Canada’s Financial Consumer Protection Framework Consultation

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This paper is provided in response to the initiative by the Minister of Finance to launch public consultations on a series of questions and issues related to financial consumer protection.

POSSIBLE ENHANCEMENTS TO EXISTING REGIME

Supervisory Powers for Accountability and Enforcement

To respond to some of these issues we should first consider why and what are we trying to accomplish in regulating market conduct.

In establishing or reviewing any regulatory regime there are certain fundamental issues which must be addressed:

- Defining clearly the regulatory objectives / outcomes / mandate of the agency;
- Identifying and evaluating the key risks that exist within the scope of the mandate;
- Determining the current level of risk tolerance by the government and setting expectations out in writing.
- Resourcing

A. Clarity of Regulatory Objectives / Outcomes / Mandate:

The first requirement in the design of a regulatory framework is to be clear as to the objectives / outcomes / mandate of the regulatory regime. This should be clearly stated in the legislation, but if it is not, then it is essential to ensure there is a common understanding among the regulator, the government and those being regulated. It should be clear to as to what are the high level outcomes expected to be attained by the regulatory regime.

B. Defining Risks:

With clarity of objectives, outcomes and mandate in mind, the next step is to consider the risks that could create obstacles or barriers in terms of being able to carry out the mandate, to meet the set objectives and to attain the expected outcomes. This will require a thorough analysis of the legislative requirements placed upon the regulator and the stakeholders; an understanding of the dynamics of the environment in which the agency will carry out its work and an understanding of the corporate behaviour, maturity, sophistication and attitude of the stakeholders that will be regulated.

With key risks having been identified, each risk should be evaluated based on several criteria such as the likelihood that the risk could occur; the frequency that the risk could occur; the potential magnitude of harm that would be caused; the type of harm caused; whether one can rectify the harm done and to what degree and how quickly. An assessment should also be made as to the degree to which the risk within one stakeholder or compliance area could quickly spread and become a systemic risk, i.e. contagion; and to what degree.

C. Risk Tolerance:

Another aspect of a framework design is to make a determination as to the degree of tolerance that the government / public are willing to endure in terms of incidents of regulatory failure or non-compliance. For example, for a prudential regulator, it must be clear as to whether the objective of the government's regulatory intervention is to promote sound financial institutions which would limit the chance of failure; or is it "zero risk tolerance" whereby the regulator must prevent any chance of an institutional failure. Clearly the choice will have a dramatic influence on the type of regulatory regime that a regulator would create and of course impact the costs on the system.

There are very few regulatory regimes that are based on "zero risk tolerance" given the costs of such a regime. Instead, most regulatory frameworks are founded upon some level of *risk based supervision* whereby the regulator will assign it resources to the areas that create the highest degree of risk based on the analysis of the criteria previously described and then will normally apply a baseline level of supervision to the areas of lowest risk. One can envision a regulatory ladder whereby as the risks increase so too does the amount of supervision and the type of regulatory framework that will be applied from a *rules based framework* to a less onerous *principles based framework*.

D. Choices Of Regulatory Frameworks

There can be some confusion when labelling the type of a regulatory framework that is applied as there are hybrid models that can consist of a fusion of models depending on the range of risks that exist within the regulated community. However, the following are the key types of regulatory frameworks that may be applied, that being Rules / Prescriptive Based, Process Based, Performance / Standards Based and finally Principles Based. The following order of presentation reflects the level of regulatory burden from high to low and an example of where one might find each framework being applied will be given.

i. Rules Based / Prescriptive Regulatory Framework

A Rules Based or Prescriptive Regulatory Framework is a framework which is focused on addressing risks in the system by creating a book of rules that will prevent or mitigate those risks. The rules or prescribed behaviours may originate from legislation, or from detailed regulations or from the regulator who has established a complexity of binding rules. Therefore a jurisdiction can claim that the legislation / regulations are Principles Based but then the regulator institutes a plethora of binding rules resulting essentially in a Rules Based Framework.

Such a framework may leave very little discretion or flexibility to the regulated community as it creates detailed rules that apply equally to all regulated firms both large and small. The regulator will try to keep the rule book up to date to cover any gaps or to anticipate new risks that may develop. In terms of oversight, this system assumes that the regulator has the expertise to prescribe what is best for the sector.

