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British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
New Brunswick Securities Commission  
Registrar of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Superintendent of Securities, Newfoundland and Labrador  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Yukon Territory  
Superintendent of Securities, Nunavut

**Attention:** The Secretary  
Ontario Securities Commission  
20 Queen Street West  
19<sup>th</sup> Floor, Box 55  
Toronto, ON M5H 3S8  
Fax : 416-593-2318  
Email: [comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca);

-And-

Me Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22<sup>e</sup> étage  
C.P. 246, Tour de la Bourse  
Montréal, (Québec) H4Z 1G3  
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Email : [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

Dear Sirs and Mesdames:

**Re: CSA Discussion Paper and Request for Comment 81-407 *Mutual Fund Fees***

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Assante Wealth Management (Canada) Ltd. (“**Assante**”), is pleased at the opportunity to respond to the Canadian Securities Administrators’ (“**CSA**”) issues for comment regarding mutual fund fees further to the discussion paper published on December 13, 2012 (“**Discussion Paper**”). Assante is an integrated wealth management advisory firm, providing complete financial advisory services to its clients through a network of approximately 750 advisors and their teams. We will be providing our comments on those topics for consideration outlined in the Discussion Paper that directly impact the relationship we have with our clients.

Assante is committed to providing its clients with complete wealth management services. Numerous studies have confirmed that Canadians are better off financially and emotionally when they engage the services of a trusted advisor. Assante does not cater to the needs of do-it-yourself (“**DIY**”) investors; so therefore, we will not provide comments on the topic of a standard class for DIY investors with no or reduced trailing commission.

In addition, the consideration point regarding the trailer commission component of management fees being unbundled and charged or disclosed as a separate asset-based fee is similar to provisions introduced as part of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“**NI 31-103**”) as well as the issues discussed under point vii below, so we have not directly commented on point iii in the Discussion Paper.

Topic for Consideration

*i. Advisor services to be specified and provided in exchange for trailing commissions*

Given the wide range and diversity of services provided by advisors, attempting to regulate service levels would be a difficult task and has practical limitations. Service levels received by a client can only be assessed by that client. The amendments to NI 31-103 and Stage 2 of *Point of Sale Disclosure for Mutual Funds* will help provide investors with transparency and a greater understanding of what they are paying for and allow a better informed assessment of whether they are receiving value for money.

The Discussion Paper raises concerns that investors do not have an adequate understanding of fund costs, and correspondingly, the amount of compensation received by the dealer. This concern has been directly addressed in the amendments to NI 31-103 which were released on March 28, 2013. These amendments require explicit reporting of the charges assessed on an investor’s account and the compensation received by the dealer from third parties. Where these amendments fall short, however, is in the incomplete reporting of costs to the investor. What is of interest to the investor is the total cost of ownership of investment products, which includes, as laid out in the discussion paper, items such as the investment management fee paid to the mutual fund company, the trailer fees, administration costs paid by the fund as well as the taxes paid on the investment savings of Canadians.

Topic for Consideration

*iv. A separate series or class of funds for each purchase option*

Assante deals with over 100 individual fund companies and tens of thousands of individual fund codes. We believe that further fragmentation of the Canadian investment landscape requires further analysis by the mutual fund companies to determine whether such fragmentation would be sustainable under existing economies of scale, and perhaps, inadvertently, result in higher costs to the end investor. At this point in time, we are not aware of any conclusive evidence of material cross-subsidization.

The Discussion Paper makes reference to the changing trends in advisor compensation from commission based revenue to trailer based revenue. It is our belief that this reflects the changing needs of Canadian investors as demographic shifts result in the need for a more advice based relationship, rather than a relationship based on the execution of purchase and sale transactions. A trailer based model more closely aligns the interests of the investor with those of the advisor by eliminating the conflict that arises if compensation is only paid on trading activity in the account. Rather, the advisor can now also focus on broader issues being faced by the client, such as tax planning, retirement readiness, estate planning, and emotional anchoring for the investor. In addition, with an increasingly complex array of financial products and services, the advisor can continually review the portfolio and keep abreast of the increasingly complex product choices in order to ensure an efficient portfolio.

