

Kenmar Associates
Investor Education and Protection

April 11, 2014

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Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

CSA NOTICE AND REQUEST FOR COMMENT

IMPLEMENTATION OF STAGE 3 OF POINT OF SALE DISCLOSURE FOR MUTUAL FUNDS – POINT OF SALE DELIVERY OF FUND FACTS

PROPOSED AMENDMENTS TO

**NATIONAL INSTRUMENT 81-101
MUTUAL FUND PROSPECTUS DISCLOSURE AND
COMPANION POLICY 81-101CP
TO NATIONAL INSTRUMENT 81-101
MUTUAL FUND PROSPECTUS DISCLOSURE
(2ND PUBLICATION)**

http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20140326_81-101_rfc-stage3-pos.htm

We are pleased to comment on this consultation regarding pre- sale delivery of Fund Facts to investors. For over a decade, Kenmar Associates has advocated for the delivery of Fund Facts prior to the decision to purchase mutual funds. For whatever reasons, such an obvious requirement has been opposed by industry participants and lobbyists. This makes absolutely no sense if there is to be an informed investment decision. It is inconceivable that an industry which constantly claims the value of investment advice should not insist that dealer representatives provide a copy of FF's to clients before the purchase decision is made. Providing FF two business days after the investment decision has been made is a nonsense disclosure. In fact, it is not a disclosure at all. Yet, the OSC Guide *Researching your investments - A guide for investors* http://www.osc.gov.on.ca/documents/en/Investors/res_research_invest_en.pdf stresses previewing disclosure documents before purchase. The current pre-sale delivery proposals are entirely consistent with other CSA investor protection initiatives.

About 12 million Canadians invest have over \$1 trillion invested in mutual funds for their savings and retirement. The mutual fund is the dominant investment vehicle and as such the decisions investors make about the funds they buy are critical to their financial well being. FF's is one tool they can use to explore an investment although only the full prospectus contains the full details they need for an informed decision. Please refer to the APPENDIX for a list of applicable references supporting our position on pre-sale delivery of FF's.

As mutual funds become more complex, pre-sale disclosure is even more important. The OSC has recently identified a number of emerging trends, including an increase in the use of derivatives to offer more efficient investment exposure to areas that are more difficult to reach through direct investments. This added complexity is all the more reason for requiring pre-sale delivery of FF's.

We applaud the Canadian Securities Administrators in supporting the fundamental purpose of introducing this meaningful disclosure regime, which was designed to help investors before they decide to buy units in a mutual fund: The point-of-sale initiative was originally aimed at providing investors with more meaningful and effective disclosure and was held out to be a significant investor protection initiative. It is hard to believe that - "Fund Facts" - New Proposed Point of Sale Document for Mutual Funds and Segregated Funds-

http://www.mcmillan.ca/Files/FundFacts_0607.pdf was written in June 2007! Well, it seems now, finally, there is a real regulatory determination to right past delays. The EU has already decided to address the issue *EU Council takes steps to increase transparency of investment products* http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/142111.pdf It's time for Canada to step up to the plate.

A recent Bulletin from the OSC *Investor Protection is a three way Street* http://www.osc.gov.on.ca/en/Investors_inv_news_20140226_investor-protection.htm had this to say:

"As an investor you have responsibilities too. Unless you have a discretionary account where your advisor is authorized to make investment decisions on your behalf, you're the one "in charge." Understand your investments, everything from why you own them to how much you pay for them. It's your money after all and no one is more interested in your financial success than you."

Since the investment decision lies solely with the investor under a suitability standard framework, the dealer must provide the necessary documents to allow an investor to compare products before making an investment decision. The FF's is one of those documents.

Pre-sale delivery is a perfect fit with CRM 2

The key CRM 2 requirements include pre-sale disclosure of fees, annual account performance, account fees and charges, as well as trade confirmation and client statement disclosure requirements. The CRM initiative is a comprehensive reform package designed to promote transparency, enhance investor protection and raise industry standards. CRM 2 builds on the already existing requirement of IIROC registrants to deal fairly, honestly and in good faith with their clients, and strengthens the overall foundation of the client-advisor relationship. These objectives are critical to promoting confidence in the quality and integrity of dealer Reps as a profession. Pre-sale delivery of FF's is a natural and implicit obligation of professional Dealers/Reps. It will be a valuable tool in addressing a number of communication issues including seniors issues recently revealed in an IIAC report on advising the elderly.