Where a government has determined that there is zero tolerance of risk regarding regulatory failure, the regulatory framework will need to be able to prevent or mitigate each and every risk that may be evident in the regulated sector. This type of environment would necessitate the development of an extensive *rules based regulatory framework* with the objective of total control over the management and activities of the regulated stakeholders.

ii. Principles Based Regulatory Framework

A Principles Based Regulatory Framework will set out high level expectations / principles as to outcomes expected of the regulatory regime and the regulated community. Under this framework stakeholders are provided with the responsibility of determining the details as to how the organization will comply with the expectations / principles set out by legislation, regulations and / or by the regulator.

A Principles Based Regulatory Framework sets down principles governing particular areas of concern such as product disclosure, consumer rights and dispute resolution, appropriate sales techniques, governance of the firm's management, investments risks, etc. The principles should set out compliance expectations rather than creating a manual of detailed rules. In the context of statutory drafting, principles based regulation means that the legislation will contain compliance requirements articulated at a high level of generality to allow maximum flexibility as to how the regulated community will meet those principles.

It is argued that it is essential in this type of framework to provide the regulator with sufficient legislative authority to issue guidelines and binding directions / rules so as to allow the regulator to react in a timely fashion to issues of consistent non-compliance. If such authority is granted, then it is equally important that the regulator manages its rule-making authority through proactive guidance, emphasizing communication with industry, exercising restraint creating detailed rules so that the framework can remain flexible and outcome oriented.

The major risk under this framework is the reliance on the capabilities, maturity, competency and resources of the regulated community to implement their own compliance strategies and programs so as to ensure strong levels of compliance exist within the firms.

iii. The Ideal Framework - Flexibility, Economy and Effectiveness:

Over the years there has been substantial criticism regarding various regulatory frameworks around the world and probably in every regulated sector. In reaction to these criticisms, governments often tend to respond by taking a range of tactics to address the concerns including:

- taking an arbitrary decision ordering all regulators to reduce the number of regulations by a certain percentage or reducing regulations based on themes such as reduction of paper burden on small business, or to remove regulatory barriers that prevent competition, etc;
- the establishment of a stricter process and tighter guidelines for assessing the need for and the cost of proposed regulations or capping the number of regulations with the one in one out system;
- simply outsourcing responsibility of regulation to self-regulatory regimes;
- reducing or merging overlapping regulatory regimes;

- sun-setting of regulations;
- the adoption of what is considered to be a less burdensome framework such as a "***principles based"*** regulatory framework;
- etc..

Criticisms of regulatory frameworks by various communities may cite an array of concerns:

- Regulatory burden has become too complex / costly for the capacity and resources of the regulated community or certain members of the community such as smaller enterprises.
- Detailed and complex rules focus the regulated community's attention on ticking the box rather than ensuring that the overall intent of the regulation is respected.
- Detailed rules that do not make sense to a firm may promotes evasive behaviour by the firm that then focuses on trying to find regulatory gaps in the "stupid" rules and or find ways around them.
- A rules based framework often makes it difficult for senior management to be engaged in carrying out its responsibilities given the lack of knowledge as to the detailed requirements of the book of rules.
- Given the complexities of today's business, it is not realistic to expect that a regulator can have up to date rules that will be able to govern each activity of a financial institution.
- Regulators often do not have the knowledge and expertise to stay ahead of the market place in terms of product innovation, thus they slow down the introduction of change.
- Rule books have become so detailed that it is impossible to comply and it becomes increasing difficult to train new staff to become proficient in the application of all the rules and related jurisprudence.

Regulators have also been frustrated by the limitations of regulatory frameworks:

- Often the rigidity of the law and regulations provides little flexibility to the regulator in applying them within the context of a changing world. The fact that today’s financial world is spinning at such an accelerated pace is highlighting this problem. Almost daily, new products or variations on existing products hit the marketplace or financial institutions seek out new activities or new investments vehicles. In such a dynamic world, detailed regulations that are focused specifically on each type of product or service will not stand the test of time. Legislation and regulations can quickly become dated, to the point where the law cannot be applied as intended. When a financial institution offers a hybrid product that combines the characteristics of two or three products and claims that it is a new product not covered by existing regulations, how does a regulator react when there is doubt regarding its jurisdiction? The regulator may either engage in costly enforcement and litigation to hope to win or retreat to the sidelines until there are amendments to provide clarity in the law or regulation.

- There must be an understanding by the public and legislators as to the level of risk tolerance upon which the framework was built. Regulatory frameworks are rarely based on a “no risk” scenario, thus there must be tolerance of the fact that there will be real risks of regulatory failures.
- It must be understood that regulators are rarely resourced to respond to every incident of non-compliance or every complaint by the public.

