Submitted by: Marissa Colalillo

Mr. John Stevenson, Secretary
Ontario Securities Commission
jstevenson@osc.gov.on.ca

Dear Mr. Stevenson,

Re: Investors Having Our Say on Fees and Performance

Please accept this letter as my submission to the Ontario Securities Commission to advise that I'm in agreement with securities regulators that are proposing that salespeople and dealers provide better information to their clients about the cost and performance of their investments, including but not limited to, providing investors information about transaction fees. I understand that the regulators also welcome hearing from investors about our (personal) situation, so I'm enclosing that information for your perusal so that you better understand how a salesperson in the financial industry can use certain "tricks" to look like "evidence" that there was disclosure between the salesperson and investor regarding deferred sales charges fees.

This is my example of how unscrupulous people (mutual fund salesperson who worked at a major financial firm and a Compliance Officer who worked at the firm) function within the financial system and get away with it:

The mutual fund salesperson I was dealing with put a significant amount of money in deferred sales charges funds without any disclosure to me whatsoever. When I started looking for an alternative financial institution to do business with because of several administrative problems, I was categorically told by other financial institutions that I was in "deferred sales charges" funds and that there would be a very significant penalty to leave the firm and move to their financial institution. (penalty around $28,000) This was the first I heard of the term "deferred sales charges" as well as the first time I heard of any kind of penalty to leave the firm and move to another financial institution (this was a year *after* initial time of investment).

When I approached the mutual fund salesperson regarding why there was a significant penalty to leave the firm, he advised me that this was the business model of the financial firm. This is just how it worked at his firm. There was no other option -- and -- if I wanted to leave him/his financial firm, I'd have to "pay off the managers." Because his business card had "Consultant" next to his name, I believed him. I trusted him.

There is so little disclosure in the financial industry that it's incredulous that the mutual fund salesperson I was dealing with at the time felt no need to disclose that I would have to hold on to my funds for **seven years** before the penalty is reduced to zero; nor did the salesperson feel the need to tell me of any other option I had other than putting my money in deferred sales charges funds. The salesperson placed my funds into the highest revenue generating mutual fund class (DSC) **when equal and identical mutual fund classes were available to purchase, more cost effective, and more suitable for me, the investor.** It was all about the salesperson's commission. Not what was best for me, the investor – his client.

My input regarding how the current process could be improved is by ensuring that salespeople in the financial industry do their due diligence in ensuring their clients are aware of any fees/penalties and to ensure **the firm/salesperson have the proper paperwork/evidence to back this up.** Currently, this system isn't in place. In my case, I filed a compliant with the Mutual Fund Dealers Association that accepted an e-mail that the salesperson sent to me the day before one major transaction went through referring to the funds as "dsc" (i.e. the acronym to mean "deferred sales charges"). Currently, this is "evidence" that I had an awareness that my funds would be in deferred sales charges funds, and that I had an awareness of the fees. The MFDA also accepted an e-mail (significantly *after* time of investment) as "evidence" where the salesperson e-mailed his assistant that he and I had a discussion of "A" vs. "B" Funds ("A" Funds being deferred sales charges; "B" Funds being no-load Funds). I was not even copied in this e-mail! In both situations, I feel strongly that that this is not adequate and responsible disclosure to the investor. This may be "evidence" in the legal term, but not due diligence in ensuring that an investor understand what she is getting into and understand that there are other options other than DSC funds. There was absolutely *no evidence* in a second major deposit where all the money went into deferred sales charges funds (MFDA can confirm this). I should add that I did not sign anything nor did the financial firm/the salesperson have any other notes that had any kind of explanation on fees, duration to hold on to funds, expected returns, commission, etc.

However, currently an e-mail with "dsc" next to the fund one day before transaction date is "evidence" that there was a discussion between the salesperson and myself regarding deferred sales charges, and/or I was provided adequate disclosure of fees, even though I do not work in the financial industry, never worked in the financial industry, and I wasn't at the time, familiar with financial jargon or acronyms like NL, dsc or MER. I should also note that the Know Your Client form had my investment knowledge as either "poor" or "fair".

In future, I'm requesting that the regulator does not accept this as "evidence" and understand that this is bad faith business. It's a trick the salesperson is using.

Further, even though a prospectus was mailed to my home after the transactions went through, mailing an investor a prospectus is like throwing her a phone book and telling her that there's a secret inside. This is exactly what happened to me! I was responsible for finding out on my own that there was a "secret" on fees and duration of holding on to the funds for seven years!

I should note, for OSC records, that prior to my compliant to the MFDA, the Compliance Department of the financial firm investigated my complaint first (i.e. my complaint that I was not disclosed the deferred sales charges penalty at time of investment by the salesperson, and I asked to leave dsc-free). I was denied this request because the Compliance Officer alleges that I did have an awareness of the DSC at time of investment. This Compliance Officer did a negligent investigation of my complaint and did not provide paperwork to support this allegation. In fact to this day, the allegation that I had an awareness of the DSC is *completely without merit*. I advised MFDA that there is corruption and incompetence in the Compliance Department of this financial firm. I handed several pieces of real and concrete evidence – *on a silver platter* -- to MFDA to support this. There is indifference and inertia regarding my concern that there is incompetence and corruption in this financial firm's Compliance Department. I am aware that OSC Chair Mr. Howard Wetston has pledged investor protection and enforcement. This Compliance Officer is still employed in the Compliance Department of this major financial firm where she remains a huge risk and liability to their investors and to the financial industry as she is not in compliance with regulatory or legislative obligations.

In conclusion, I support better disclosure – and due diligence – amongst salespeople in the financial industry. I beg that the OSC ensure better compliance of regulatory obligations not only amongst the salespeople in the industry, but with those who work in Compliance.

I was led to believe that I was dealing with a trusted and trained professional investment person. Then I find out that I was lied to and given a "buyer beware" relationship with a correspondence school commission salesperson. I was dealing with a snake in a suit. Thereafter I filed a complaint with the Compliance Department at the financial firm trusting that they would be in compliance with regulatory obligations, only to have their Compliance Officer assigned to my case do a negligent investigation of my complaint and just like the mutual fund salesperson, tried to trick me with her substantive response of my compliant. Another snake in a suit.

I'm disappointed because on so many occasions I expected to be in the line of due process but all I get is frustration and inertia. A financial firm's pockets are so deep, that an investor doesn't have a chance. They clearly don't want anything to change because they're protecting their own.

Ontario Securities Commission needs to clearly understand that this is the kind of corruption that's going on in our financial industry. This is what investors are being faced with on a daily basis. An investor need to be extremely vigilant as salespeople are not disclosing everything they should at time of sale and using various "tricks" of the trade. Unethical – but currently this is NOT illegal. THIS needs to change, OSC. I also expected MFDA to protect the investor, and not an unscrupulous Compliance Officer.

(OBSI ruled in my favour that I leave the financial firm deferred sales charges free and again, thinking I'm in the line of due process I'd be out of there -- but the financial firm has refused OBSI's recommendation, just because they can ....).

Yours truly,

Marissa Colalillo