We add parenthetically our concern about the frequency, grandeur and sophistication of "Free lunch" seminars especially for retirees. These so-called educational seminars, often employing a celebrity speaker, negate some of the value of FF disclosures. For this reason, we recommend that fund manufacturers be prohibited from subsidizing these seminars.

Delivery criteria

We agree with the CSA that the most recently filed Fund Facts should be delivered to a client before a dealer accepts the order. We understand that delivery would not be required, however, if the purchaser had already received the most recently filed Fund Facts - we are fine with that.

We also agree that Pre-sale delivery requirements would also not apply to subsequent purchases of securities of a mutual fund pursuant to pre-authorized purchase plans so long as the dealer provided initial and subsequent annual notices to the purchaser that included information on how to access and request the Fund Facts and that the purchaser would not have a right for withdrawal of the purchase.

Fund Facts has saved the fund industry money

In the Investor Economics study **Mutual Fund Cost of Ownership**

<https://www.ific.ca/wp-content/uploads/2013/08/Canadian-Study-Mutual-Fund-MERs-and-Cost-to-Customer-in-Canada-September-2012.pdf/1655/> we see the growing importance of pre-assembled solutions, fund wraps have captured nearly 80 cents of each dollar flowing into the mutual funds industry between 2007 and 2011. **Figure 30** monitors the growing importance of fund wraps to the

fund industry's book of business. We conclude therefore that dealers and fund companies will be saving a lot of money in that, under a fund-of-funds structure they need deliver only the FF for the wrap. Perhaps more importantly, mailing out a 2 page FF's instead of the full Prospectus has clearly saved the industry money.

Whether it's fees embedded in trailer commissions or a fee-based account, investors are paying for dealer services and advice that surely must include the provision of pre-sale disclosure documents as an integral step in the advice process. That goes to the heart of the core regulatory tool - Disclosure before execution of a transaction. To argue otherwise is disingenuous.

The Benefit of pre-sale delivery

Anyone who has seen [a CBC hidden camera investigation](#) on financial services' product sales people should grasp why pre- sale delivery of FF is so important to the retail mutual fund investor, particularly seniors/retirees. The mutual fund's Fund Facts contains key details that are of importance to the investor, and to the investment decision. Providing Fund Facts before the sale is consummated will be a Win-Win for all stakeholders. Investors will profit from having a chance to read and understand what they are being sold before they commit to a purchase. This should help in making better choices as well as improving client financial literacy as a discussion using FF as the talking basis will help bring clients further along the financial literacy learning curve. It will also benefit Representatives as there will be a much better client understanding of why the particular fund has been recommended and how it fits into a portfolio. This could potentially reduce customer complaints and the attendant costs that come with them as well as improve client satisfaction with the advisory relationship. We can see only an upside for investors in implementing this most fundamental and long overdue rule change.

FF Risk disclosure needs repair

Kenmar fully support pre-sale delivery of FF. We do however have a problem with one disclosure element of FF's- Risk. Our recent Comment letter explained the reasons for concern with the risk rating methodology in considerable detail.

Delivery

The methods of delivery could be physical transmission at a face to face meeting of the representative and the client. It could also include electronic delivery - an attachment to an email or a direct link to the relevant FF before the final decision is made, subject to investor approval. It could also be a low capacity/low cost memory stick containing the FF's being recommended but with no marketing material. The alternative would be delivery by mail or FAX after it is determined by the Rep that the fund is suitable for the client. Investors should be able to have paper copies of the FF and/or simplified prospectus delivered to them without charge. Companies should not be permitted to use the term "Fund Facts" for their own documents as it may cause confusion.

