BY EMAIL: comments@osc.gov.on.ca
consultation-en-cours@lautorite.qc.ca

June 9, 2017

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
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, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Attention: The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8

Me Anne-Marie Beaudoin, Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec H4Z 1G3

Dear Sirs/Mesdames:

RE: Canadian Securities Administrators Consultation Paper 81-408
Consultation on the Option of Discontinuing Embedded Commissions

AGF Investments Inc. ("**AGF**") is writing to provide comments in respect of the Canadian Securities Administrators (the "**CSA**") Consultation Paper 81-408 *Consultation on the Option of Discontinuing Embedded Commissions* (the "**Paper**"), which describes "*potential investor protection and market efficiency issues arising from the prevailing practice of remunerating dealers and their representatives for mutual fund sales through commissions, including sales and trailing commissions, paid by investment fund managers* ("**embedded commissions**")".

AGF is an independent Canadian-based firm (founded in 1957, and celebrating our 60th year) that provides asset management services globally to institutions and individuals. AGF's products include a diversified family of mutual funds, mutual fund wrap programs and pooled funds. AGF also manages assets on behalf of institutional investors including pension plans, foundations and endowments. AGF is registered in the categories of Investment Fund Manager, Mutual Fund Dealer, Exempt Market Dealer, Portfolio Manager, and Commodity Trading Manager.

AGF appreciates the opportunity to provide feedback to the CSA's concerns raised in the Paper with regard to the perception that embedded commissions "*give rise to conflicts of interest that misalign the interests of investment fund managers, dealers and representatives with those of the investors they serve*". AGF certainly acknowledges and appreciates that the CSA's mandate toward the *protection of investors* is of the utmost importance, and that the continued safeguarding of investors is a paramount standard for the investment fund industry to observe and be regulated within. Like the CSA, AGF upholds the principles that (i) investors should undeniably be protected against harmful risks associated with conflicts of interest; and (ii) investors should absolutely be fully aware of the compensation they pay to dealers and their representatives. With respect, however, AGF does <u>not</u> agree with the suggestion that discontinuing embedded commissions is a necessary or even viable option toward furthering investor protection outcomes.

SUMMARY OF AGF'S POSITION

AGF is an ardent supporter of a financial industry that not only <u>protects</u> investors, but also upholds the principle of providing investors with <u>options</u> and <u>choice</u>.

As outlined in AGF's submissions below, AGF believes that regulatory reforms should not be subjectively advanced under the auspice of "investor protection" where:

- **(i) there is no credible evidence that the current system of embedded commission compensation is harmful to investors;**
- **(ii) the unintended consequences from such reforms will invariably undermine investor interests (limiting investor choice, as well creating an "advice gap" and "wealth gap" for investors); and**
- **(iii) there is limited "call to action" from investors themselves.**

In advancement of the assertion that embedded commissions should <u>not</u> be discontinued, AGF makes the following submissions, supported by substantive and empirical data (where applicable). These submissions reinforce our overarching position that the existing dealer/advisor compensation framework should be retained. At the same time, AGF does also acknowledge that this an opportunity to consider certain enhancements that may be feasible within the industry. To that end, this letter also includes certain proposals (**<u>ALTERNATIVES</u>**) for the CSA to consider in lieu of the proposed ban.

A. PERCEPTIONS OF CONFLICTS OF INTEREST

The Paper is predicated on the argument that risks of harm may exist within the embedded commission compensation model due to potential conflicts of interest. We agree – such risks may exist. That said, we also contend that such "potential risks" should only elevate to the need for commensurate regulatory reform when there is <u>actual</u> harm occurring (to investors) that warrants intervention.

As outlined in The Gandalf Group's Report[1] (the "**<u>Gandalf Report</u>**"), their data shows that a substantial number (66%) of all investors acknowledge and agree that advisors have a conflict of interest based on how they earn commissions. However, 54% of all such investors (including 61% of advised investors) agreed that advisors are transparent about potential conflicts, while only 34% disagreed. Further, most advised investors reported satisfaction with the degree to which investment recommendations they receive are free from conflict of interest: 50% were very satisfied, and only 8% were very dissatisfied. More investors agreed that advisors care about how their clients' investments perform (74% agreed, 21 % disagreed) than agreed that advisors have a conflict (66%). To this end, investor sentiment clearly reveals that the risks of <u>actual</u> harm associated with potential conflicts of interest within the embedded commission compensation model are not as profound as may be perceived by the CSA. **In fact, there does not appear to be an accumulation of evidence-based data to substantiate the view that there is widespread harm being experienced by investors under the current embedded commission compensation structure.** As articulated in PricewaterhouseCooper LLP's Research Report[2] (the "**<u>PwC Report</u>**"), "*there is no significant evidence that embedded commissions in Canada have been leading to conflicts of interest influencing financial advisors' behaviour*".

AGF also notes that the Paper does not provide any indications in support of any one compensation model being absent of potential conflicts of interest. AGF argues that eliminating embedded compensation systems in favour of fee-based compensation arrangements will not eradicate all possible conflicts of interests within the dealer compensation realm. In fact, the PwC Report cautions that "*in principal-agent relationships, any compensation scheme creates a potential for conflicts of interest…under a fee-based platform, for instance, advisors might be incentivized to take undue risks to boost their own fees even where this is not in the best interest of their clients*". A recent Investment Industry Regulatory Organization of Canada Report[3] (the "**<u>IIROC Report</u>**") further warns that "*a significant number of dealers provide additional incentives to representatives in the form of performance bonuses linked to fee based assets*", leading to clients potentially being moved to these accounts unnecessarily (clearly a potential conflict of interest).

