

OSC Investor Advisory Panel
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Re: MFDA Bulletin: Report on Charges and Compensation – Consultation Regarding Cost Reporting for Investment Funds

The Investor Advisory Panel is pleased to submit its comments on the MFDA's Consultation Regarding Cost Reporting for Investment Funds. Under the MFDA's new rule, members will be required to provide clients with an annual summary of charges they have paid as well as compensation received by the member. Overall, the Panel is positive about the trend toward greater and better reporting of costs paid for investment products and services – however, we believe that such reporting must be comprehensive and clear. To that end, we offer our response to the three questions posed in the consultation document:

Is the current proposed disclosure of dealer compensation sufficient for clients to make informed decisions or should disclosure be expanded?

Disclosure should include all costs borne by the investor, whether directly or indirectly – not just compensation to dealers. Partial disclosure is very likely to mislead the investor into thinking that the disclosed costs are the only costs involved. The Panel believes that all costs should be disclosed.

Full disclosure of costs should be just that – a full list of all costs. Otherwise, what is the point of having rules for charges and compensation reporting?

What types of investment products should be subject to expanded disclosure?

Full disclosure of costs should extend to all investment products and services, not just a select few. There is no reason for excluding any product or service from cost disclosure – this is a fundamentally important piece of information for investors.

Specifically, how could the expanded disclosure be reported in a way that clearly and effectively communicates the information to clients and is consistent with other product disclosure (e.g. Fund Facts Document)? What are the various options and alternatives?

Disclosure should be complete, in plain language and should, wherever possible, illustrate costs graphically, in both actual dollar amounts and as a percentage of assets. Disclosure should be in a readable font size and prominently positioned in the document, easy to find, and legible (as opposed to tucked away or in illegible, tiny font). Disclosure should also be consistent across all dealers and all products to allow investors to compare costs for all products and services.