For more experienced investors using an online discount broker, we would not insist that pre-sale FF delivery would be required as long as FF is readily available online .DIY investors are used to doing their own research and that is why they do not employ an advisor or pay for one. Such investors should be able to transact immediately without expecting brokerage pre-delivery of FF's. The lower cost D series has been developed especially for DIY investors. By demanding pre-sale delivery, the rule

ironically could have the perverse effect of slowing down the availability of D Series funds.

Given modern technology for printers, PCs, memory and the Internet, any arguments that a Fund Facts document is not readily available at the point-of-sale or before is irresponsible. Any professional advisor today surely has a laptop or tablet as part of his/her toolkit. A portable printer can be obtained for a very modest cost and can easily work wirelessly from the laptop or by cable. The industry might consider striking a blanket ordering agreement with multiple vendors so as to obtain volume pricing for portable printers. For those with the internet, delivery is a snap providing the client agrees. Of course, it is the Rep-client discussion of the FF material before the transaction that is the real goal of the disclosure.

The exception to pre-sale delivery

We are concerned however with the exception, subject to certain conditions, where a client indicates a desire to complete the purchase immediately or by a specified time, and it was not practicable for the dealer to complete physical or electronic pre-sale delivery of FF. In such a case, the Fund Facts, according to the proposal, would have to be delivered within two business days of purchase. We would hope that this would be extremely rare exception. In these cases, we recommend that (a) there be a requirement that the Rep have conducted a suitability analysis of the transaction and (b) evidence of a discussion of the Rep with the client as regards suitability per KYC and stated objectives and (c) a documented communication to the client that, if the fund is unsuitable, that it not be purchased. These required Rep actions should not be limited to mutual funds.

The future of Fund Facts

It should also be a regulatory objective that the goal would be for Fund Facts and all its applicable rules to carry forward with other investment funds such as ETF's and to the greatest extent practicable, should also apply to Segregated funds albeit these are under a different regulatory regime generally regarded as having weaker rules of conduct .

Regulatory arbitrage

A number of industry participants have predicted that pre-sale delivery of FF's could cause "advisors" to recommend Segregated funds instead of mutual funds. Regulatory and product arbitrage is of course very real. Given the non-fiduciary nature of the client-advisor relationship ,it could very well be that dually licensed salesperson operating under a Managing General Agency would prefer to sell Segregated funds due to reduced compliance obligations, higher compensation , higher "stickiness: of Sag funds ,reduced legal liability and a faster sale. Within the last 2-3 years MGA's have come within the crosshairs of regulators, the media, and the general public. This period of scrutiny culminated in a May 2012 position paper from the Canadian Council of Insurance Regulators (CCIR), which found, among several other items, that "there may be deficiencies in insurers' screening of MGAs prior to entering into an outsourcing arrangement, and in insurers' ongoing monitoring and assessment of MGAs with whom they have contracts." So, plenty of reason to expect regulatory arbitrage from dually licensed "advisors".

If Segregated funds are not obligated to pre-sale delivery, then investors could be at risk as dealer representatives move clients from mutual funds into more costly Seg funds that may be unsuitable .This

also exposes investors to a defective complaint system as OBSI no longer will assess an investment portfolio complaint holistically if it contains an insurance industry product like a Seg fund. OLHI, the insurance ombuds service, is generally regarded as a weaker Ombuds service. It is not subject to regulatory oversight. Neil Murphy of Portfolio Audit has published this instructive blog *Investment advisors used car salesmen?* <http://www.portfolioaudit.ca/used-car-salesmen/> on the topic .

The industry argues that the mutual fund industry should not have to implement the pre-sale delivery rule until regulatory arbitrage is dealt with. The mutual fund industry considers utilizing tougher compliance rules not as a competitive advantage but rather a regulatory burden. Go figure, given that we keep hearing that “advisors” deal fairly, honestly and in good faith with clients at all times.

The Ontario Securities Commission on the other hand, is required to apply the Ontario Securities Act and it is perfectly within its right to insist that mutual funds deliver Fund Facts before the sale even if Segregated funds, regulated by the FSCO and other similar products from banks, do not require such pre-delivery. Investor protection should not be held hostage to different practices by the insurance or banking industry. This is especially important as dealer Reps do not owe a fiduciary duty to clients- as long as the recommendation is suitable, the investor is responsible for the decision.