AGF is not averse to fee-based compensation arrangements – in fact, AGF acknowledges that this type of compensation model may be ideal for some investors. As stated in the IIROC

[1] "<u>The Canadian Investors' Survey: An Opinion Research Study on Fees & Advisory Services</u>" (May 30, 2017) by The Gandalf Group. This third-party survey, as conducted by The Gandalf Group (a Toronto-based consultancy firm that specializes in survey research), was commissioned by AGF. Designed by The Gandalf Group, this recent survey of a core sample of 1299 Canadian investors investigated issues relating to individual investors, the advisory services industry, fund providers and regulators, including: (i) satisfaction with advice, fees, transparency and investment options; (ii) the role of advisors, and their strengths and weaknesses; (iii) the perception of fee disclosure, transparency and new reporting obligations; (iii) general awareness and assessments of various types of commissions and fees (notably trailing commissions), and (iv) investors' preferences for advisor compensation (i.e. fee-based or commission-based charges). **A copy of this report from The Gandalf Group is attached as <u>Appendix A</u> to this letter.**

[2] "<u>Economic Impact Assessment of Banning Embedded Commissions in the Sale of Mutual Funds</u>" (June 2017) by PricewaterhouseCoopers LLP. This research report was commissioned by The Investment Funds Institute of Canada to provide an independent economic assessment of the likely impacts that would result from a ban on embedded commissions in the sale of mutual funds in Canada through financial advisors.

[3] "<u>Managing Conflicts in the Best Interest of the Client – Compensation-related Conflicts Review</u>" (April 27, 2017) by the Investment Industry Regulatory Organization of Canada.

Report, “*whether a commission or fee-based account is appropriate for a client will depend on the circumstances of the client*”. **This leads to the logical interpretation that reforms suited to advancing the interface/dialogue between dealers/advisors and their clients is where regulatory efforts should be focused.**

AGF strongly encourages the CSA to consider that Canada currently has a robust regulatory framework governing the provision of investment advice to investors. Investors are inherently protected by the duty of dealers and advisors to act fairly, honestly and in good faith within a system of rules designed to capture, amongst other things, disclosure and management of conflicts and compensation disclosure. The existing rules and regulations of the securities commissions and the self-regulatory organizations require advisors to observe high standards of ethics and conduct in the transaction of business with investors, and to provide proper disclosure in the area of conflicts of interest, as well as compensation. **Accordingly, focus might rather be better directed at enhancing compliance within the already established regulatory framework to better address areas of concern highlighted by the CSA in the Paper.** Recent statements and proposed initiatives from IIROC and the MFDA suggest that this approach is already occurring.

Notwithstanding the strength of regulatory environment already applicable to dealers (and their representatives), AGF submits that if further regulatory reform is deemed essential, the CSA’s proposals under Consultation Paper 33-404 *Proposals to Enhance the Obligations of Advisers, Dealers and Representatives Toward their Clients* (“**Consultation Paper 33-404**”) are better suited toward developing a set of regulatory rules designed to combat conflicts of interest that may be perceived as resulting in tangible harm to investors. While AGF does have concerns with certain of the targeted reforms suggested under Consultation Paper 33-404 (as conveyed in our response letter dated September 28, 2016), we recognize certain merit within those reforms, and moreover implore the CSA to allow for that regulatory initiative to take shape and effect before making a broader assumption that there are additional “harms” being experienced by investors (within the embedded commission compensation model) that warrant even further regulatory intervention.

The CSA has expressed its view within the Paper that “*the discontinuation of embedded commissions could be complementary to recent reforms and proposals in that those existing and ongoing initiatives were not designed to, and may not fully address, the key investor protection and market efficiency issues*” identified in the Paper. **AGF challenges this presumption on the basis that (as supported above) the “risks for potential conflicts of interest” associated with embedded commission compensation should not be equated to “indications of actual harm”, given that there does not appear to be any credible evidence suggesting that the existing compensation framework gives rise to any pervasive abuse.**

B. INVESTOR TRANSPARENCY & DISCLOSURE

In the Paper, the CSA indicated that its research shows that it is “*clear that the majority of Canadian fund investors are not aware of what they pay for financial advice or that they pay for financial advice at all*”. In addition, the CSA has raised concern that “*investors’ high level of trust and reliance on their advisors for investment decisions may cause them to not thoroughly* *review disclosure documents and reports, and thus limit the benefits to be derived from disclosure*".

With regard to transparency, AGF agrees with the expectation that investors should be aware of what they pay for financial advice. **AGF submits that investors are in fact made fully aware of the fees and commissions they pay when they invest.** This transparency has been enhanced by the CSA's recent CRM2 and Point of Sale reforms. Under CRM2, dealers must provide clients with annual reports which include disclosure of the total amount of trailing commissions in dollars and cents. And, with the Fund Facts documents (Point of Sale disclosure), investors are made aware of whether compensation is paid by the fund manager to the dealer, as well as the amount as a percentage of the client's investment. These initiatives have undeniably increased the level of transparency in relation to investment fund fees, and made the associated disclosure more prevalent than ever. In addition, AGF also acknowledges IFIC's proposals with respect to CRM3 to advance even further levels of transparency for investors. Again, the positive impacts of these current and future reforms must be given time to take shape.

