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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

Esteemed Commissioners:

Thank you for the opportunity to comment on the proposed changes. Mindful of your time, I will start at the end, and summarize my thoughts in five points prior to expounding on them, as follows:

1. discount brokerages (Order Execution Only (OEO) firms) are legally not allowed to provide advice;
2. OEO firms, despite point #1, above, collect, and have been collecting for decades, trailer fees on the sale of Series A mutual funds;
3. Series A mutual funds are also known as "adviser series" funds, as they are sold with the intent of a selling "adviser" providing the purchaser advice;
4. Points #1 and #3, above, should clearly make the activity of selling Series A funds illegal for OEO firms;
 - o hence, the CSA should ban OEO firms from receiving trailing commissions on the sale of mutual funds;
5. By virtue of OEO firms disregarding the logic of point #4, above, investors have been short-changed, for decades, paying illegal hidden trailer fees from their mutual fund assets;
 - o hence, the CSA should order OEO firms to compensate investors, along with reasonable interest, for the illegal trailing commissions they received on the sale of mutual funds.

I am a private investor. Both mine and my wife's RRSPs, held from inception at TD Waterhouse (now TDDI) are composed primarily of mutual funds, a legacy of my having worked for a decade as Chief Information officer at Mackenzie Financial, helping to build it into a powerhouse back in the 90's, to the point where we were acquired by Power Financial in 2001. Until an April 13, 2018 article by Rob Carrick (Globe&Mail column "Fund Fee Fracas"), I had no idea of the existence of "D Class" funds, or of the obligation of discount brokerages (Order Execution Only (OEO) firms) to provide only these funds to clients.

As a result of this article, I reviewed my December, 2017 statements - the first ones in which accurate full disclosure of fees was presented. (TDDI had a preliminary disclosure of fees in June, 2017, but ceased further disclosure until settling on an annual disclosure of fees every December.) I was shocked to discover that, between my wife and myself, we paid slightly less than \$5,000 in trailer fees to TDDI in 2017! For what? They provide no advice, as they are legally bound to not do so. The words "mutual fund" have never even entered into any conversation I had with TDDI over the

past 20+ years! Yet, if we paid this much in fees in 2017, and we have held our funds in these RRSPs for some 15 years, then I can only assume that we were paying similarly ridiculous amounts that entire time - during which we neither requested, nor were ever offered, nor have ever received, nor were legally allowed to receive any advice to justify these trailer fees.

What makes the situation even more disgusting is that we hold a large portion of our mutual fund assets with TD Asset Management (TDAM). Hence, we only in December, 2017 were able to infer that TDAM is paying TDDI illegally for providing advice they cannot give – i.e. the left hand is reaching into the pocket of the right hand, each under the same corporate (TD) umbrella. Disgusting.

So, yes, I think it is well past time that the CSA should:

- require ever more regular disclosure of fund fees;
- ban OEO firms from receiving trailing commissions on the sale of mutual funds; and
- order OEO firms to compensate investors, along with reasonable interest, for the illegal trailing commissions they received on the sale of mutual funds.

The decades-long lack of transparency by the fund companies in the payment of trailer fees to OEO firms, who are legally prohibited from providing the advice for which those fees are paid, and the commensurate lack of reporting of receipt of such payment by those OEO firms is deplorable, unconscionable, unjustified, corrupt, illegal, and immoral. They have been doing a gross disservice to investors for decades. It must stop.

With respect.

Steve Pozgaj