The self-regulating organizations could also, at least in principle, impose certain rules that would make it extremely difficult to inappropriately transfer clients into Segregated funds.

One practice that would at least alert the retail investor he might be being gamed would be for IIROC and MFDA registered dealers to require a standardized plain language disclosure in writing that:

- (a) the “advisor “is dually licensd and falls under a different regulatory regime than mutual funds when recommending insurance products like Seg funds
- (b) an explanation that the sale of Seg funds constitutes an Outside Business Activity that is not the business of the member firm with which the primary client -dealer Rep relationship exists
- (c) that any such outside business activity will not be the responsibility of the MFDA/IIROC member firm should anything go wrong
- and (d) in the event of a complaint to OBSI regarding the investment portfolio that *OBSI will refer the investigation and analysis of segregated funds to the Ombudservice for Life and Health Insurance (OLHI) even if they form a part of a larger portfolio that is the subject of a complaint to OBSI.*

As an added investor protection, SRO's should make it very clear to all Dual occupation Reps that personal information provided by clients is restricted for exclusive use by the investment dealer. It is private information that is not to be used for other purposes, specifically as a basis for recommending the sale of a Segregated fund or an annuity to a client. We expect this would at least slow down the conflicted arbitrage manoeuvre.

Regulatory arbitrage is a serious issue and one that is likely to grow in importance as the banking, insurance and investment sectors all pursue the wealth management business. Politicians will have to become engaged. Resolution is important because it poses a risk to the mutual fund industry and more importantly, to individual Canadians saving for retirement or in retirement.

Withdrawal and Rescission Rights

Some industry participants argue that withdrawal and rescission rights provide adequate investor protection against disclosure issues. As a matter of fact, withdrawal and rescission rights not uniform across Canada, are not understood by retail investors and are rarely used. A quick scan of differing requirements between provinces explains why these “rights” are of no practical value to the average mutual fund investor.

http://www.ipcc.ca/files/Compliance/IPCIC_Policies_Procedures_Manual/D2-Mutual_Fund_Legal_Rights_and_Obligations_17.pdf This is a bogus argument.

Two business days can hardly be called a “Cooling Off” period. Cancellation rights in consumer protection legislation generally allow a consumer to cancel a contract within a specific period of time at no cost to the consumer – the consumer is put back into his/her pre-contract position. For example, Under the *Consumer Protection Act* (Ontario), a consumer may, without any reason, cancel a direct agreement within 10 days of receiving the written copy of the agreement. Under the *Condominium Act* (Ontario) ¹, a developer must refund, without penalty or charge, all money received from a purchaser under an agreement of sale, together with interest on the money calculated at a prescribed rate, if a notice of rescission is received within 10 days of the agreement. This is yet one more reason investment dealers should provide FF's prior to or at the time of sale.

We add parenthetically that the CSA state that they are not currently proposing amendments to withdrawal or rescission rights applicable to mutual fund transactions, without acknowledging the numerous advocacy submissions made over the years underscoring the need for additional clarity on their interpretation and application as well as rationalization and harmonization of these provisions. The pre-sale proposals bring the need to respond to these submissions into sharper focus.

Transition Period

The CSA is proposing a one-year transition period following the effective date of the amendments. We can accept this duration but hope it will be done faster.

Summary and Conclusion

We agree with pre-sale delivery of FF's since we do not regard post- sale delivery, as meeting the regulatory intent of disclosure. Pre-sale delivery of FF's will add to investor protection and an improved client-Rep.relationship.