In summary of all these concerns, the key motivations for seeking regulatory reform often are tied to the search for a framework that can offer flexibility, economy and effectiveness:

- *Flexibility* to conform to an array of circumstances and environments.
- *Economy* in terms of simplifying a regulatory framework to the point of fully meeting its mandate and mitigating risks, but at minimum costs on the government, on industry and on the public. One does need to pay for a Porsche if a Ford Escort will do.
- *Effectiveness* in terms of the framework being able to effectively address identified and developing risks at the level of risk tolerance that the government has expressed as being acceptable.

E. Moving to a Principles Based Regulatory Framework

Many firms recognize the opportunities that a Principles Based Regulatory Framework presents by way of increased flexibility in complying with the law. However moving from a rules / prescriptive based framework to outcome based or principle based framework poses a multitude of challenges:

i. Challenges for the Regulated Community to Address:

- Smaller firms will likely find that an outcome / principle based framework actually places more regulatory burden upon them as they do not have the capacity or resources to design and implement their own internal compliance strategies and programs. Firms may feel that a principles base framework simply transfers the workload from the regulator to the stakeholder as it becomes the stakeholders' responsibility to define, implement and audit compliance strategies and programs in lieu of the regulator simply telling the firms what to do.
- Senior management and Boards of Directors must adapt; they must fully appreciate their regulatory responsibilities in ensuring that the regulatory principles / outcomes are attained.
- Regulated firms will need to:
    - to adopt a more strategic approach to regulation and to develop the capacity to interpret and enforce principles rather than detailed regulations within their own operations;
    - ensure that their risk management, compliance and internal audit functions are proactive in carrying out their responsibilities;
    - instill and promote a corporate culture of compliance that will set the standards of behaviour and decision making with which they conduct their activities;
    - ensure their staff have sufficient focus and understanding of their responsibility for compliance and of the principles and the desired outcomes;

- accept a high degree of uncertainty in terms of how a firm should to comply with the principle correctly and be able to determine the best course of action to take when in doubt and corrective actions will cost millions to implement;
- ensure proper documentation of decisions taken in line with the defined principles and expected outcomes;
- ensure proper compliance training for staff so that they too are in a position to make key judgment calls.

Adopting a principles based approach to regulatory oversight has a number of implications for the **regulator**:

ii. Challenges for the Regulator

- A principles based approach to regulatory oversight requires a regulator to assume high degree of trust and transparency between the regulator and the firms being regulated;
- Regulators must be proactive in communicating their expectations clearly perhaps by issuing guidelines or best practices to stakeholders in order that stakeholders can be fully educated and informed of the regulator's focus;
- Regulators need to strengthen stakeholders' capacity to make proper decisions in determining the best way to achieve compliance;
- Regulators will always be worried by a principles based framework as it is recognized that a key consideration for profit motivated businesses will be to minimize the costs of compliance programs. As such, there will be uncertainty as to the actual strength and rigor of the regulatory system as a whole as there are no bonus points for firms that develop the best compliance system in the sector;
- Regulators will need the resources and authorities to be highly proactive and demanding in their scrutiny of the design, the operation and the outcomes of each firm's compliance program.

- Regulators must be properly tooled to be able to educate, influence and correct stakeholder conduct in a timely manner;
- Regulators must respect the flexibility of principles-based regulation and not institute major regulatory changes through its powers to issue burdensome rules.

iii. Challenges for the Government

- A government must be prepared to clearly understand the regulatory risks and be engaged in determining the level of risk that it will accept as the regulatory system moves to a trust based relationship with the regulated community in a principles based framework;

- Governments must not consider that the move towards a principles based framework is simply a way to try and save money on the cost of the regulator as a principles based system will still have substantial but different requirements for a regulator;

- A legislature moving to a principles based framework must also balance it with the powers the regulator should be provided in order to implement rules should it be necessary. Clearly the regulator will need a degree of power to flesh out the intent of high level principles by issuing compliance guidelines and as well as powers to implement and enforce binding rules. The challenge is determining how much scope the legislature wants to provide to the regulator regarding the interpretation of the principles and the powers to make binding rules

F. General Observations About Frameworks

Over the past decade it had become very fashionable in the political and regulatory community to claim to have a principles based regulatory framework as it seemed to denote a more modern approach with a lighter touch regime. This trend of pushing towards a principles based regulatory framework could be interpreted as meaning that:

- less regulatory burden had become a requirement despite the risks from the regulated community;
- there was strong trust of the regulated community to comply;
- that governments felt they could limit or cut budgets of a regulator as the regulated community could look after compliance themselves;
- governments could cut regulations as principles and guidelines were enough to protect the public interest;
- moving away from the rule book would allow the regulated community to use its creativity, innovation and flexibility in terms of how it could comply with the principles;
- perhaps that some regulators felt with all this rhetoric that they had to take a back seat as hardnosed regulators were out of style and instead had to rely on self-reporting, risk based analysis and integrity of the regulated firms;
- perhaps appointments to regulatory positions seemed less demanding by governments and appointments were not necessarily based on hiring the best qualified.

In looking at the three foreign jurisdictions that suffered the worst in the financial crisis, the UK, the US, and Ireland, two of the three jurisdictions claimed to be principles based while the US is considered more rules based. In reviewing the finding of various reports that focused on trying to fix blame for the financial crisis, it does not appear that one type of regulatory framework withstood the crisis any better than another, e.g. rules based versus principles based. Instead, concerns were raised more about the attitude of the regulator and the developing regulatory complexities and voids. There seemed to be focus in each of the three countries on a few key areas of concern:

- the behavior or culture of the regulators in terms of being proactive and rigorous in their interventions and enforcement;
- whether the regulators had a proper level of resources and tools required; and

- limited regulatory scopes, regulatory gaps and overlaps in terms of mandates, objectives and in defining the responsibility for the macro-vision of the financial sector.

The regulatory systems appear to have been lulled into a false sense of security with the use of principles as well as alleged improvements to corporate governance. A regulator should not be seen as taking a back seat in any regulatory framework given the constant change in risks and people within the regulated community.

Regardless of whether the framework uses rules or principles, the lessons learned from the financial crisis are simple; governments must:

- demand a high level of professionalism from its regulatory personnel;
- expect proactive oversight of the framework;
- provide proper resources; and
- provide sufficient authorities and discretion to address not only current risks but to be able to identify and respond to the risks to come.

A framework should not be pigeon holed as rules based or principles based as elements of both types are required to make the financial system work effectively and responsibly. It should be a combination of guiding principles that then allows for action by regulator to proceed up the regulatory ladder with progressive steps offering guidance, then directives, then rules and then enforcement and punishment.

G. New Standards Of Consumer Protection Mandates

- The new standards of consumer protection mandates being discussed and implemented in the major economies represents a wave of change with respect to how market conduct regulators will regulate sellers of financial products and services. The United States has created a new agency that will consolidate regulatory oversight for financial market conduct, is funded with more than half billion dollars and has powers for proactive market intervention.

- The UK is splitting out market conduct into a separate organization with a clear consumer focus. The new agency is also being given an aggressive mandate that includes proactive market intervention powers.

- Although Ireland is not splitting out the market conduct supervision from the Central Bank, it has given the branch an aggressive mandate that includes proactive market intervention powers.

- The Australians were less impacted by the financial crisis but the government has still been proactive in reviewing the risks in the marketplace and revising the mandate of the Australian Securities and Investments Commission. ASIC will now license and regulate the retail credit granting market and has been given an aggressive mandate that sets standards and includes market intervention powers.

In one of many responses to the financial crisis, the Financial Stability Board (FSB) issued a report entitled, Consumer Finance Protection with particular focus on credit, October, 2011. It states clearly that:

> *In the wake of the global financial crisis, national and international efforts to strengthen consumer protection policies have intensified in order to promote financial stability. As the crisis showed, the effects of irresponsible lending practices can be transmitted globally through the sale of securitized risk, particularly mortgages which are by far the largest single credit for many consumers*. (page 1 of FSB report)

It is interesting to note the vocabulary in the Report as it refers to strengthening consumer protection when in fact the only objective of this renewed interest in how consumer products are sold is entirely related to promoting financial stability - not really the protection of the consumer. The FSB report also put forward three recommendations to enhance consumer finance protection. They are:

1. *Call upon an international organisation of regulators to take the lead on global financial consumer protection efforts.*
   - *To help maintain the international momentum on consumer protection; strengthen the connection with domestic developments; facilitate engagement with consumer advocacy groups and other stakeholders; and steer the work in a productive direction.*
2. *Launch work on institutional arrangements and, if appropriate, develop best practices to guide institutional reform.*
   - *Make sure consumer protection authorities have the authority, capabilities, tools and resources to effectively and efficiently regulate and supervise the consumer finance market.*
3. *Strengthen supervisory tools by identifying gaps and weaknesses by:*