Of all advised investors surveyed under the Gandalf Report, a noteworthy 62% were very satisfied with regard to their advisors' transparency about fees and commissions they pay to invest, and only 7% were very dissatisfied. **AGF suggests that it is therefore not transparency that is an issue.**

When it comes to disclosure, AGF respectfully disagrees with the CSA's assumption that investors may not be reviewing disclosure provided to them. According to the Gandalf Report, most investors said they read the details included in statements provided to them by advisors, financial institutions or fund providers about the fees and commissions they are charged: 53% said they read this information in every statement, and an additional 36% read that information occasionally. These percentages do not vary significantly between the advised and non-advised investors that were surveyed. **To this end, AGF submits that the intake of disclosure by investors also does not appear to be an issue.**

AGF concurs with the indicative and insightful statement made in the PwC Report that "*transparency, financial literacy and long-term relationships between advisors and investors are the ultimate assurance for a well-functioning financial advisory market, where interests of advisors and investors are aligned*". Evidence in the investment fund marketplace suggests that transparency and long-term relationships with advisors are already established to be in existence. What is therefore lacking from PwC's equation is investors' financial literacy.

The Gandalf Report provides recognition that while investors are fully informed (i.e. there is transparency) and they do in fact read disclosure, there is an inherent gap in commensurate knowledge/understanding about the fees and commissions they are charged. Most investors would appear to have at best a moderate level of knowledge about fees they pay in respect of funds they own: 38% said they were very knowledgeable, another 38% had a moderate level of knowledge, and 16% admitted they knew very little about the fees and commissions they pay. Few have heard a great deal about trailing commissions per se: only 13% of investors surveyed had heard a great deal about these commissions recently; 31% felt they had heard something; 28% very little; and 24% said they had heard nothing about these commissions. This does not mean that the embedded commission compensation framework is risky or harmful (or in need of discontinuance in favour of other compensation models under which investors' knowledge-level does not appear to have been proven to be more profound); it simply means that investors may need more tools to *understand* and *appreciate* the fees/commissions (and corresponding disclosure). The PwC Report even challenges that "*the increased transparency rules that were fully implemented in Canada in 2016 are capable of mitigating the fee information gap that existed prior to this legislation…we do not have yet empirical data to test the validity of the effectiveness of these rules in conveying fee information to investors…however, the relatively high education profile of Canadian investors and the fact that currently the majority of Canadian investors in mutual funds are informed support the hypothesis that Canadian investors would be able to understand information disclosed about their investments, even upon a cursory review of the statements sent to them*".

As a result of the foregoing, AGF encourages the CSA to focus ALTERNATIVE efforts on the "financial literacy" of investors. PwC's analysis suggests that existing reform, given more time to assess the impact, may already be impactful in bridging the financial asymmetry gap. In addition, the Gandalf Report indicates that 39% of all investors (including 42% of advised investors) have noticed improvements in the amount of information being disclosed to them in recent years. More time is clearly needed to allow for the positive impacts of transparency and disclosure to continue to be felt among investors, and assessed by the regulators. Nonetheless, in the event that more work is proven to be more imminently warranted in this area, AGF believes that the industry would be extremely supportive in working together with the CSA on developing tactical initiatives toward the advancement of financial literacy in the area of dealer/advisor compensation generally, and embedded commissions specifically.

AGF also urges the CSA to re-examine its position on the ALTERNATIVE of "enhancements to disclosure". Given that the data shows that investors do read disclosure, if investors are given the tools to increase their knowledge (the alternative indicated above) to be able to understand and interpret additional information to benefit from added/enhanced disclosure, this should be put back in contention as a plausible option for reconsideration by the CSA.

C. VALUE OF ADVICE

One of the most fundamental concerns associated with discontinuing the embedded commission compensation model is that investors will ultimately be impacted in a negative way – i.e. in contravention of the "investor protection" standard being advocated by the CSA. Perceptions of conflicts of interest and misconceptions around transparency and disclosure aside, research and data signals are leading to the unfortunate (and unintended) realization that **the CSA's proposal to discontinue embedded commissions would undermine the tenet of the "value of advice", and would create an "advice gap" to the detriment of investors**.

The PwC Report succinctly outlines the unintended consequences associated with the Paper's proposals: "*banning embedded commissions in Canada would likely lead to negative consequences for the mass-market investors in the form of: (a) less access to financial advice; (b) lower savings available at retirement; and (c) higher cost of advice for those who would want to continue receiving financial advice*". This clearly would be a negative outcome for investors, and underscores the critical need for the CSA to focus efforts on analyzing these adverse consequences.

The PwC Report makes it clear that the repercussion of discontinuing embedded commissions is that "*advisors who serve mass-market investors will not find it economically worthwhile to continue to serve some of those clients, if they are forced to reduce their fee significantly below what they currently receive from embedded fees…in those cases, mass-market investors who wish to continue being served by a financial advisor will find the cost of advice higher as a result of the need to compensate for the dis-economies of scale involved in serving smaller accounts*".

The recent MFDA Client Research Report[4] (the "**MFDA Report**") identifies that notwithstanding deposit taking firms are responsible for servicing the majority of MFDA Member households, financial advisory firms do still form a significant part of the industry – servicing 2.36 million mass market households. The MFDA Report contends that financial advisory firms would be the most likely to experience an impact from a ban on embedded compensation. The MFDA Report provides that (i) "*approximately 56% of advisors licensed with financial advisory firms have small books of business and primarily rely on DSC commissions to finance their operations*"; and that (ii) "*mass market clients are more likely to purchase DSC funds and therefore are also more likely to experience an impact from discontinuing embedded commissions*". This is clearly an unintended consequence that would result from the proposals in the Paper.

