

LETTER OF OPINION
PUBLISHED: LA PRESSE, OCTOBER 11, 2007
TRANSLATED FROM FRENCH

INTEGRITY OF THE FINANCIAL SERVICES SECTOR:
A SHARED RESPONSIBILITY

Investor confidence is clearly essential to the smooth functioning of our market economy. It is, we will all agree, an issue that must be dealt with prudently, responsibly, and with rigour. However, this is not what we have seen over the past few weeks. One might even say that we are witnessing a campaign to denigrate financial services advisors. In the opinion of the Investment Industry Association of Canada (IIAC), which represents securities brokerage firms operating in Canada, these allegations are unfair and needlessly sow doubt and distrust in an industry that is well regulated by many regulatory agencies and that is backed by excellent training programs.

The article that appeared in the latest issue of *Protégez-vous* on “financial advisors” shows a flagrant lack of rigour, adopts an inappropriately alarmist tone, and does not in any way contribute to a constructive analysis of the issues facing the financial services industry. First, the sample of 39 advisors used in the study is clearly too small to be representative. In addition, different types of financial services advisors are haphazardly lumped together under the term “financial advisor,” which is not in itself a title and which consequently does not designate any professional in particular. As *La Presse* correctly reported in its October 7 issue, some titles are reserved and others are commonly used without having any legal significance. In its assessment, *Protégez-vous* makes no distinction on this very important point. A securities representative and a financial planner cannot be assessed on the same basis.

In a similar vein, the *Presse Canadienne* reported the conclusions of a study conducted by the Canadian Securities Administrators on the social consequences of financial fraud. It mentions that one Canadian out of twenty has already been the victim of financial fraud, which made the headlines in some newspapers, including the October 3 issue of *La Presse* (“More than one million Canadians have been victims of financial fraud”). What is deplorable about this type of reporting is that it does not delve into the causes and the exact nature of the problem. Imagine if your doctor tells you that you have a digestive disorder, but doesn’t define the nature of the problem or prescribe a treatment for you. Every food that you eat would be considered a possible source of your problem. All this type of reporting does is create a general sense of worry and distrust among investors, and all financial services advisors pay the price. This does not help us establish a constructive environment conducive to improving the quality of work done by financial professionals, strengthen the integrity of the financial markets, better protect investors and foster investor confidence in Québec and Canada.

A well-regulated industry

The financial services sector is well regulated in Canada and in Quebec. We are not dealing with a situation of complete freedom, with no laws or rules. Quite the contrary. For example, in Quebec, securities brokers and their representatives report to the Investment Dealers Association of Canada (IDA), while group savings representatives and financial security advisors must answer to the Autorité des marchés financiers (AMF) and the Chambre de la sécurité financière. We believe it is essential that these regulatory bodies play their role of financial services watchdog, as this contributes greatly to the smooth functioning of the industry and to maintaining investor confidence.

Financial services advisors who wish to obtain a reserved title must go through a rigorous and thorough training program. In other words, not everyone who wants to become a financial services advisor can do so. To become a securities representative, candidates must complete a comprehensive training program and pass different Canadian Securities Institute exams. There is also continuous training to keep securities representatives abreast of developments in an ever-changing market. In short, we are speaking here about well-trained, disciplined professionals who are subject to standards of excellence comparable to those of other professions.

Of course, all of the above cannot prevent a tiny percentage of individuals from occasionally exercising their profession incompetently, for any number of reasons. This can happen in any profession. But we should avoid hasty generalizations.

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