   (i) establishing indicators of unsuitable product features;

   (ii) aligning and disclosing incentive compensation arrangements

   (iii) evaluating the benefits of offering consumers and providers with benchmarks for financial products that can be used safely by a wide variety of unsophisticated users. (page 2 of FSB report)

H. Implications For Canada

Currently, federal and provincial regulators operate in a passive / reactive mode when it comes to consumer protection and product development and suitability. Given that companies have broad discretion to create many financial products and market them without government approvals, regulators tend to wait to determine if problems arise. Canadian regulators will then address product shortcomings through education material given limited authority to intervene in the marketplace. Early intervention in product development would certainly mean that Canadian market conduct regulators would have to adapt their approach to compliance monitoring.

It would be a significant change for the Financial Consumer Agency of Canada (FCAC) to move to a proactive role (almost a consumer advocacy role) of intervention when inappropriate products are marketed or promoting better business practices such as setting criteria for credit assessments performed by credit granters.

The oversight for consumer affordability assessments on credit granting by federally regulated financial institutions could fall under the mandate of the FCAC and could take the form of a code of conduct which the FCAC could monitor as proactively promoting best practices for assessments. Clearly this would be a complex process to adopt criteria for assessment for the full range of credit products. While FCAC could publish guidelines for credit products it would be difficult to monitor compliance given the amount of credit being provided outside the scope of federal jurisdiction.

It will be important for FCAC to monitor the progress of the Irish Central Bank and other jurisdictions that have moved to a more interventionist supervisory model to determine whether the increased oversight has positive outcomes for consumers. That being said, there still is merit in exploring moving forward more quickly on affordability assessments for credit products to protect consumers from over-indebtedness.

I. Need For Changes To The FCAC Mandate?

The track records of poor market conduct and unethical corporate behaviour experienced in the United States, the UK and Ireland are substantially different than what has been experienced in Canada and Australia. However, even though Australia did not experience these difficulties, the government has still implemented a very strong regulatory response but remained focused on controlling the sale and allocation of consumer credit. It has launched an extensive licensing and qualification program required of firms that provide credit to consumer including retail businesses.

Like the experience of Australia, Canada did not see the same level of irresponsible behaviour by its financial institutions as in the US, UK or Ireland. But it may still be time for Canada to consider whether there is a need to proactively review the mandate of the FCAC to respond to market stability concerns as well as pressures for new tough international standards for a more interventionist approach to protect the marketplace.

Canada was a leader in the world when it set up the FCAC in 2001 with its financial education and compliance mandate….but the world has changed. Therefore after more than 10 years of operation it is timely to review its mandate.

J. Recommendations

The following improvements are seen as minimum mandate changes that should be made to make the FCAC more effective in its role within the current environment.

The Australian approach appears to be most relevant to Canada's situation whereby its industry has for the most part acted responsibly over the past years with respect to both prudential and market conduct matters. The government still decided to put a stronger regulatory framework in place but focused on the major risk to financial stability, that being the provision of consumer credit products. The powers of the regulator have also been bolstered substantially but the assumption is that they will be applied only as necessary and there appears to be full trust by the government that the regulator will apply these powers in a responsible manner.

There is not sufficient justification for giving the FCAC the powers to intervene and screen financial products and services before they are marketed and sold. However to offset the regulatory risks and gaps, FCAC does need certain powers to act quickly and effectively to address risk to consumers and the harm being done to the marketplace.

Therefore the following recommendations are made with the objective of strengthening FCAC's regulatory framework and certain aspects of financial consumer protection.

<u>Establish Overriding Legislated Principles</u>

- The Government should determine key principles of market conduct behaviour expected of the stakeholders in carrying out their business and of the regulator. These principles would guide the industry in terms of expected behaviour especially <u>when the technicalities of the law do not cover or adequately address consumer protection matters related to new products and services or changes to existing ones that are being introduced into the marketplace.</u> Violating these principles would constitute a contravention and be subject to FCAC's AMP regime.

<u>Research</u>

- To allow the FCAC to be more effective in its oversight role, it should be mandated to become the research body for analyzing financial consumer trends and consumer protection issues. This will put the FCAC in a better position to identify and anticipate future market conduct risks. The FCAC would share the research publicly. The Department of Finance would use the research to determine if any policy issues are evident. The scope of research would not be limited to the federal financial sector as issues like consumer credit granting goes beyond federally regulated institutions.