It is one thing to deliver FF pre-sale but not if misleading ads and sales practices are allowed to prevail. These ads kidnap investor attention and thereby diminish the value of FF's. An example is ROC Funds: Too many investment funds offering a high monthly distribution say that their fund offers both "cash flow and the potential for capital appreciation." The problem is that many "high-payout" funds - i.e., those paying out much more than pure portfolio income - set their distributions at a level that approximates their total returns. A fund's total return is the total of income, price appreciation and the effect of compounding the income by fully reinvesting it. If all of that is paid out in cash every month, then, by definition, there is zero growth potential remaining. It's worse for funds that pay out more than their total returns in the form of cash distributions. Many large and popular funds fall into this boat - including many that aren't labeled as T-series. Too many of these funds are sold inappropriately. Some retirees are taking an 8% cash distribution from their funds in exchange without realizing their capital is dropping by 2% annually. Other misleading ads add to the information minefield retail investors must face. We urge the OSC/CSA to start applying sanctions and fines for misleading sales

communications in order to protect the integrity and value of Fund Facts disclosure.

We hope this Comment letter proves useful to the CSA in its deliberations.

Do not hesitate to contact us if there are any questions regarding our submission.

Kenmar strongly supports the CSA in making Fund Facts a world class disclosure document/process.

Permission is granted for public posting.

Sincerely,

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APPENDIX: Related research papers

Backgrounders

Kenmar Associates FF submission

<http://www.lautorite.qc.ca/files/pdf/consultations/anterieures/valeurs-mobilieres/81-101/kenmar-associates.pdf>

Proposal for a Regulation of the European Parliament and of the Council on key information documents for investment products (PRIPs)

<http://register.consilium.europa.eu/doc/srv?l=EN&t=PDF&gc=true&sc=false&f=ST%208356%202014%20REV%201>

IFIC PowerPoint Presentation pre sale delivery of FF

<https://www.ific.ca/wp-content/uploads/2013/11/2013-Operations-Day-Point-of-Sale-Operations-Issues-PPT-November-20-2013.pdf/6194/>

NI 81-101 - CSA Notice and Request for Comment: Implementation of Stage 2 of the Point of Sale Disclosure for Mutual Funds - The Investor Advisory Panel Letter of September 6, 2012

http://www.osc.gov.on.ca/documents/en/Securities-Category8-Comments/com_20120906_81-101_iap.pdf

CSA Fund Facts vs. IOSCO standard (Kenmar 2011)

<http://faircanada.ca/wp-content/uploads/2011/09/SIPA-research-Fund-Facts-vs-IOSCO-standards.pdf>
IOSCO Principles on Point of Sale Disclosure Final Report 01022011
<http://www.investorpos.com/documents/IOSCO%20Principles%20on%20Point%20of%20Sale%20Disclosure%20Final%20Report%2001022011.pdf>

Point of Sale and Regulatory Failure September 2010 TAMRIS Consultancy

<http://www.moneymanagedproperly.com/technical%20docs/Point%20of%20Sale%20and%20Regulatory%20Failure%20September%202010.pdf>

An example of an investor brochure to explain use of Fund Facts

http://ec.europa.eu/internal_market/investment/docs/other_docs/prospectus/financial-information-leaflet-verz_en.pdf See also **Fund Facts: Interactive sample | Infographics | Investor Education Fund**

[http://www.getsmarteraboutmoney.ca/en/tools_and_calculators/infographics/Pages/Fund-Facts-Interactive-](http://www.getsmarteraboutmoney.ca/en/tools_and_calculators/infographics/Pages/Fund-Facts-Interactive-sample.aspx?intcmpn=Related+Resources&intsrc=Money+2.0&intpg=fund+facts+a+tool+to+help+you+choose+the+mutual+fund+thats+right+for+you&intcntnt=GetSmarterAboutMoney#.Uqx3xX-9KSM)

[sample.aspx?intcmpn=Related+Resources&intsrc=Money+2.0&intpg=fund+facts+a+tool+to+help+you+choose+the+mutual+fund+thats+right+for+you&intcntnt=GetSmarterAboutMoney#.Uqx3xX-9KSM](http://www.getsmarteraboutmoney.ca/en/tools_and_calculators/infographics/Pages/Fund-Facts-Interactive-sample.aspx?intcmpn=Related+Resources&intsrc=Money+2.0&intpg=fund+facts+a+tool+to+help+you+choose+the+mutual+fund+thats+right+for+you&intcntnt=GetSmarterAboutMoney#.Uqx3xX-9KSM) and **Fund Facts: A tool to help you choose the mutual fund that's right for you |**

