

CSA CONSULTATION PAPER 81-408 – CONSULTATION ON THE OPTION OF DISCONTINUING EMBEDDED COMMISSIONS

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Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, North West Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

I am a retired senior who has felt the bitter sting of conflicted sales advice of mutual funds. It was a life altering experience I would not wish on anyone.

Anyone presenting themselves as an advisor should not be collecting hidden sales commissions from the company recommended. It would be like a doctor getting paid under the table to prescribe a certain drug that was more expensive than others available or worse, wasn't needed at all.

These so-called embedded commissions can also lead to other bad advice like borrowing to invest. The more in embedded commissions a salesperson makes in trailers while at the same time putting the investor at greater risk. The situation is even worse when the salesperson gets a commission for referring a trusting client to a lending institution. These referral arrangements should be outright banned.

I highly recommend that the CSA ban embedded commissions and at the same time require that “advisors” put the client’s interests above their own commercial interest, otherwise it is a conflict of interest.

Canadians depend on “trusted” advice to manage their nest eggs for retirement but the current system is Caveat Emptor.

At the same time I urge the CSA to give the Ombudsman for Investments binding authority for its recommendations of the national ombudsman.

I sincerely hope this feedback is useful to the CSA.

It is fine to post my comments publicly as I would like others to be aware of the dangers of the current system of conflicted advice.

Sincerely,

Mildred Jagdeo