Promoting Literacy

- The Government should follow through with its promises. Provide FCAC with the clear mandate to provide leadership on promoting financial literacy and allowing it to increase its public profile and awareness of its work.   There is no point spending millions of dollars on literacy if no one knows about it.

Improving Government Services to the public

- When Government departments are providing lump sum payments and benefits to Canadians who often are vulnerable Canadians, the departments should be required to partner with the FCAC regarding the provision of financial information and advice to Canadians who will be the recipients of the funds.

Issuance of Compliance Guidelines

- The Government should confirm in FCAC's mandate, the Agency's responsibility to be proactive in promoting and recommending industry best practices. The regulated community should understand that the FCAC has the jurisdiction to interpret the law and regulations in order to address unacceptable inconsistency in industry compliance and marketplace practices.

Issuing Binding Directions

- The FCAC should be provided the authority to issue binding and enforceable directions to an individual company to address compliance deficiencies. FCAC should be required to publicly post each directive that it issues.   Violating a directive would constitute a contravention and be subject to FCAC's Administrative Penalty Regime.

Issuing Binding Rules

- The FCAC should be given the authority put into place industry wide rules that are enforceable as regulations and to which the AMP scheme would apply. The rules would be used to respond quickly to risks that emerge in the marketplace caused by banks not meeting appropriate standards for existing and new products and services.

Clearly this requires trust by the government and the regulated community that the regulator will act responsibly. It is feasible that the rules proposed by FCAC could be pre-approved by the Minister as a check and balance within the framework and provides accountability.

Oversight of ADR Service

- FCAC should be mandated to have audits regarding the awareness, effectiveness and timelines of the bank's internal complaint procedures and its approved external ADR services. FCAC would post its audit results publicly and would have the authority to issue a directive to correct deficiencies.

Improved Redress Process

- FCAC should have the authority to issue enforceable order to banks found guilty of non-compliance and to provide consumer refunds in cases where there the amount of financial harm done is clear. For non-compliance cases when the type of redress is more complex than a simple refund, the matter is then referred by FCAC to the bank's external ADR services. FCAC should then be able to share its investigation findings with the ADR service to speed up the redress process.

Consumer debt

- Banks should be required to carrying out a *Suitability and Affordability Test* (SAT) as set in regulation. FCAC should be mandated to audit credit granting practices for compliance with the SAT. Where a bank has been found to be non-complaint with applying the SAT, the ADR service should be empowered to apply redress up to and including the right to revoke the bank's right to collect on the loan.

- FCAC should be mandated to act as a public advocate promoting responsible use of credit by consumers by improving consumer guidance / profiles on appropriate consumer debt loads; by providing advice on the use of the appropriate credit products based on the types of consumer needs; and by publicly reporting on consumer debt management issues including highlights of consumer insolvency and bankruptcy trends.

There are many more aspects of FCAC's mandate that could be expanded to make the marketplace even more secure, but for the sake applying a reasonable risk based approach to its regulatory framework; I have limited the recommendations to essential areas of consumer protection.

Q. Applying A Principles Based Regime To Financial Consumer Protection

Despite the fact there is an abundance of detailed regulations under the Bank Act to help protect consumers, there is no guidance / principles that could be readily applied to the issuing of any new product or service that does not fit neatly under any particular set of regulations. Given amount of the time needed to justify the need for more regulations and then for the government to actually react leaves a large void in the marketplace. An example is the amount of time it took to have regulation in place dealing with principle-protected investments, almost 5 years where the federal marketplace was without any consumer protection standards. Having legislated principles with the authority being given to the regulator to issues rules would close that void during which it becomes an era of "consumer beware".

Therefore there should set out sound high level principles regarding behavior by banks in terms of the types of products and services that are presently or in the future may be sold. The objective is simple no matter what the product t or service may be: when selling a product or service to a consumer, the consumer must be informed of their rights, their options, the costs, the risks, the obligations and the terms and it must be done in plain and simple language.

Principles should not be set out only by type of product / service but should focus on the activities related to the sale of the products and services:

- Effective disclosure;
- Effective and adequate notices of change of fees, service levels or contract changes to conditions;
- Integrity in assuring product suitability especially in selling debt products
- Competent and qualified sales professional
- Effective, unbiased and timely redress mechanisms
- Truth in marketing and advertising
- Conflicts of interest;
- etc.