GetSmarterAboutMoney.ca

<http://blog.getsmarteraboutmoney.ca/fund-facts-a-tool-to-help-you-choose-the-mutual-fund-thats-right-for-you>

Regulatory Guide RG 228 Prospectuses: Effective disclosure for retail investors

[http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/rg228-published-10-November-2011-1.pdf/\\$file/rg228-published-10-November-2011-1.pdf](http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/rg228-published-10-November-2011-1.pdf/$file/rg228-published-10-November-2011-1.pdf)

Financial Regulatory Disclosure: Embracing New Communications Channels by Neil Mohindra :: SSRN

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2031035

Is point-of-sale disclosure a winning strategy? - Investment Executive

<http://www.investmentexecutive.com/-/is-point-of-sale-disclosure-a-winning-strategy->

"...Firms and advisors who respond to the evolving disclosure landscape will distinguish themselves in a new world in which fiduciary responsibility is increasingly expected...."

What do Consumers' Fund Flows Maximize? Evidence from Their Brokers' Incentives

A [2013 Rotman School of Management study](#) by Dr. Susan Christoffersen of the Rotman School of Management *found* that mutual funds offering higher fees attract the most investments, particularly when the broker isn't directly affiliated with the mutual fund. This is a common problem in the investment area. The old idiom: "You get what you pay for." holds true in many cases but as this study suggests, not for mutual fund investments. The study analyzed how the broker fees correlate into managed assets. This study uniquely correlated fees with the amount of assets under management. For each additional dollar that the broker makes, another six dollars comes under management. The amount of money under management per dollar of compensation to the broker spikes to \$14 if the broker is an unaffiliated third party who works off of commissions. Clearly, conflicts-of-interest drive commissioned salesperson behaviour.

Communicating investment risk

Submission by the Society of Actuaries in Ireland: *Communicating Investment risk*

<https://web.actuaries.ie/sites/default/files/event/2011/03/Communicating%20Investment%20Risk%201.>

[pdf](#)

Kenmar Associates Commentary : IFIC risk classification Methodology Task force Report (Kenmar) , Unpublished , July 2011 -available upon request kenkiv@gmail.com

IFICcomment letter re Risk disclosure Methodology

<https://www.ific.ca/wp-content/uploads/2013/09/Submission-to-CSA-POS-Working-Group-CESR-Risk-Disclosure-Methodology-February-26-2010.pdf/5014/>

Investment risk and financial advice

<https://www.vanguard.co.uk/documents/adv/literature/investor-risk-profiling.pdf>

“Free lunch” seminars: Avoiding the Heartburn of a hard sell

<http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/FraudsAndScams/P036745>

Fund Facts a good start, but risk rating & suitability get thumbs-down « The Wealth Steward

<http://thewealthsteward.com/2011/07/fund-facts-a-good-start-but-risk-rating-suitability-get-thumbs-down/>

About retail investors

CSA 2012 Investor Index

The *Investor Index* shows that the overall investment knowledge of Canadians is low, with 40 per cent of Canadians failing a general investment knowledge test. According to the findings, 57 % of Canadians say they are confident when it comes to making investment decisions. Yet most Canadians have unrealistic expectations of market returns. When asked what they think the annual rate of return on the average investment portfolio is today, only 12 % of Canadians gave a realistic estimate, while 29 % provided an unrealistic estimate and 59 % explicitly chose not to hazard a guess. Nearly half of Canadians (49 per cent) say they have a financial advisor, up from 46 % in 2009 and 42 per cent in 2006. However, 60 % of those with a financial advisor have not ever completed any form of background check on their advisor. Thirty-one per cent of Canadians say they have a formal written financial plan, up from 25 % in 2009. Although more Canadians have a financial plan, they are reviewing it less frequently (78 % say they reviewed their plan in the past 12 months, down from 83 % in 2009). <http://www.securities-administrators.ca/investortools.aspx?id=1011>

