions of the relevant market conditions and general investment strategies and techniques pursued by the fund that materially affected performance. In the end, the SEC did permit funds to focus risk disclosure in this manner in the Fund Summary Prospectus; no scale of any kind is employed.

Subject: Regulators stumbling on many fronts - Investment Executive
http://www.investmentexecutive.com/-/regulators-stumbling-on-many-fronts?redirect=%2Fsearch
Decisive action on OBSI could help alter image.

Survey: Clients prefer fee choices - Investment Executive
http://www.investmentexecutive.com/-/survey-clients-prefer-fee-choices?redirect=%2Fsearch

"Figures never lie but liars figure-"--- Mark Twain

Risk Ratings Review of Fund Facts -OSC Commentary

"...[OSC] Staff recently conducted targeted continuous disclosure reviews of risk ratings of mutual funds disclosed in the Fund Facts. Staff have conducted similar reviews in the past and continue to monitor the risk ratings of mutual funds.As part of the review, staff focused on mutual funds in the same fund family that had both a currency hedged fund and an unhedged fund that provided exposure to the same underlying fund or portfolio. Staff noted that fund managers tend to rate both the currency hedged fund and the unhedged fund with the same risk rating, even though volatility of past returns varied significantly between the two funds. It is staff's view that the risk ratings for currency hedged funds should be determined separate and apart from their unhedged counterparts, with due consideration given to the fund's own volatility rather than the volatility of the corresponding unhedged fund.We remind filers that we would generally consider any changes to a mutual fund's risk level to be a material change under securities legislation, since it may be an important factor in an investor's determination whether to purchase or continue holding securities of a mutual fund....".
THE INVESTMENT FUNDS PRACTITIONER,
http://www.osc.gov.on.ca/en/InvestmentFunds_ifunds_20131128_practitioner.htm

Is point-of-sale disclosure a winning strategy? - Investment Executive
http://www.investmentexecutive.com/-/is-point-of-sale-disclosure-a-winning-strategy-

"...Firms and advisors who respond to the evolving disclosure landscape will distinguish themselves in a new world in which fiduciary responsibility is increasingly expected...."

Email from a reader

You are gonna love this. My advisor was recently fired .in the middle of an investigation of my complaint I was " assigned" a new advisor. I asked for his CV since I did not want to be burned again. He was insulted and refused to provide a copy .He referred me to his website which was nothing more than a giant marketing pitch. What can I do now since we are at a stalemate? Ellen Desja____ , Chicoutimi

Response: This is not the first time we have been told this. In this case ,the dealer assigned a 21 year old junior salesperson to the RRIF account of an a 82 year old widow! This finally got resolved after 3 phone calls and threatening to transfer the sizable account , a third person was assigned and she agreed to provide a full articulation of her credentials and experience.

GF Research on Dollar cost averaging

http://gersteinfisher.com/wp-content/uploads/2011/11/GF_Research_Does_Dollar_Cost_Averaging_Make_Sense_For_Investors.pdf

The Economist Insights – Expert Analysis and Events | A crisis of culture

http://www.economistinsights.com/analysis/crisis-culture *A crisis of culture: Valuing ethics and knowledge in financial services* is an Economist Intelligence Unit (EIU) report, sponsored by CFA Institute. It examines the role of integrity and knowledge in restoring culture in the financial services industry and in building a more resilient industry.

2001 CSA attempt to regulate "advisor" titles and proficiency , yes 2001 !

http://www.osc.gov.on.ca/documents/en/Securities-Category0/rule_20010216_proficiency.pdf Thirteenth Anniversary of inaction coming up.Needless to say industry successfully killed this off after precision guided lobbying.Can they do it again?

IIROC sanctions Canaccord over retail account supervision

The Investment Industry Regulatory Organization of Canada says Canaccord Genuity Corp (TSX:CF) has agreed to fines and other penalties totaling more than $1.1 million related to allegations of inadequate supervision of retail account activity. The IIROC says Canaccord will pay a fine of $750,000, plus an additional $310,000 for disgorged commissions. It will also contribute $50,000 towards the IIROC's investigation costs. The settlement arose from allegations of failing to adequately monitor first-level supervision of such accounts and by failing to have effective second-tier supervision from 2005 through 2010.The IRROC also alleged that between June 2009 and February 2011 Canaccord refused to adopt procedures to reasonably assure itself that its clients who purchased private placements were “accredited investors.” Settlement Agreement http://docs.iiroc.ca/DisplayDocument.aspx?DocumentID=FEAEC376A1464A58B192B000BB94D4D7&Language=en The question arises: Why was this allowed to go on for so long? We'd also like to see “aggravating factors” not just mitigating factors in Settlements.