Fee-based compensation arrangements in Canada require minimum size portfolio assets – and, many investors who currently use an advisor simply do not meet the $100,000-$300,000[5] threshold. Aside from the investable asset threshold limitations, advised investors (as evidenced in the Gandalf Report) also appear to have a clear preference to pay for advisory services indirectly (out of the funds they buy, and with the payment made by the fund provider or financial institution) as opposed to paying directly by way of a payment (cash, cheque, bank payment or credit card): 55% (indirect) versus 33% (direct).

Based on survey data from the Gandalf Report, 24% of all investors surveyed expressed that if mutual funds no longer had embedded commissions paid from the funds (and advisors instead charged for advice and service directly), they would be less likely to seek out advice from an advisor. In addition, for this subset of investors who would be impacted by the "advice gap", such investors are expected to ultimately save less for their futures. The PwC Report suggests that "*those who could potentially be deprived of access to financial advice following the ban on embedded commissions would accumulate on average $240,000 less in savings prior to retirement than those with access to advice*" (i.e. the "wealth gap").

AGF maintains that the advice and wealth gaps articulated above should not be overlooked or downplayed. AGF believes that investors' access to advice, and their incentives to invest,

[4] "MFDA Client Research Report: A Detailed Look Into Members, Advisors and Clients" (May 23, 2017) by the Mutual Fund Dealers Association of Canada.

[5] PWC Report – p.52.

should be protected – not only to the benefit of those individuals, but also in an effort to continue to propel Canada's socio-economic expectations and priorities.

The importance and value of advice lies at the foundation of the Canadian financial marketplace. Academic research, as cited in the PwC Report, confirms that *"while financial advisors are not able in their investment choices to consistently beat relevant market benchmarks after fees, their advice generates significant net benefits to investors in terms of a more disciplined savings behaviour, overall higher asset values, more efficient tax planning, and retirement confidence"*. Investors trust and rely upon advisors to guide them with respect to financial decision-making. Of the investors surveyed under the Gandalf Report, nearly half (48%) said that they rely on advisors to help them with most or all of their investment decisions. Further, a large majority (79%) of investors surveyed under the Gandalf Report agreed that advisors play a very important role in encouraging people to start saving and investing; and 77% concurred that advisors can mean the difference between investors meeting and missing their financial objectives. When it comes to overall satisfaction, it is also important to note that a striking majority (70%) of advised investors surveyed under the Gandalf Report expressed high satisfaction levels with their financial advisors.

All of this evidence and research points to the critical importance of access to advice for the Canadian investing public. The above-noted unintended consequences associated with discontinuing embedded commissions will undoubtedly result in Canadians being deprived of a resource (financial advice) that they clearly rely upon heavily.

AGF also cautions the CSA from relying upon robo-advice and other passive investing options as a panacea to resolving an advice gap that would be caused by banning embedded commissions. AGF agrees with The Investment Funds Institute of Canada's ("**IFIC**") reasoning that the widespread use by mass market investors of online advice and passive investment strategies "*has yet to weather a full market cycle*", and therefore should not be conveyed as a preferred alternative for investors. Similarly, with regard to passive investing, AGF echoes the view of IFIC that while active and passive investing can/should co-exist in the Canadian financial marketplace to meet the varying needs and interests of investors, the regulators "*need not 'tip the scale' in favour of one product of another…in fact, doing so may result in unintended consequences*".

AGF also points the CSA to recent research data published by HSBC[6] which revealingly reported that of 1001 Canadians represented in the survey, only 7% said that they're likely to trust recommendations delivered by a robo-advisor, and only 18% felt that rob-advisors would be able to offer more accurate advice than human advisors. Canadians clearly are not at the forefront of embracing this sort of technology-driven advice channel. As a result, the CSA should not place strong reliance on robo-advice to counteract the negative effects of banning embedded commissions.

[6] "Trust in Technology" Report (May 2017) commissioned by HSBC.

D. PRESERVING INVESTOR CHOICE

In the Paper, the CSA articulated an anticipatory recognition of the impact of discontinuing embedded commissions on independent investment fund manager stakeholders: "*independent investment fund managers will still be at a disadvantage as they may not be able to gain access to those firms with closed, proprietary only, product shelves*". AGF submits that this outcome would only prove to be detrimental to investors. **Availability of <u>investment choice</u> should be at the forefront of any regulatory initiatives aimed at protecting investor interests. Moreover, AGF contends that in implementing any associated regulatory reforms, it is vital that the CSA ensure that they do not produce outcomes that limit or reduce investment choice and access to affordable investment advice.**

Presuming, as the CSA suspects, that the proposals in the Paper could have the effect of narrowing product shelf offerings, AGF submits that this adverse outcome would reduce the diversity of investment products available for investors. AGF accordingly argues that this is <u>not</u> beneficial to investors, nor can it be viewed as being in the best interest of investors.

AGF urges the CSA to expand the scope of its analysis toward improving avenues for open architecture (versus closed product shelves) within distribution channels in an effort to safeguard investor choice. Moreover, AGF agrees with IFIC's assertion (as supported by the PwC Report) that banning embedded commissions will only "*further concentrate the market for investment products and services by favouring scale and affiliated vertically integrated financial institutions….the end result will be a market with less choice, less access and less competition*". None of these outcomes best serves investor interests. AGF suggests that by instead targeting avenues for change within the captive sales force/closed distribution networks, the CSA could effectively negate any disruption that would otherwise be felt by pursing the proposals set out in the Paper.