CRM2 and Investor Behaviour

http://iiac.ca/wp-content/uploads/SESSION_6_CRM2.pdf

2012 IEF Adviser relationships and investor decision-making study

<http://www.getsmarteraboutmoney.ca/en/research/Our-research/Documents/2012%20IEF%20Adviser%20relationships%20and%20investor%20decision-making%20study%20FINAL.pdf>

“In summary, advisors are the key influence in investor decision-making. Investors rely upon their advisor for planning and asset mix advice, as well as advice on what specific investments to buy. Other sources of information are secondary to the advisor’s opinion. Investors trust their advisor to provide advice that benefits the client first. This trust is underpinned by a belief that their advisor has a legal responsibility to ‘put the client’s best interest first’. With this as a foundation of investor belief, investors find little reason to be concerned about fees, and perhaps as a result, fewer than half of advisors disclose what they are paid...” and “..Performance and portfolio mix

dominate investment decisions, whether buying or deciding not to buy. Performance relative to similar investments, alternative investments and past earnings are all major considerations. Portfolio mix is a comparable factor. Risk of loss is a major factor only for deciding NOT to buy, and then, it is the single biggest factor in the decision...”.

Financial Knowledge and Rationality of Canadian Investors

In *Financial Knowledge and Rationality of Canadian Investors*

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2038930 authors by Cecile Carpentier and Jean-Marc Suret noted significant gaps regarding knowledge of risk and return of asset categories. Many investors do not know that if they invest in the stocks of small companies listed on the TSX Venture Exchange, they might lose all their capital. According to the researchers, the risks associated with shareholding are largely underestimated. Based on Kenmar experience Loss Capacity assessment are also beyond the scope of most retail investors. This is why pre-sale delivery of Fund Facts is so important.

Enhancing the client- advisor Relationship

http://www.onusconsultinggroup.com/uploaded_files/InvestorAwarenessBooklet.pdf

The Best Interest Standards and the Elderly - Canadian MoneySaver

<https://www.canadianmoneysaver.ca/the-best-interest-standards-and-the-elderly/>

Mutual Fund Investors: Sharp Enough?

Who are mutual fund investors? The answer is critical to regulatory policy. The mutual fund industry portrays fund investors as diligent, fairly sophisticated, and guided by professional financial advisors. The SEC paints a more cautious portrait of fund investors, though touts improved disclosure by the fund industry as a sufficient antidote. However, an extensive academic literature finds that fund investors are unaware of the basics of their funds, pay insufficient attention to fund costs, and chase past performance despite little evidence that high past fund returns predict future returns. These findings suggest that policymakers should rethink current regulatory policy. Disclosure may not be enough. <http://ideas.repec.org/a/ris/jofitr/0948.html>

Determinants of Retail Investors Behaviour and its Impact on Investment Decision | Abey Francis - Academia.edu

http://www.academia.edu/1169465/Determinants_of_Retail_Investors_Behaviour_and_its_Impact_on_Investment_Decision

Investor behaviour in the mutual fund industry

<https://www.escholar.manchester.ac.uk/api/datastream?publicationPid=uk-ac-man-scw:208218&datastreamId=FULL-TEXT.PDF>

Limited Attention and the Uninformative Persuasion of Mutual Fund Investors

<http://www.fma.org/Chicago/Papers/FalseRreturnFMA.pdf>

Abbreviated Fund information Disclosure

CESR 10-673 Guidelines KID SRRI methodology for publication

http://www.esma.europa.eu/system/files/10_673.pdf

Fund Facts present that “empty ta da” moment! | Depth Dynamics

<http://blog.moneymanagedproperly.com/?p=716>

Financial Regulatory Disclosure: Embracing New Communications Channels

<http://poseidon01.ssrn.com/delivery.php?ID=798074116064000074067087078000117011061088038065086068107119102011029014100093124105106042008122106100015023104117004029122088007083095016044090016076004088012092006051093045126124029008105124031006064103&EXT=pdf>

Does Simplified Disclosure Affect Individuals' Mutual Fund

Choices?<http://www.nber.org/digest/jul09/w14859.html> Review of SEC mandated Summary prospectus

