



340 Albert Street, Suite 1604
Ottawa, Ontario K1R 7Y6
Tel: 613-233-3394 1-800-567-3863
Fax: 613-233-8191
e-mail: info@tradex.ca
Website : www.tradex.ca

April 11, 2025

VIA EMAIL

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

Subject: Proposed Amendments to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, National Instrument 81-101 Mutual Fund Prospectus Disclosure, National Instrument 81-102 Investment Funds, and National Instrument 81-105 Mutual Fund Sales Practices

Dear Sir/Madam,

Tradex Management Inc. ("Tradex") appreciates the opportunity to provide comments on the proposed amendments to the principal distributor model in the distribution of mutual fund securities.

Founded in 1960, Tradex is one of Canada's oldest mutual fund management companies. A member of the Canadian Investment Regulatory Organization (CIRO) since 2002, Tradex operates as a not-for-profit entity dedicated to serving public servants and their families by providing investment services. With a longstanding commitment to ethical governance and prudent management, we welcome this initiative and recognize the importance that the Canadian Securities Administrators (CSA) have proposed to maintain the principal distributor relationship and fully support the decision to continue allowing a principal distributor model, at least for a single fund family. This model is crucial for the distribution of mutual fund securities, ensuring that investors receive tailored advice and services.

As a principal distributor, Tradex distributes the securities of the Tradex family of funds to qualifying investors, specifically past and present public service employees and their families, as permitted by the prospectus. Tradex analyzes each client's financial goals and needs after reviewing their financial situation and ensures the suitability of the selected funds and confirms that the investments are in the best interests of the investor. Tradex also issues regular account statements, annual cost and compensation reports along with required performance reporting for individuals purchasing directly, provides quarterly market updates, reviews fund facts, advises any other cost including tax matters, facilitates purchases, redemptions, and switches, arranges transactions, ensures compliance with CIRO rules designed to protect investors, and contribute to the protection fund for investors.

Compensation:

In conjunction with CSA requirements for annual cost and compensation amount required reporting by dealers, the MFDA (now CIRO) required Tradex as dealer to provide a compensation amount, which led to the commencement of paying trailing commissions to Tradex as a dealer, similar to other participating dealers (originally 0.3%, reduced to 0.25% in 2018). As Tradex operates on a not-for-profit basis, this incremental revenue was immediately refunded to the funds as detailed in the simplified prospectus. With the recent CSA requirement to not pay trailing commissions to Order Execution Only (OEO) dealers, and as the Tradex family of funds has only one series available, these trailing commissions were stopped for all dealers effective March 31, 2022. Consequently, no actual compensation is received related to the services provided as principal distributor. Furthermore, as the principal distributor also acts as a participating distributor for other fund families, the revenues received from this role produce a net overall surplus for the firm, which by contract is returned annually as management fee rebates to the Tradex Funds.

As a participating distributor, Tradex distributes the securities of over 40 families of funds other than the Tradex Funds directly to investors where permitted. Tradex analyzes each client's financial goals and needs, reviews their financial situation, ensures the suitability of the selected funds, and confirms that the investments are in the best interests of the investor. As a dealer, Tradex issues regular account statements, annual cost and compensation reports, reviews fund facts, advises on costs, facilitates purchases, redemptions, and switches, arranges transactions, ensures compliance with CIRO rules designed to protect investors, and contributes to the protection fund for investors.

Depending on the fund company and the specific series of the fund, we may receive no compensation (e.g., the Mawer family of funds or series F funds for other fund families) directly from the fund, or we may receive a trailing commission from the fund manager, typically ranging from 0.10% to 1.00% of assets. For the "F" series funds offered as a participating distributor, we may have a service fee collected of 0.5% to 0.7% of the assets. Additionally, some fund companies (e.g., "PWX" for the Mackenzie fund family) may collect a service fee and provide it to participating dealers as compensation.

Principal distributor of multiple funds families:

In the mid-90s, Tradex was approached by the Professional Association of Foreign Service Officers (PAFSO) to assist in launching a labor-sponsored venture capital fund (CAVI). At that time, the willingness and availability of an organization to act as principal distributors was crucial in allowing the new investment option to be available to the public. Tradex acted as the principal distributor for a short period until the fund was able to work with larger dealers to make the investment available to a broader audience.

While we have not recently been approached to assist with new innovative investment options, we strongly believe in offering a broad variety of investment options to the public and encourage the CSA's continual efforts to support innovation in the Canadian capital markets and CIRO's 2026 priority to expand access to advice.

Responses to Specific Consultation Questions-ANNEX H:

1. Permitting Multiple Principal Distributor Relationships

We believe that a dealer should be permitted to act as a principal distributor for more than one mutual fund family. The number of dealers in Canada has been declining, and several large dealers have reduced their product offerings to solely proprietary options for their clients. This trend may result in insufficient dealers for each worthy innovative investment opportunity in the future.

2. Conflict of Interests

- (i) As long as a dealer is able to mitigate all potential conflicts of interest.
- (ii) Any compensation structure differences representing conflicts of interest must be satisfied in the best interests of investors.
- (iii) Rules around proprietary products deemed conflicts of interest would be the same for multiple principal distributor relationships as they are for participating dealers distributing multiple fund companies.
- (iv) In keeping with the CSA's wish to utilize principle-based regulations versus rules-based regulations, the duties and obligations between the principal distributor and mutual fund families should remain a commercial contract.
- (v) The existence of the principal distributor should not limit access for Canadian investors to smaller investment fund families.

3. Client Access and Interest

Client access and client interest must remain the overarching consideration when reviewing changes to current or future principal distributor arrangements.

4. Transition Period


For some dealers who entered into multiple principal distributor arrangements, these relationships are key to the survival of the entity. As such, 18 months may be insufficient for transitioning their practice, operational model, and compensation arrangements.

5. No-Load Low-Cost Fund Family

Since 1960, Tradex has offered a no-load, low-cost fund family for Canadians, avoiding many conflicts of interest associated with fees and chargeback arrangements, which we have always deemed to be in the best interest of clients.

We appreciate the opportunity to provide our comments and look forward to the CSA's continued efforts to enhance investor protection and support innovation in the Canadian capital markets.

Sincerely,


Brien Marshall
Senior VP of Operation