FOREIGN JURISDICTION EXPERIENCE

Notwithstanding the CSA's position in the Paper that "*while observations about the impacts of relevant reforms in other jurisdictions are informative and insightful, we* [the CSA] *consider that the potential impacts from similar reforms in Canada might not be the same*", AGF believes that the determinations and experiences from foreign jurisdictions must be reviewed with a lens toward informing the Canadian financial marketplace about comparative jurisdictional similarities and/or rationale for action (or no action).

Analysis recently published by IFIC[7] reveals a number of significant trends that should not be disregarded by the CSA in assessing the proposal to discontinue embedded commissions:

1. Few jurisdictions have banned embedded commissions

"*The option of banning embedded commissions has been evaluated by securities regulators in many jurisdictions. Only four (Australia, the Netherlands, the U.K. and South Africa) have opted to proceed. In three of these countries, the decision to ban embedded fees was triggered*

[7] "<u>Global Regulatory Developments and Impacts</u>" Report (April 2017) by The Investment Funds Institute of Canada.

by unique local circumstances. In both the U.K. and the Netherlands, a commission ban was introduced following a number of miss-selling scandals in the insurance and mortgage sectors. The Australian reforms were established in reaction to the collapse of three major financial firms.

Securities regulators and governments in seven countries have explicitly ruled out a total ban on embedded commissions (Denmark, Ireland, Sweden, Hong Kong, Germany, New Zealand and Singapore).

In all, only 13% of total worldwide mutual fund assets of $39.4 trillion are covered, or slated to be covered, by a ban on embedded commissions."

2. **Early evidence of unintended consequences**

While the IFIC report acknowledges that "*it is too early to evaluate success in the markets that have made sweeping changes*, the report also contends that *early evidence can serve as a guide to other regulators that are considering similar changes*". In the United Kingdom, for example, the Financial Advice Market Review (FAMR) has found that accessibility to financial advice "*has been reduced such that advice is primarily available and affordable only for the more affluent*".

3. **Enhanced disclosure is the favoured regulatory option in most jurisdictions**

"*The majority of markets have made enhanced disclosure a key element of newly developed financial principles and policies. Enhanced disclosure initiatives have been implemented in every country reviewed except the U.S. The majority of disclosure has come in the form of detailed information on fees and commissions to improve transparency.*"

AGF disputes the proposition that Canada's circumstances are so unique as to warrant special consideration for the banning of embedded commissions. As expressed throughout this letter, no evidence has been presented by the CSA to suggest that Canada's investors are experiencing <u>actual</u> harm associated with the embedded commission compensation model. In fact, Canada-specific data instead suggests that the unintended consequences associated with a ban would far outweigh any perceived benefits to investors.

As articulated throughout this letter, AGF maintains that there is <u>no investor demand for the discontinuance of the embedded commission compensation model in Canada</u>. The Gandalf Report independently suggests that "*there is limited dissatisfaction with the current system of financial advice in Canada and the way advisor compensation is calculated*". To that end, AGF strongly encourages the CSA to reconsider its views expressed in the Paper.

For over 60 years, AGF has had the privilege of serving Canadian retail mutual fund investors, and has been fortunate to be able to sustain its independence in an increasingly global and consolidating environment. As a result, AGF is a fierce proponent of the principles of investor "options and choice", and believes that securities regulators should strive to sustain such principles in all aspects of regulatory reform. AGF does not believe that "investor protection" reforms should be subjectively advanced where: (i) there is no

evidence that embedded commissions are innately harmful to investors; (ii) the unintended consequences from such reforms will invariably undermine investor interests (limiting investor choice, as well creating an "advice gap" and "wealth gap" for investors); and (iii) there is limited investor "call to action". The expected disruption to the industry (which will inevitably cascade down to investors in the form of less access to investment choice and financial advice) is, in AGF's view, an extremely high price to pay for very little upside advancement in improving investor outcomes.

Notwithstanding our principled (and data-supported) view that the current system is not broken, nor is it riddled with inherent risk of harm for investors, AGF does accept that there is room for certain improvements within the realm of compensation awareness within the investment fund industry. Certain of our proposed **ALTERNATIVES** (with respect to re-focusing efforts on **financial literacy** and **enhanced disclosure**) have been identified above. AGF also submits that the following **ADDITIONAL ALTERNATIVE REFORMS** (as raised and further explained in IFIC's response letter) may warrant further analysis:

- **With investor agreement, allow for dealer fees to be paid by investment fund managers out of redeemed fund units/shares**
- **Allow for Series A (or equivalent) units/shares to be sold only in channels where advice is permitted**
- **Allow DSC funds to be available only within established guidelines (i.e. suitable, given the client's age or time horizon)**
- **Simplify pricing, and standardize naming conventions for fund series**

We thank you for the opportunity to raise the above issues with you. We look forward to continued constructive dialogue with respect to the optimal methods for improving the experience of investment fund investors in relation to the compensation payments they make to dealers and their representatives.

Yours very truly,

AGF INVESTMENTS INC.

