

# INVESTMENT EXECUTIVE

CANADA'S NEWSPAPER FOR FINANCIAL ADVISORS ■ DECEMBER 2003

## COMPLIANCE

### Coming: crackdown on sales abuses

Regulators turn their attention to sales practice irregularities

BY JAMES LANGTON

MUTUAL FUND TRADING scandals in the U.S. are pushing Canadian regulators to take a closer look at the trading practices of fund managers on this side of the border. So far, regulators haven't turned their attention to the other source of U.S. scandals — sales practices — but it's coming. Sales compliance is emerging as an important regulatory focus on both sides of the border.

In the U.S., money managers are under fire, accused of trading abuses. Distributors are likewise finding themselves in hot water, but in this case for selling sales practices. They are accused of failing to tell clients when they are enrolled in volume discounts, front-loading issue funds over third-party funds and holding illegal sales contests.

Unlike the trading scandals — which came to light when New York Attorney General Elliot Spitzer's office followed up on tips — sales practice abuses were revealed as a result of investigations initiated by the National Association of Securities Dealers and the U.S. Securities and Exchange Commission. In

Canada, securities regulators have picked up on Spitzer's work into manager practices but haven't given fund dealers the same kind of scrutiny.

But that is coming, says Eric Pelletier, the Ontario Securities Commission's media relations manager. Pelletier reports the OSC's investment funds branch will be seeking information from fund dealers, in much the same way as it has asked fund managers to report their policies for preventing trading abuses. There is still no deadline for this exercise, and the OSC is consulting SROs and others in the industry to hammer out what it should be asking dealers to reveal. Pelletier says that OSC hopes to have the process underway by yearend.

While the OSC is turning its attention to distributors, the Mutual Fund Dealers Association is already looking at dealers' practices as part of its first round of compliance reviews. So far, the MFDA has performed about 90 compliance exams and Karen McGuinness, the MFDA's director of compliance, says it has

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RON BOTT

With a 10-year track record that boasts top-quartile performance, low cost and low risk, John Kallert, manager of RBC Dividend Fund, is Investment Executive's Fund Manager of the Year. See page 12.

## COMMUNITIES

### A matter of giving back

BY GEOFF KIRBYSON

TWO WINNIPEG FINANCIAL institutions know first-hand that it pays to invest in their community. But what makes the actions of the Assiniboine Credit Union, the third-largest credit union in Manitoba, and a downtown Royal Bank of Canada branch unusual is they have done it in the least affluent neighbourhood in town — the inner city — and were awarded with extra bonuses.

The moves by ACU and Royal Bank provide proof that investing in one's community can be good for business — and much more.

"We are seeing organizations re-evaluating their charters for moral purposes, and there is a realization that strong moral values translate into real activity in the long run and enhanced shareholder value," says Paul Bates, industry consultant, business professor and commissioner with the Ontario Securities Commission. "You can do the right thing for the community and it's accretive for the bottom line. It's exciting."

ACU invested more than \$2 million in the downtown core in 2002, with programs such as the West Broadway Community Land Trust, in which it provided development and mortgage financing for 90 affordable housing units; the Financial Foundation Resource Centre, an office designed to help north-end residents assess and meet their financial needs; the West Broadway Renewal Corp.; the North End Network Corp.; and special interest accounts for non-profit organizations and unique community programs, says ACU CEO Al Martin.

"It's about bringing the ownership of the community back to the community. We want it to have a say in its development. We certainly think our success will be reflected by the success of our community. If we can assist our community in being strong, we're reap the benefits — not just from a profit point of view but also from a social point of view," he says.

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## INSURANCE

### RBC bulks up on living benefits

Its purchase of UNUMProvident subsidiary boosts its market share, especially in disability insurance

BY AL EMID

IN TODAY'S CONSOLIDATING marketplace, insurers are fighting to secure their spot in the market share sweepstakes. Minnesota-based RBC Insurance, the insurance arm of Royal Bank of Canada, is the latter to make a move, securing a top spot in the living-benefits marketplace. It has agreed to acquire the Burlington, Ont.-based Canadian operations of Provident Life and Accident Insurance Co., a subsidiary of Chattanooga, Tenn.-based UNUMProvident Corp.

"The No. 1 start is clearly individual disability, in which [Provi-

dent] is the clear market leader," says Jim Wesiak, chairman, president and CEO of RBC Insurance. When the insurer's existing businesses are combined with Provident's client roster, it will make RBC Insurance a market leader in living-benefits products. "On the individual disability side, we are really very small in comparison to UNUMProvident, and likewise on disability."

Living benefits include long-term care, critical illness and disability insurance products.

RBC Insurance has committed up to \$300 million to the deal, con-

sisting of the as-yet-unannounced final price as well as ongoing support for the newly acquired product lines, says Wesiak.

