

COMMENTS ON CSA CONSULTATION PAPER 81-408

I was impressed by its scope , thoroughness , evidence and honesty in exposing all that is wrong (plenty) with the current Investment Fund practices of the various forms of embedded commissions paid by investors and the resulting collateral damage .

Conflicts and misalignment of interests favouring dealers and investment managers , opacity and complexity of layers of fees , higher fees paid , need to navigate through variances between asset classes and fund series , lack of investors control or choice and awareness of what they are paying for . Often investors are receiving little value / advice for fees paid as evidenced in your report .

Few investors really know what they are paying ,(also evidenced in your paper) the CSA CRM 2 was supposed to fix this but sadly fell short of doing just that by not mandating that the MER should be included also . Clients should easily see the TOTAL costs they are paying not just the so called advice portion . Visible full disclosure ! Of course this might lead to sticker shock for too many .

Professional Pension Investment Managers would never accept these conditions and yet the individual investor who is trying to secure his or her own financial future and retirement income faces these obstacles leading to lower outcomes and quality of life . Few individual investors have the sophistication and / or time to understand and evaluate all of this .

Even Do It Yourself investors are victims of the present embedded commissions as when they purchase certain funds or structured products through their discount brokers are still paying invisible trailer fees for nothing without choice or control.

There are investment fund companies who are transparent and do not charge embedded fees but should be able to and want to operate on a level playing field so investors can compare apples to apples

Why not just put the advice back into financial advisor in a more visible manner by having investors who need advice negotiate a fee with their advisor which can be taken out of their account or paid separately along with the MER each broken out individually Educating clients on this fee for service is easier on an even playing field .

In the end a client can still have a professional managed portfolio with advice at a lower more transparent cost more aligned with his or her service provider .

CSA needs to put the interests of the Canadian Investor first . This Consultation paper overwhelmingly shows this is not presently happening . The industry will not disappear but will adapt by rolling out better more transparent , cost effective Investment options and reporting . The discontinuing of all embedded commissions is a good start . This will require stewardship , guidance and strong reform . After all these conflicts of interest and misalignment of interests were noted in Gloria Strombergs *Regulatory Strategies for the Mid 90's - Recommendations for Regulating Investment Funds in Canada January 1995 over 20 years ago why was there no action taken on this then ? Why did these practices go on for so long ??*

Stop the "handwringing " , Canadians deserve ,want and expect regulatory action from their CSA on helping them secure their financial future by eliminating the financial roadblocks that should not be there in the first place !

Frankly the CSA language on page 5 " if we decide to move forward " or on another page "what if any changes "does not inspire a call to action or change . I hope I am wrong in this perception

Regards

Daniela Rempel
Individual Canadian Investor