Per: ______________________
Blake C. Goldring
Chairman

APPENDIX A
GANDALF REPORT

The Canadian Investors' Survey

An Opinion Research Study on Fees & Advisory Services

May 30, 2017

the gandalf group

Toronto
65 Queen Street West, Suite 510
Toronto, ON M5H 2M5
T 416.644.4120

info@gandalfgroup.ca | gandalfgroup.ca

Ottawa
116 Albert Street, Suite 300
Ottawa, ON K1P 5G3
T 613.699.8910

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Introduction & Methodology

The following is a report on a survey of Canadian investors conducted on behalf of AGF Investments Inc. The survey was designed to probe into issues relating to individual investors, the advisory services industry, fund providers and regulators, including:

- Satisfaction with advice, fees, transparency & investment options
- The role of advisors & strengths, weaknesses
- Perceptions of fee disclosure, transparency and new reporting obligations
- Awareness & assessments of various types of commissions & fees, notably trailing commissions
- Preferences for advisor compensation: e.g. fee-based or commission-based charges

The survey was designed by the Gandalf Group Inc., a Toronto-based consultancy that specializes in survey research and other quantitative/qualitative research methods. The Gandalf Group has extensive experience conducting research with specialized audiences both in respect of financial services and customer satisfaction as well as public policy development and regulation. For more about the firm, please visit GandalfGroup.ca or to inquire about this work contact info@gandalfgroup.ca or 416-644-4120.

Methodology

Survey interviews were completed online between April 7th and May 5th, 2017, and offered in both English and French. The core sample of 1299 investors that forms the basis for the findings was drawn from a larger general population sample of survey respondents; a sample that was representative of the Canadian adult population online (e.g. with respect to age, gender, region) using quotas and weighting where necessary. As a result, we can derive a profile of the Canadian individual investor population relative to the general population.

To be deemed an investor for the purposes of this project and to qualify for the survey, a respondent had to meet basic criteria:

- share responsibility or be the sole decision-maker for household investments;
- own stocks, mutual funds or exchange traded funds, identifying amount they had invested/Assets Under Mgt. in that case;
- and not be employed in the financial services industry.

This investor population represents 39% of the Canadian adult population surveyed online.

The core sample size of this study (n=1299) is sufficiently large to allow comparisons with a fair amount of reliability between the views of small portfolio investors (i.e. <$50,000 invested in funds, bonds, stocks etc., not including real estate or workplace pension plans), and other investors with a medium-sized portfolio (up to $250,000) or greater (e.g. including high-net-worth investors with at least $500,000).

This report focuses on the "Total" population of investors (i.e. n=1299 survey interviews,) as well as key subgroups within the total pool of investors where noted, including:

- Advised investors, those who use an advisor to help make some or most investment decisions (79% of investors surveyed)
- Non-advised investors, those who say they don't receive any advice (20% of investors)
- Low Net-worth/small investors (less than $50,000 invested – 35% of investors)
- Mid to High Net-worth investors ($50,000 to $250,000 – 38% of investors; $250,000 to $500,000 - 16%)
- High Net-worth ($500,000+ - 11% of investors)
- High-knowledge/Sophisticated investors – i.e. those who rated themselves as very knowledgeable about investing vs. those with less or a low-degree of knowledge.
- By advisor type – i.e. those who rely on different types of advisors, planners, brokers and other professionals or services, based on the firm, institution or service they work with, including:
  i. Independent (A financial advisor or planner at an independent investment brokerage or planning firm) (28% of investors)
  ii. Advisor with a bank or credit union (An advisor/representative at a bank branch - 45% of investors OR at a credit union - 13%)
  iii. Bank brokerage (An advisor at bank brokerage firm – 23% of investors)
  iv. Insurance (An insurance agent - 17% of investors)
  v. Counsellor (An Investment Counsellor or Portfolio Manager – 17%)
  vi. Robo (Digital or "robo"- advisor – 7% of investors)

To better understand two of the smaller niches of advice types, we conducted an oversample (n=100, in addition to the n=1299 core sample) among those who receive advice from a credit union and from a "robo"-advisor, to augment the proportions working with each and to study each group with more reliability.

Executive Summary

The Role of Advisors

- Most Canadian investors surveyed said they rely on advisors at least somewhat when it comes to helping with decisions about their portfolio. Nearly half said they rely on advisors to help make most or all investment decisions with them.
- Those who go without advice tend to be younger or see themselves as relatively knowledgeable investors.
- However, most investors (including most non-advised investors) agreed that advisors can mean the difference when it comes to achieving financial objectives and play an important role in encouraging people to start saving and investing.
- Advised investors were more satisfied than other investors when it came to satisfaction with investment performance and the range of investment choices available to them.

Satisfaction

- When it comes to overall satisfaction, a clear majority of advised investors gave their advisors very positive ratings. Across various aspects of the advisor relationship, the proportion of advised investors that were very dissatisfied with the service or advice they received was less than 10%.
- A small proportion of all investors surveyed (22%) raised the issue or potential of conflict of interest when it comes to commissions as a top-of-mind weakness of advisors. However, most advised investors gave very high satisfaction ratings to their advisors when it comes to providing unbiased advice, being transparent about fees and helping manage costs of investing.

Disclosure & Reporting

- Most investors read their statements at least occasionally; half said they read every statement. Most said they were satisfied with the information they receive from their advisors, fund providers and financial institutions.
- A significant proportion (39%) has noticed improvements in the amount of information disclosed in their statements in recent years.

