

July 24th 2018

VIA E-MAIL ONLY

Mr. Ken Woodard
Director, Membership Services & Communications
Mutual fund Dealers Association of Canada
kwoodard@mfd.ca

Dear Ken,

Re: MFDA Bulletin #0748-P Discussion Paper on Expanding Cost Reporting

The Federation of Mutual Fund Dealers (the “Federation”) has been, since 1996, Canada’s only dedicated voice of mutual fund dealers. We are pleased to be able to provide our comments on the above captioned Bulletin, and thank you for the opportunity.

General

At this early stage we believe that the investing public’s experience with the Report on Charges and other Compensation is mixed at best. While we agree there are areas for further development, expanding cost reporting alone will not address the unintended consequences of disclosure overload. We would encourage the MFDA and the CSA to, in tandem, look at ways to decrease disclosure in other related areas while they proceed with these discussions.

With respect to your review of Integrated Members we are curious as to why you accepted the reporting of estimated amounts of commissions that they would have received had they acted at arms’ length rather than their total costs? We are also curious as to why you are not mandating harmonized reporting of this information that, as you say, *provides clients with more accurate information and a better understanding of costs associated with their investments.*

We disagree with the addition of account statement disclosure. The disclosure you have provided in your samples is too lengthy and not sufficiently plain language. Providing an opportunity to “remind” investors is not valuable, it’s just duplication. Providing the right information in the right location is important. The MER information that investors receive on the Fund Facts is adequate for comparison purposes, expanded information is not necessary here.

We agree with the MFDA's conclusion that the expanded level of reporting you were considering by fund and fund company was cumbersome and that it would be difficult for clients to read and registered firms to produce.

Expanded Cost Reporting

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

We appreciate that more complete information should be provided to investors. However, we believe that investors should be provided with more time to experience the existing report and industry needs to continue to work on how expanded reporting can be accomplished.

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

Yes. If the CSA has determined that expanded cost reporting is valuable for mutual fund investors, then it stands to reason it should be valuable for investors of other investment products, where it is able to be provided.

Costs Considered for Expansion

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 reported to clients?

Clients should see all costs they are responsible for paying, either directly or indirectly.

Cost Reporting

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

This information should not appear on the account statement. Keep all cost and compensation reporting in one place, on the one report, not some information available in one place, other information available in another place; and we would not agree with a duplication of this information.

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

One fulsome report is sufficient. Once investors have had the benefit and experience of receiving the charges and compensation report more than once, and discussing it with their advisors, opportunities for expansion may become evident.

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

We have discussed this with our Members - it will be difficult to obtain and report on any products that are not traded through FundSERV. Dealers, product providers and system providers will need to collaborate at length.

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

Some products and account structures will only be able to provide approximate amounts and harmonization of reported information would obviously be ideal.

Implementation

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

The period provided for industry implementation of CRM2 was in excess of 3 years. As the complexity around expanded cost reporting for fund companies and dealers is comparable to CRM2, a realistic timeframe for expanded cost reporting to clients would be 3+ years.

We appreciate the opportunity to provide comments on this Discussion Paper and look forward to future consultations on this topic.

Regards,

Federation of Mutual Fund Dealers



Sandra L. Kegie
Executive Director