Topic for Consideration
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<i>v. Cap Commissions</i>
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This proposal focuses on the form of compensation paid to an advisor rather than the substance of the services received by an investor in exchange for that compensation. As noted in Topic for Consideration i, above, the amendments to NI 31-103 will help provide investors with a greater understanding of what they are paying to their advisory firm and allow a better informed assessment of whether they are receiving value for money. The client is in the best position to determine whether they are receiving value for the fees they are paying, particularly when those fees are clearly and consistently disclosed. The Discussion Paper goes on to suggest that compensation should be discontinued after a defined period of time. We disagree with this recommendation. The nature of the advisor/client relationship is one of on-going advice with regard to one's financial affairs, including the appropriateness of one's investment portfolio. It should be considered beyond the scope of regulation to set prices in a free market environment, and rather be left to the effective delivery of service and competitive price setting.

Investor control of advisor compensation is also noted as a concern in the Discussion Paper, however, as also noted, there are currently a myriad of ways in which an investor can purchase mutual funds and contract for advisory services. These include purchase options such as deferred sales charge units, low-load units, front-end sales charge units and F-class units. In addition, the introduction of the amendments to NI 31-103 will significantly increase the awareness of investors to the cost of investing attributable to their advisor. The issue to an advisor will not necessarily be whether the investor wants to transfer to a mutual fund with a lower trailer fee, but rather whether the advisor will lose the entire account in the event they have broken the bond of trust with their client. The enhanced disclosure of NI 31-103 shines a light on this and will prompt discussion between advisors and their clients as to the value received for the charges and compensation paid.

Topic for Consideration

vi. *Implement additional standards or duties for advisors*

The current and proposed regulatory framework in Canada provides most of the essential investor protection elements of a fiduciary standard. The existing duties and obligations require advisors to deal fairly, honestly and in good faith with his or her clients. There are additional legal safeguards for vulnerable clients. An increased duty of care has recently been implemented in other jurisdictions and it would be in our interest to observe whether any unintended consequences arise as a result of the introduction of such standards, such as the disintermediation of advice. Rather than introducing a statutory best interest standard, with potential negative consequences, the new regulatory framework should be allowed to be fully implemented and then evaluated to determine if it has achieved its objectives.

Topic for Consideration

vii. *Discontinue the practice of advisor compensation being set by mutual fund manufacturers*

The Discussion Paper makes reference to 91% of investment fund assets having been acquired and held by investors who have engaged an advisor. Recent studies, such as the research prepared for IFIC by the Center for Interuniversity Research and Analysis on Organizations (“**CIRANO**”)<sup>1</sup>, show that having an advisor helps people increase their level of wealth by a significant margin; there is a greater savings discipline that is attributable to Canadians working with an advisor; and, advice positively impacts retirement readiness.

The prohibition of mutual fund companies paying compensation to advisory companies has recently been implemented in the United Kingdom. There are anecdotal accounts of this policy resulting in the disintermediation of advisors as an advice channel for clients in the United Kingdom, particularly those with lower levels of wealth. If the findings of research in Canada noting the beneficial impact of an advisory relationship, also apply to investors in the United Kingdom, these policies will have a detrimental impact on the overall savings rates and retirement readiness for United Kingdom investors. At this point, there is limited empirical evidence as to the impact of the regulatory changes in the other jurisdictions. While we understand that Canadian regulators and industry participants are observing and assessing the impact of these changes before implementing similar policy in Canada, we would implore them to also compare our current regulatory framework in Canada which already addresses certain disclosure concerns. Other jurisdictions may be aiming to close a gap that does not exist, or has already been addressed, in Canada. In the meantime, current policy initiatives are providing a far greater level of disclosure regarding fees, costs, management of conflicts and other information of interest to investors.

Thank you for the opportunity to provide comments with respect to this proposal. If you have questions or wish for us to clarify any comments, please contact Steve Donald, the undersigned below, at 416-364-1145.

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<sup>1</sup> C. Montmarquette, Ph.D. and N. Viennot-Briot, *Econometric Models on the Value of Advice of a Financial Advisor*, (Montreal: CIRANO, 2012).

Sincerely,

**Assante Wealth Management**

*“Steven J. Donald”*

**Steven J. Donald, CA  
President**