

**Registered Deposit Brokers Association**

Submission to the

**Standing Senate Committee on Banking, Trade and Commerce**

Subject: **Division 2, of Part 6 of Bill C-74**

**Brian Evans, Chair, Board of Directors**

**Wednesday, May 9, 2018**

First of all, we would like to express our appreciation to the honourable members of the Standing Senate Committee on Banking, Trade and Commerce, for the invitation to comment on proposed updates, specifically Division 2 of Part 6 of Bill C-74. Thank you.

My name is Brian Evans and I am currently the Chair of the Board of Directors for the RDBA. I own and manage a financial services and deposit brokerage company in rural Ontario that my father started in 1965.

As we begin this submission it will be important to introduce our organization briefly to you. The Registered Deposit Brokers Association was formed in 1986 with the sole purpose of unifying our members towards a common and professional standard. Deposit Brokers are contracted with several member institutions and as such provide consumers with choice and competitive interest rates diversifying their deposit investments under one broker/client relationship. Through our Association's regulations, code of ethics, member on-boarding and annual renewal process, we ensure members are compliant and follow professional procedures putting client's interests first. Deposit Brokers use deposit products as an essential element in their balanced, long term investment strategy and financial advice to clients. Consumers are attracted to the high level of service and the objective advice they receive from Registered Deposit Brokers Association members.

RDBA Deposit brokers market ***Client Name Deposits*** rather than Nominee Name. Clients make their cheques payable directly to the member institution offering the deposit they desire. The deposit insurance coverage is an important consideration in every GIC investment decision.

Our brokers do not use Trust Accounts for GICs, nor do we use alphanumeric identifiers for clients. We know our clients by name. Clients write their cheques payable to an insured member institution and from that moment the funds are identified by the client name registration. Deposit portfolio summaries provided to clients by their broker list their holdings at each financial institution and separate those deposits into the CDIC insured categories. There is full disclosure for clients from the time of deposit.

It is apparent that when the document refers to the term Deposit Brokers it seems to refer mostly to brokers who accept nominee name deposits. Understanding who we are as client name deposit brokers is important as we make any additional comments.

In that light, we would like to make a few comments about this updated legislation.

- 1 The RDBA very positively endorses the clarification of separate coverage for the important RESP and RDSP plans. We anticipate that this clarification may encourage deposit manufacturers to consider administering deposit products within these registered plans, most currently do not.

- 2 Deposit Brokers are periodically asked to provide deposit investments for formal and informal trusts generally for the benefit of minors or life tenants of estates. There are limited member institutions that provide deposits for these trust arrangements. After reviewing the proposed updated legislation, it appears that the deposit insurance is extended to the beneficiaries of the trust rather than the trust or trustee. In that case, our clients may be afforded opportunities for insured deposits that are consistent with the advice provided by our brokers. We will look to clarify this.
- 3 We reviewed with interest the proposed definition of professional trustee. Division 2, Section 2, items (d) & (e) under definition of professional trustees, may allow for Deposit Brokers to act as Trustee 'of moneys for others. In many financial industry sector regulations, brokers or advisors having a trustee relationship with clients and their funds is frowned upon or prohibited. It may also appear to be a conflict of interest. Is there an understanding of this area that we are missing?

There is a second point to this area. Some individuals are appointed to be trustees by a will or insurance policy to act on behalf of minor beneficiaries. Generally, those named are family members or close friends who will not be "acting in the course of business." Is the intent of your clarification to exclude these individuals who essentially are non-professional trustees but who manage funds in trust for others?

- 4 With the increase in real estate prices and other personal assets today, consumers often have higher investable funds than in previous years. Many investors will split their investments between several financial advisors to diversify strategies and they may hold deposits with more than one investment broker. The tendency of RDBA Brokers is to prioritize the conversation of deposit insurance at every investment decision. Other brokers, however, may not hold the deposit insurance discussion as important. They may consider the credit quality of the member institution to be of higher priority. Clients tend to trust rather than be informed in these client/broker relationships. Where is the fiduciary responsibility on the part of all advisors to fully disclose to clients their uninsured deposits?

As a short example, within the last year I was asked as Chair of our Board to participate in a media interview in which I was told of an individual who had sold a condo. They were advised to place the over 1 million dollars of proceeds as one deposit in one member institution. There was a financial concern in the weeks to follow with that member institution. I was then asked by the interviewer why a broker would facilitate or advise such a transaction when they knew the client's assets would be uninsured. Frankly, I wasn't sure how to answer that question but suggested that an RDBA member would have responded differently to that particular client and their needs.

### ***IN CLOSING***

As you know, I was prepared to participate in a video conference with your committee last week which needed to be cancelled due to your additional responsibilities. These are unforeseen and I understand that. In closing, I want to thank you for the opportunity to comment and participate in your deliberations as we have on occasion in the past. May I emphasise that we remain very thankful and supportive of CDIC and the peace of mind deposit insurance provides to our clients. We will make ourselves available to continue discussions and answer any questions you may have. We trust that someone may be able to clarify some of our inquiries above.

Yours sincerely,

Brian Evans, Chair,  
Board of Directors,  
Registered Deposit Brokers Association.