

Via email

October 24, 2018

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8
Fax: (416) 593-2318
E-mail: comments@osc.gov.on.ca

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, rue du Square-Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Fax: 514-864-6381
E-mail: consultation-en-cours@lautorite.qc.ca

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Nunavut

CSA Notice and Request for Comment
Proposed Amendments to National Instrument 81-105 Mutual Fund Sales
Practices and Related Consequential Amendments
http://www.osc.gov.on.ca/documents/en/Securities-Category8/csa_20180913_81-105_mutual-fund-sales.pdf

I am pleased to have the opportunity to comment on this consultation. I'm particularly interested and following this matter as it is in many ways affecting my investments strategies and objectives while I'm now retired and need to control my savings and investment portfolio as efficient and fair.

The Collection of trailers by Discount brokers for no good reason

First off, paying trailing commissions to discount brokers is a rip-off, plain and simple. Discount brokers do not provide unique ongoing services or any ongoing advice so why is the CSA allowing this? And what right do Mutual Fund Boards of Directors have to spend Fund assets simply so they can increase assets under management (and collect more fees). This consultation is bogus - the CSA should be taking enforcement action and demanding redress for the millions of Canadians who have been overcharged on \$25 billion of mutual funds for over 15 years. Since a handful of big banks dominate the discount brokerage channel, that's nearly \$200 million p.a. split mostly among the big banks. This is one of the biggest financial scandals in Canadian history.

The DSC sold mutual Fund

Ontario's Minister of Finance Vic Fedeli has issued a [statement](#) stating that his government does not support the Canadian Securities Administrators' (CSA) proposals published on June 21, 2018. The [proposals](#) recommend – in a nutshell – banning deferred sales charge (DSC) commissions and terminating the practice of product manufacturers paying trailing commissions to discount brokers. Minister Fedeli's statement that he doesn't support the proposals "as drafted".

The Minister's press release characterized the proposals as resulting from a "*process initiated under the previous government*". That point alone suggests that this is politically-driven and indicates a lack of appreciation of the full background.

In fact, the process was initiated in 1999 when the CSA's committee on financial planning proficiency standards – originally focused on credentials – cited conflicted advice as a major worry. Related to this, the Ontario Securities Commission's (OSC) then-Chair David Brown established a committee to address the investment industry's product-focus at a time when many firms were promoting trusted advice. That committee led to the 2004 publication of the [Fair Dealing Model concept paper](#), which proposed, among other things, to eliminate most investment product commissions to address concerns over conflicted advice. But this issue can be justifiably traced back to 1995 when ex-OSC Commissioner Glorianne Stromberg published the first of two research papers on tightening mutual fund industry regulations to address the conflicts-of-interest that she uncovered in her investigation, as a result of sales commissions paid to advisors.

Clearly, all this background work is not tied to partisan politics. In actual fact, the NDP party was in power (in Ontario) in 1995, the Conservatives in 1999, and Liberals thereafter (until Conservatives took over again this year). Concerns over conflicts-of-interest and the direction of regulations have been consistent over the past 23 years, regardless of political leadership. There are obviously other voices trying to influence this decision- voices with self-interests.

One voice that represents small investors unambiguously supports the proposed CSA ban on DSC – the Small Investor Protection Association (SIPA). See SIPA letter <http://www.investoradvocates.ca/viewtopic.php?f=1&t=184&p=3990#p3990>

While 18 % of all mutual fund assets in Canada – about \$300-billion – carried the DSC option at the end of 2016, DSCs apply to just 1 % of mutual fund assets in the United States and Europe, the CSA says. There is no logical reason for this as bank branches across Ontario and Canada offer no-load funds with small initial contributions as do many credit unions. Access to investing advice for small investors can also be readily obtained from robo-advisors who take on small accounts , have ultra-low fees and do not require any lock in period or early redemption penalties. There is NO access to advice problem for Ontarions with modest amounts to invest.

Further , there is no social or economic reason to retain the DSC sold fund especially as it causes the most harm to families trying to build a nest egg. It seems it is attractive primarily to firms who are unwilling to pay a fair wage to advisors and want the huge 5% upfront payment to cover salary independent of the harm to small investors. I absolutely support the prohibition of the DSC sold mutual fund.

While my first and second choice is a ban of DSC sold funds, I suggest the following compromise if the Minister of Finance will not support the CSA proposals as written:

- Require salesperson to disclose available alternatives to DSC so that client purchase decisions are informed ones
- Allow Low load DSC until household investments reach \$10,000.
- Require that the DSC early redemption fee be waived if a fund is closed or merged
- Mandate a title of *salesperson* for any registrant selling DSC funds
- Require clients to sign a Redemption schedule acknowledgement form
- Keep switch fees at less than 0.25%

I sincerely hope this feedback is helpful to the CSA.

I agree to public posting of this Submission.

Respectfully,

Isaac Glick, Ph.D., MBA, P.Eng. (ret)

E: iglick@rogers.com