November 13, 2012

Robert Keller, Policy Counsel
Investment Industry Regulatory Organization of Canada
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Dear Mr. Keller

> Re: Request for comments on draft guidance regarding compensation structures for retail investment accounts

In an interview published in the Globe and Mail October 23, 2012, John Bogle of Vanguard Group noted in reference to the culture of the mutual fund industry

> Today, that profession with elements of a business [has become] a business with elements of a profession – and not so many elements.

Sadly, I suspect that the activity of serving the investing public is not much different or at least that is the view of the draft guidelines in many instances.

While I agree with much of the comments, I do wish to cite a couple of concerns. On page 5 of the guidelines, it is stated

> At the heart of the relationship between an investment advisor and their client is the manner in which the investment advisor is compensated for the services they provide to their client.

I have been working with private clients for more than thirty five years and I have always believed that knowing my client, developing trust and rapport and having an understanding of their objectives, unique needs and circumstances along with their tolerance of risks were at the heart of the relationship.

It has become fashionable to fixate on compensation or more specifically, fees, as the explanation for all that is wrong in any endeavour. This is overly simplistic. There appears to be some enthusiasm for asset based fees notwithstanding the potential for double charging. Omitted from the discussion is the question of purchasing new issue securities in such a fee account. Some clarity on that subject would be appreciated.

In my experience, most clients indicate a greater degree of comfort with traditional transaction charges. Whether that is inertia or otherwise I do not know. The tone of the guidelines seems to suggest that the client and advisor should be regularly engaging in an exercise of deciding which fee structure to use. I know of few other activities which would tolerate such a fixation. The premise appears to be that the advisor is always trying to overcharge the client. I cannot accept that. Ironically, I heard this summer of a doctor whose fees from OHIP were revised from a per procedure method to a fee based on the number of patients in her practice. Her income went up 30%.

I appreciate that the role of the regulator can be nuanced. Perhaps I am naïve but I would contend that a spirit of cooperation would yield better response from the advisors and better results for the clients.

Yours truly,

Will Lockett, CFA