"The deal makes sense, given the players' corporate considerations. In spite of its long-held strategy to grow through acquisitions, RBC Insurance has not made any Canadian life insurance acquisitions since 2000, partially stalling the Canadian strategy. This gets it back in track."

UNUMProvident needs the sale for other reasons. It wants to bolster its cash reserves, which have attracted unwelcome attention

from ratings agencies. As well, it has wanted to exit Canada for some time and this completes that goal.

"All insurance operations — whether they were former Provident, former Paul Brown or former UNIM organizations — we have consolidated all of that," says Tom White, UNUMProvident's vice president of investor relations in Chattanooga. "This transaction sells off the insurance business that we have in Canada."

Advisors have their own considerations when it comes to the deal.

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## PERSONAL PLANNING BY GAIL VAZ-OXLADE

## Tune up your voice image

How you sound can affect the message you deliver. "Think of your voice as a Porsche," says one expert

**M**IKE MCGAULEY NEVER thought he needed a voice coach — until he was approached by Mary Michaela Webber following a speech.

One session with Webber, president of Toronto-based **VoiceEmpowerment**, and McGauley was sold. "Right away, after the first time with her, I was walking away with a different voice," says the president and founder of **Decon Builders Inc.**, a Toronto-based company that helps people recover from physical injuries. "It was richer. My pacing was more powerful. I was surprised at the difference in the clarity."

As an advisor, you may not be making as many speeches as McGauley but you are constantly speaking to clients. And while you probably expend a good deal of effort worrying about how you look, there is a good chance you haven't thought about how you sound. Yet your voice can be a factor in the way in which you establish trust and credibility with clients.

Like McGauley, Judy Griffith is a big fan of voice coaching. The CEO of **Organizational Momentum**, a Toronto-based company that specializes in organizational development, Griffith is also a lecturer at the Joseph L. Rotman School of Management at the University of Toronto. She says everybody can benefit.

"Your voice is the most direct means of interaction with whom ever you are speaking to. Whether you're going for a job interview, talking to your husband or trying to communicate with your teenager, the pattern of your voice will determine the outcome of the communication. It affects your self-confidence and, as a result, your ability to influence," she says.

What should clients hear in your voice? Webber maintains the key is authenticity. "People hear when people are fake," she says. Her definition of authentic is "the ability to be resonant, to connect with other people."

Webber says the most common misconception about the voice is that it emerges from the mouth. "That's the very smallest part of it," she says. The largest part of your voice comes from your belly.

A simple exercise demonstrates this: put your hand flat on your belly and then say a sharp "T," then say, "Hi" and then "Umm." Notice all the different muscles you're using. Ultimately, you want your voice to "issue into a place of calm confidence," says Webber, "which is expressed through the upper chest. When we speak, we don't just breathe from our belly — we actually use different parts of the body."

That's why so many of us cringe when we hear our voices on tape. "We hear through the bones in our body, and we also hear the sound that is produced externally, so the impression we have of our voices is different from what other people have," says Webber. In her work with clients, she begins by recording them so they can hear what others hear.

Griffith says her voice coaching sessions have wrought almost immediate changes. She reports hav-

ing greater range, greater depth in her voice and a positive impact on how she feels from being able to control her breath. All this was after just four weeks. "I was pretty comfortable presenting," she says, "but this is coming at it from a level that allows you to manage your energy so much more effectively."

Hiring a voice coach can cost about \$100 for a single session or as much as \$1,500 for a series of coaching sessions.

In the meantime, here are some things you can do on your own to make a difference when you speak.

- When you stand to speak, bend your knees slightly, open your ribs and your voice will become fuller. "If you lock your knees, your solar plexus and lower ribs tend to pull in, and most people stand with locked knees," Webber says.

- Imagine your voice is a wave rolling from behind and moving forward. The next time you enter a

room, say, "Hello" in your normal voice and see how many people turn to look at you. That will give you an idea of how far your voice naturally projects. Does it reach one foot away from you? Three feet? If you feel like you're throwing your voice against a wall, like a projectile," says Webber, "you need to shift your awareness so you feel more of a sense of space around you."

- Warm up your voice in the morning. "You can't expect to get

out of bed, have some coffee, go to the office and have a voice that is awake," says Webber. She suggests using a compression-breathing technique called the "extended exhale." Breathe out. Don't stop. Keep breathing out, push till you haven't a breath left in you. Then relax and feel the air rush back into your lungs. Now, do it again.

"Each in-breath will be deeper," Webber says. This exercise reduces tension and stress, and allows your voice to start moving from your centre.

"Think of your voice as a Porsche, and you're driving in first gear," she says. "You can continue plugging up your fuel line, or you can open that belly up, learn to breathe and develop the right audio-image." ■

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