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Re: Discussion Paper on Expanded Cost Reporting

Belay Wealth Inc. is a Member of the MFDA and is registered as a mutual fund dealer in Alberta and Saskatchewan. Belay is founded on a belief that clients need, and deserve, qualified professional financial service regarding financial planning, insurance, investments and wealth management, tax, and accounting.

General Comments

We support the overall concept in the Discussion Paper of providing more complete cost information to clients about their investments. We believe that clients should know what they are paying for financial advice to assist them in making investment decisions and in evaluating the advice they receive. We also believe that cost information is important for financial advisors in providing service to clients.

We appreciate that the MFDA is taking the initiative in reviewing expanded cost reporting. We encourage the Canadian Securities Administrators ("CSA") to join the process, as we believe that MFDA Member firms should not be required to report costs incurred by investment funds unless the CSA requires investment fund managers ("IFMs") to provide that information to dealers. We expect that this should be similar to the current process in which IFMs provide embedded compensation information to dealers for CRM2 reporting.

We acknowledge that the MFDA and CSA do not have legal authority over the manufacturers of segregated funds since segregated funds are insurance products. We encourage securities regulators to continue to work with insurance regulators to create a level playing field between investment fund and segregated fund disclosures. We are particularly concerned that providing cost reporting about a mutual fund while providing no cost reporting for an equivalent segregated fund may be misleading to a client who is comparing costs between different products or between products offered by a dealer and by an insurance agent.

Apart from the availability of the data from IFMs, our primary concern with expanded cost reporting is the cost of setting up and implementing the reporting system. System changes necessarily take some time and incur costs, even when just extending an existing system. Independent dealers already work with thin operating margins, which means that additional reporting requirements may increase costs for clients. With CRM2 the industry has shown that it is willing and able to develop systems to provide additional information to clients, but regulators must provide clear requirements for that to be done.

Clear requirements also reduce system development time and costs, which ultimately reduces the costs borne by clients for the reporting.

Although all investment products have costs associated with them, not all products have the equivalent of an MER and additional disclosure should be provided for those types of products. For example, the creator of a real estate limited partnership may receive a fee at the outset or a profit participation at the end of the project, but not receive an ongoing fee during the life of the project. It may be misleading to show a client that this risky, exempt product has lower costs than a professionally-managed, moderate risk investment fund.

Responses to Discussion Paper Questions

1. *Should regulators consider expanding cost reporting for Investment Funds?*

   Yes.

2. *Should regulators consider expanding cost reporting for other investment products?*

   Yes, subject to the considerations noted in our general comments.

3. *Do you agree that the costs considered in this Discussion Paper (i.e. MER, short-term trading fees, redemption fees and client costs paid directly to third parties) should be disclosed to clients?*

   Yes.

4. *Are there any other costs that should be disclosed to clients?*

   No.

5. *What are your views on the reporting examples provided in this Discussion Paper?*

   Figure 1 – We prefer the tabular format as it gives clients a concise view of relevant information. It should not require extensive work to add an additional column to client reporting, which reduces time and cost of implementation.

   Figure 2 – We do not believe that providing fund-by-fund information in a pie chart or other graphical format with additional levels of detail meet client needs. The graphics add unnecessary complexity to the reporting without actually providing more information, and at the same time increase production and delivery costs. Figure 2 takes almost a full page for just five funds, presumably in one plan; a typical client with, for example, an RRSP, TFSA, RESP, and a non-registered plan, with several funds in each plan would receive a long, repetitive report with no more information than the concise report in Figure 1. Although we believe that clients should have complete information, typical clients do not want or use this type of voluminous detail.

   Figure 3 – In principle we like this report, but we would prefer a format that doesn't duplicate information between the Cost Report and the Compensation Report. On a quick review – typical for many clients, especially if the reports are provided on a plan-by-plan basis – it may appear that the total costs for the year were the sum of the two reports ($1,343) rather than just the $726 in the Cost Report. It would be preferable to combine the reports to show compensation as one segment and fund company costs other than dealer compensation as another segment, with a single total for both segments.

Figure 4 – We believe that this type of report is appropriate for integrated firms and would reduce the potential disclosure arbitrage between different internal business arrangements for integrated firms.

6. *Are there better ways to report the costs of investing to clients?*

   We have not identified a better way of reporting costs of investing to clients.

7. *What challenges or issues do you foresee in obtaining and reporting expanded cost information to clients?*

   As noted in our general comments, we believe that investment fund managers must be required to provide their cost information to dealers. Otherwise, dealers will not be able to provide complete and accurate cost information to clients.

8. *Are there different challenges or issues to expanding cost reporting for investment dealers or other securities registrants?*

   We are not in a position to address challenges or issues that other securities registrants may face. We would, however, be concerned if cost reporting only applies to MFDA Members since that could mislead clients into believing that they are paying higher costs by dealing with an MFDA Member than they pay when dealing with another type of registrant for the same product.

9. *Based on the cost reporting approaches detailed in this Discussion Paper, what would be a realistic timeframe for implementing expanded cost reporting to clients?*

   We believe that one year after adoption of the final rule requirements applicable to IFMs and dealers would be a realistic timeframe for implementation.

Thank you for the opportunity to provide our comments on the Discussion Paper. We look forward to continuing to engage in the consultation process.

Yours truly,

"Shannon Sabey"

Shannon Sabey
President