Alpha Beta and Now Gamma

http://corporate.morningstar.com/ib/documents/PublishedResearch/AlphaBetaandNowGamma.pdf

Discusses the potential benefits of professional advice. Read also http://www.marketwatch.com/story/are-financial-advisers-worth-their-fee-2012-09-26 "....Historically, investors have focused on choosing the "best" money-managers or mutual funds, the ones who "add value," which is the financial world's way of saying they beat their benchmark consistently.
The specific investments, however, typically are less important than many of the other portfolio-building decisions.Gamma, as defined by Morningstar, is "the extra income an investor can earn by making better financial decisions." Put another way, it is the potential value that could be added by someone who feels they can't do this on their own and must hire an adviser for counsel.

"Most financial planners and investment advisers focus on investment decisions, picking the next best fund," said David Blanchett, co-author of the study and head of retirement research for Morningstar Investment Management."Other things that you do have a very important impact on your financial well-being, so good financial-planning decisions are very important to success," he added. "It's hard to quantify the benefit someone receives from someone who gives good financial advice. … Gamma is the idea that there is more to just helping someone than picking good funds."In the research paper, Morningstar researchers zeroed in on five key financial-planning decisions — though Blanchett noted that it actually applies to virtually everything advisers do...."

From our files (Jan.2012) CI Mutual, AIC lose market timing scandal appeal | Financial Post
http://business.financialpost.com/2012/01/27/ci-mutual-aic-lose-market-timing-scandal-appeal/

An Experiment on Mutual Fund Fees in Retirement Investing Tess Wilkinson-Ryan* & Jill E. Fisch

http://lsr.nellco.org/cgi/viewcontent.cgi?article=1431&context=upenn_wps
Abstract: Over time, mutual fund fees have dramatic effects on investor returns, but evidence suggests that most investors ignore or misunderstand the impact of fund fees. It is unclear whether this behavior is due to the complexity of fee disclosures or to systematic underestimation of the real cost of fees, and this paper presents the results of an experiment designed to disentangle these explanations. Subjects played a web-based investment game,allocating money among fictional funds. They saw simplified information about each fund and were paid based on the simulated 30-year performance of their portfolios. We recorded each subject's investment decisions and which informational links (fees, risk, holdings, etc.) they clicked. Some subjects were randomly assigned to receive a short instruction about the importance of fees. Subjects who received the instruction were more likely to look for and use information about fund fees. We conclude that when fee information is presented simply,educating investors about the importance of fees updates their investment beliefs, motivates more thorough research, and yields higher-value investment choices.

"... They find that more than half of participants in a demographically diverse sample did not realize that mutual funds do not pay a guaranteed rate of return, and fewer than 20% could correctly answer a multiple-choice question about the calculation of compound interest. Given that the calculation of the effect of mutual fee funds involves an understanding of exponents, and potentially raises gain/loss framing complications, it should not be surprising to find that judging fees is particularly demanding. In support, a study from Finland finds that investors with greater intellectual ability,as measured by a traditional IQ test, are more likely to invest in lower-fee funds (Grinblatt,Ikaheimo, Keloharju, and Knupfer 2012)..."

Mutual funds, financial elder abuse, investor protection: Ken Kivenko describes a complaint process

http://investoradvocate.blogspot.ca/2005/05/ken-kivenko-describes-complaint.html

Market-linked GIC's designed to fail
http://www.moneysense.ca/save/gic/market-linked-gics-designed-to-fail Since the 2008 crash, some investors have turned to market-linked GICs. But one financial institution has ditched these fixed-term investments, which promise a percentage of market gains while protecting principal. "The product is designed to fail," says Sheldon Dyck of ATB Investor Services in Edmonton. They're profitable for banks, but complex rules, averaging formulas and exclusion of dividends mean consumers get stiffed. Worse yet, they're tax-inefficient by converting capital gains to highly taxed interest income. Those seeking stable growth and willing to tie up their money for a few years are better off with a simple balanced portfolio participating in 100% of market returns.

Video: Fee-based investing gaining traction with consumers - DeGoey
http://www.theglobeandmail.com/report-on-business/video/20131107theglobeandmailfeebasedinvestinghelp720p3000kbpsmp4/article15567037/

Loans from B2B - Yikes!
https://b2bbank.com/faq/loans-faq.sn#Q1 Think twice before borrowing to invest. Then, think again.

NBSC 2010-08-03-Leveraging Sweep-Report-FINAL(2010)
http://www.nbsc-cvmnb.ca/nbsc/docs/2010-08-03-Sweep-Report-FINAL-EN-web.pdf Clearly a need for a Best interests duty with loans like this being promoted by "advisors".It appears to us that Loss Capacity is not top of mind when "advisors " recommend leveraging. Further, in many cases there was no need for the investor to borrow at all.I have heard ,but have no proof , that some lenders provide advisors with a kickback (aka referral fee) for referring lenders. I have also been told that some supervisors have commission over-rides on employee sales - thus making leveraging a good deal for them too. There is only one potential loser-YOU.