773A Springland Dr.
Ottawa, On
K1V 6L9
December 17, 2012

Ontario Securities Commission
20 Queen Street West, Suite 1903
Toronto, ON M5H 3S8

Dear Sirs;

Re: Your request for comment on Mutual fund fees: In my opinion, the best solution would be to ban the practice of payment of fees by mutual fund manufacturers to advisors, and to mandate clear disclosure of fee amounts paid to advisors, and expected services provided by the advisor. This disclosure should be on an annual basis. With this sort of fee structure in place, it would be easy to mandate a fiduciary responsibility for advisors.

There is, however, a problem with this approach as it applies to financial institution advisors. Since many of the banks have a separate mutual fund manufacturing subsidiary, there would be an incentive for the bank entity to encourage its advisors to push the mutual funds of its subsidiary over those of other manufacturers. The compensation structure of financial institution advisors may also mitigate against the provision of unbiased advice, since the bonus and incentive plans paid by the bank may encourage advisors to offer advice which would maximize their bonuses, and promotion prospects rather than the wealth of their clients.

This is a difficult problem to solve. Possibly, it could be addressed if the client agreement disclosed any directives from the bank to favour their own subsidiaries, and if the formula for incentive bonuses for advisors, as it pertains to the management of client accouts were disclosed.

As a final note, the current prohibition on the sale of exchange traded funds, and other securities, by most bank advisors is probably useful (since it prevents unsophisticated advisors from recommending wildly unsuitable investments). However, it also acts as a barrier to the purchase of such assets by relatively unsophisticated investors, even if it would be in their best interest. A statement in the client agreement that the advisor is prohibited from offering such advice, even if it would be beneficial to the client would go some way to addressing this problem.

Yours truly

Richard Taylor