

Via email

Julia Lipovetsky, small investor
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Re: [CSA Consultation Paper 81-408 – Consultation on the Option of Discontinuing Embedded Commissions](#)

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Also addressing:

Alberta Securities Commission

British Columbia Securities Commission

Manitoba Securities Commission

**Financial and Consumer Services Commission,
New Brunswick**

**Securities Commission of Newfoundland and
Labrador**

**Superintendent of Securities, Northwest
Territories**

**Nova Scotia Securities Commission
Superintendent of Securities, Nunavut**

**Superintendent of Securities, Department of
Justice and Public Safety, Prince Edward Island**

**Financial and Consumer Affairs Authority of
Saskatchewan**

Superintendent of Securities, Yukon

I am a small investor who has in the past believed that mutual fund advice I received from employees at the Big Five Canadian banks (pillars and institutions of the Canadian financial system) and their brokerage arms, was a courtesy in both meanings of the word, that it was sound, that our goals were aligned. Several years ago, my family had experienced the exact opposite dealing with a “financial advisor”^{*} at a “boutique firm” (boiler room-type operation but with IIROC’s and OSC’s stamps of approval), so sticking again with the banks and with mutual funds felt like an even safer haven by comparison than it did before we ventured ‘outside’.

But as it turns out, buying mutual funds through your bank is no guarantee of objective, honest advice. And the new disclosure rules in CRM2 do little to illuminate for the small investor the *magnitude* of the impact “embedded” (hidden) commission fees have on our savings (next paragraph). This stale, outdated incentive model hijacks an “advisor’s”^{*} (really salesperson) efforts away from where they should be, from focusing on the individual needs of their client, and instead to steering, and often pushing, clients toward those investments that will yield for the “advisor”^{*} the highest commissions, to varying degrees of detriment to the investor, in most cases significant and in some even tragic. EFTs and [index funds](#) are rarely actively promoted, because there is little or no commission and so little or no incentive to recommend to the client what may actually be best for them. But even when exposed (CRM2, media coverage), this conflict of interest is so ubiquitous and so seemingly inevitable, that most people don’t even bother caring, and after all, it’s only 1% or so.

^{*} I use quotation marks because to this day no such regulated designation (“Financial Advisor”) actually exists in Canada (despite much ado over many years), [a painful shock](#) to us at the time, and an outrage still.

That “1% or so” translates into [hundreds of thousands of dollars](#) in eroded returns over an average Canadian’s lifetime, having added absolutely no value. No wonder retirement age **in the 21st century**, in the “age of tomorrow”, is not budging, is actually [regularly threatening to go up](#), in the era *following* the scientific revolution, industrialization and mass production, computing, the splitting of the atom, deep space exploration, instant global connectivity and access to all information, and the mapping of the genome! Might it be, still, after a too long and painfully bumpy history of finance free-reigning over the land, decimating retirement savings and family legacies, stunting generations and collapsing nations, the same old, circa 19th century, horse and buggy, simple cash flow problems? As in, simply, ‘cash’ flowing, unimpeded and virtually unchecked, from the average working stiff to the average, evolving backward, obsessed with growth and rabid with greed financial institution, slowly, quietly, surely ([well, maybe not so quietly anymore](#)).

For Canadian banks, sadly, transparency and voluntary, meaningful reforms are still a long way away, as is genuine responsibility and accountability to their retail investment clients. Kicking serious, legitimate complaints of advisor misconduct, including of conflicted and inappropriate advice, to the bank’s internal ombudsman is worse even than ignoring them, it feeds false hopes and adds gross insult to the serious injury of being oh so politely duped into parting with the more timely, secure and comfortable version of one’s retirement. While “provincial securities regulator” carries the respectable and reassuring patina of government, “*internal ombudsman*” at least hints at a conflict of interest (and shouts it at those who have experienced it first-hand), a blatant conflict of which both have made an art and a science (next paragraph). In the case of a bank’s ombudsman, whether polite, concerned and caring in tone or delivered in cold, blunt legal-speak, their poorly veiled agenda is to deny (deny, deny, deny) responsibility and avoid exposure, to stall, for months and even years, until the customer finally gives up, their dignity thoroughly trampled, or in the case of an elderly customer, gives up the ghost (even better).

And so you, regulators, you, *public servants*, with all the years and [decades-long discussions and debates](#), costly research, consultations and amassed voluminous technicalized reports to ascertain the obvious (and then *still* ignore it), year after year after year feigning interest in what we the public have to say, how are you different than a bank’s own ombudsman?! What are you actually *doing* other than stalling *real change*, who are you *actually* protecting – those you claim to protect, or those you claim to keep in check? And if the increasingly aware public is mistaken on this account, then PROVE IT! ACTUALLY, “... *protect Canadian investors from unfair, improper, or fraudulent practices and foster fair and efficient capital markets*” – don’t just busy yourselves with proclaiming it in self-congratulatory marketing sound bites, with endless consultations, with picking off individual bad apples here and there and other low-hanging fruit. ACT! Do the *real*, the *tough* work, *remake* the industry to [remake Canada](#), NOW! Deciding to put an end to the systematic shafting of the Canadian public should not be “an option”, should it?!

With an admittedly oversized degree of optimism, I nevertheless hope that the continuous collective input of small investors (*the public*) reaches the *public* organizations addressed in this letter. It is of the *utmost urgency* that the embedded mutual fund fees, that in their effect constitute negative value and significantly and dangerously erode the country’s largest pool of savings - private savings - are eliminated, and that institutional and individual fiduciary duty *finally* becomes the cornerstone of the Canadian financial industry in the 21st, the global century, which we are well into. The Canadian public *is* entitled! Entitled to trust its banks and its government, no expert consultations required.

I value this opportunity to provide my input and I grant permission for publication of this letter.

Sincerely,

Julia Lipovetsky,
small investor