The effects of summary information on consumer perceptions of mutual fund characteristics. -

Free Online Library

<http://www.thefreelibrary.com/The+effects+of+summary+information+on+consumer+perceptions+of+mutual...-a0177101903>

Worthless Warnings? Testing the Effectiveness of Disclaimers in Mutual Fund Advertisements by

M.Mercer, A.R. Palmiter, Ahmed Taha: SSRN

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1586530

SEC considering new target date fund disclosure - Investment Executive

<http://www.investmentexecutive.com/-/sec-considering-new-target-date-fund-disclosure>

Segregated Funds

Why some advisors might abandon mutual funds

http://www.investmentexecutive.com/-/why-some-advisors-might-abandon-mutual-funds?utm_source=newsletter&utm_medium=nl&utm_content=investmentexecutive&utm_campaign=INT-EN-morning " ..The Federation of Mutual Fund Dealers, representing an estimated 17,000 advisors and \$114 billion in assets under administration, said **changes to compensation models for mutual funds would have the unintended consequence of having advisors [dealer Reps] move assets from mutual funds to segregated funds.** Since the latter are sponsored by insurance companies and structured as insurance contracts, they're outside the jurisdiction of securities regulators. According to the fund dealers' submission on fund fees to the CSA, segregated funds have fewer compliance requirements, pay higher remuneration to advisors and are less costly to administer. They also have higher management-expense ratios because of their insurance provisions..."

Strengthening the Life MGA Distribution Channel (CCIR Nov. 2012)

<http://www.ccir->

ccra.org/en/init/Agencies_Reg/Strengthening%20the%20Life%20MGA%20Distribution%20Channel%20EN.pdf Sounds like the channel is a mess. No wonder there is concern about regulatory arbitrage. MFDA and IROC need to do more to protect clients of investment dealers from mis-selling by dual licensed salespersons. Problem is amplified by OBSI refusing to deal with investment accounts including insurance products like Segregated funds. No doubt Seniors will be big losers. It looks like the suitability standard for Seg funds is issued by a lobbyist, the CLHIA! Yet one more threat for seniors and retirees.

IVIC Suitability (CLHIA)

[http://www.clhia.ca/domino/html/clhia/CLHIA_LP4W_LND_Webstation.nsf/resources/Guidelines/\\$file/Needs_Based+Sales+Practices.pdf](http://www.clhia.ca/domino/html/clhia/CLHIA_LP4W_LND_Webstation.nsf/resources/Guidelines/$file/Needs_Based+Sales+Practices.pdf)

MGA's Under the Microscope “.. Over the last 20 years life insurance distribution has changed from a careersales force driven model to one that is now predominately occupied by independent advisors using managing general agencies (MGAs). Facing increased scrutiny from regulators, MGAs and life insurance companies are now working on specific guidelines for how they conduct business...”

<http://www.advocis.ca/pdf/Forum/mar2014/MGAs-under-the-Microscope.pdf>

Gravitational collapse and retrograde movements...is the Canadian regulatory system imploding? <http://blog.moneymanagedproperly.com/?p=2572> “..And finally, it is worthwhile [looking at the parameters that the CLHIA](#) consider for determining the suitability of this product [Seg fund] , for indeed they are very wide:

Some markers that can be used in a preliminary assessment as indicators that an IVIC is a suitable product include:

- professional and/or entrepreneur: may indicate a need for creditor protection
- older: may indicate a need for probate by-pass
- conservative investment profile: may indicate a need for guarantees
- large estate: may indicate a need for privacy, probate bypass
- approaching retirement: may indicate a need for income guarantees ..”

[it is worth noting that this document is from the CLHIA, the life insurance industry lobbyist]

Fund-of Funds

Unwrapping wrap Accounts

http://www.advisor.ca/images/other/ae/ae_1103_unwrapping.pdf

Wrap accounts: The Real story

<http://www.buildingwealth.ca/News/FeatureDetails.cfm?NewsletterID=3507&Type=F>

Fund- of- Funds Risk Management

http://eurekahedge.com/news/09_feb_Fund_of_Funds_Risk_Management_010.asp