Fees & Trailing Commissions

- While the cost of fees may be a top-of-mind concern for some investors, the way in which advisors are compensated appears to be less of a concern for most.
- Investors agreed there was a potential for conflicts of interest relating to these types of commissions, however a larger majority of advised investors believed their advisors were concerned about the performance of their clients' portfolios.
- Less than half of investors are very familiar with the range of fees and commissions they are charged. Many claim to be somewhat familiar with the type of fees and commissions they pay.
- And there is only moderate awareness of trailing commissions per se – about half have heard very little or nothing about them. This suggests there is neither a high degree of concern about these commissions nor strong support for this advisor compensation.
- However, when a brief explanation of these commissions was provided to respondents, most said they considered them to be acceptable and no different than other forms of advisor compensation. Those who considered themselves to be relatively knowledgeable about investing were in fact more likely than others to say trailing commissions were acceptable.

Advisor Compensation Options

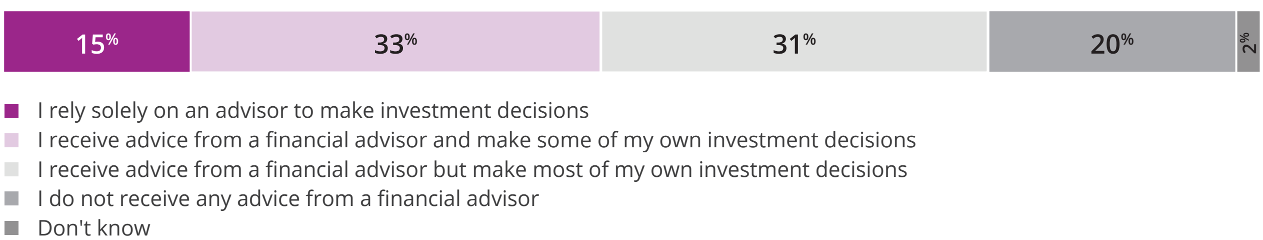
- Investors surveyed tended to express a preference for fees that are based on investment value/ performance rather than on service provided and hourly rates.
- Investors expressed an even clearer preference for having advisors' fees deducted from their portfolios rather than paid as a result of a direct charge or invoice to the client, payable by credit or other means of payment.
- While some said that a move to eliminate trailing commissions might make them more likely to seek out financial advice, a comparable proportion (about 1 in 4) said they would be less likely to seek out professional advice if trailing commissions were replaced by a fee-for-service model of payment to advisors.

Detailed Findings

Assessing the Performance & Importance of Advisors

Most Canadian investors surveyed said they rely on advisors to help with at least some financial decision-making; nearly half said they rely on them to help with most or all their investment decisions.

Table 1



Advised investors tend to have more assets invested than non-advised investors.

- The non-advised investor tends to have less invested: half have less than $50,000.
- 32% of advised investors have less than $50,000 invested.

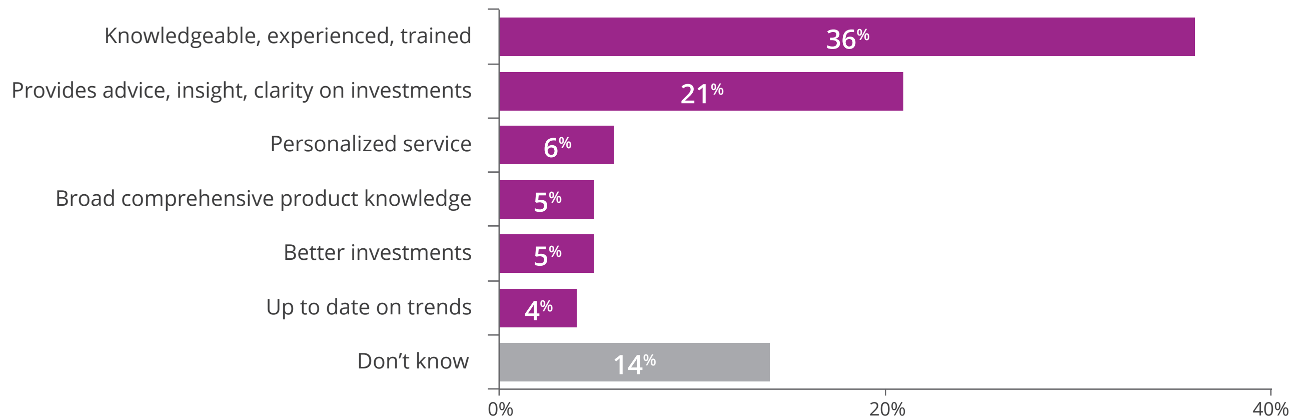
Both groups report relative similar levels of knowledge about investing. Only about 4 in 10 of both groups said they considered themselves very knowledgeable about investing.

Most investors said they were likely or certain to seek out the services of a financial advisor in the next year (53%) and another 22% said they possibly would. Only 17% were unlikely or certain not to.

Those who were less likely to seek the advice of an advisor tended to say the reasons involved a preference for self-directed online approaches (41%) or that they no longer wanted outside advice (29%). Fewer (24%) said they no longer wanted to pay an advisor and 16% said they simply would not be investing in the near future.

Investors see the upside of financial advisors. They identified many advantages that advisors provide; knowledgeable, trained, can give insightful advice and clarity.

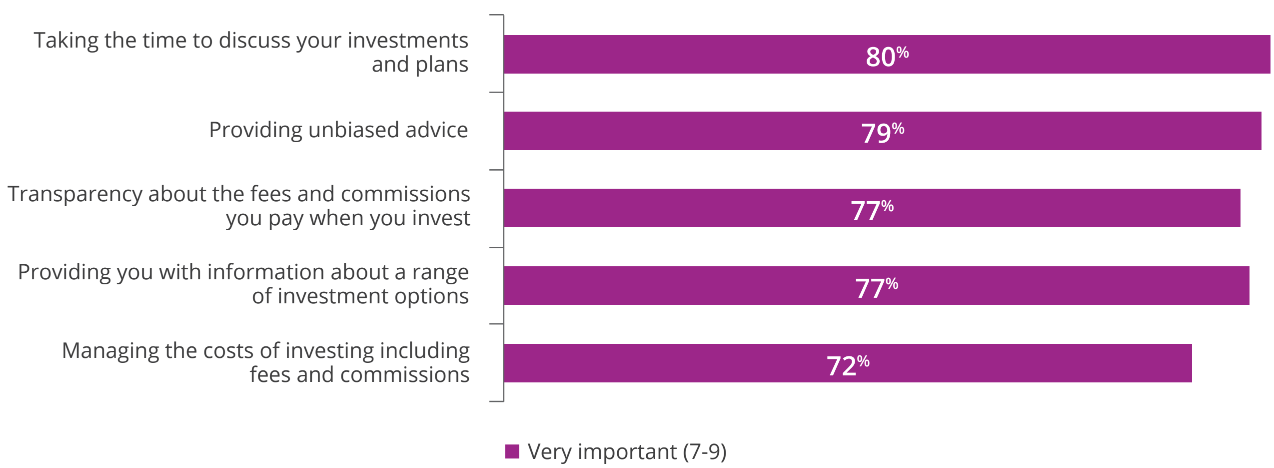
Table 2



"What is the biggest advantage that a financial advisor provides an investor?"
***Responses >4%**

Advised investors have very high expectations of advisors on a range of deliverables. Providing unbiased advice and being transparent about fees is as important as taking the time to understand clients' needs and helping to keep costs low *(See table 3)*.

Table 3

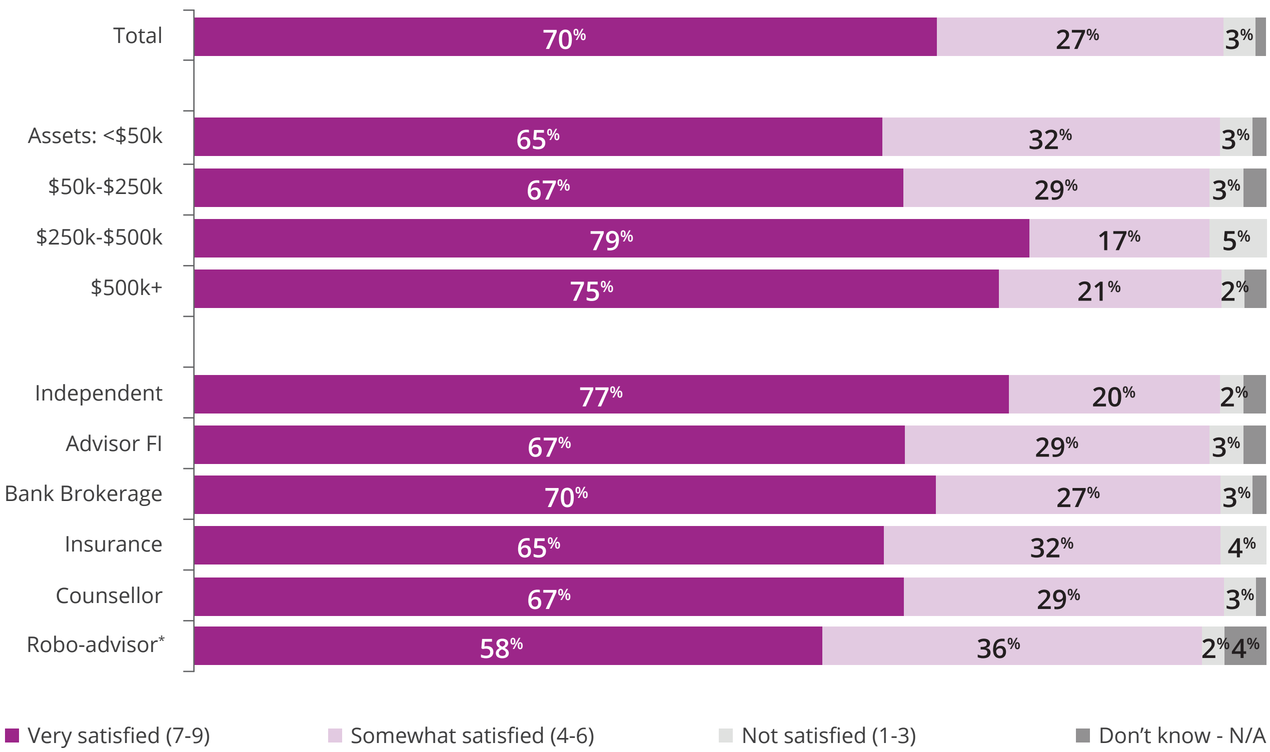


"When it comes to services a financial advisor could provide, how important are each of the following to you?" (Among advised investors only, n=1041)

When it comes to overall satisfaction, a clear majority of advised investors gave their advisors positive ratings. While satisfaction is lower among those with relatively less invested, a clear majority of all advised investors in all asset groups give their advisors very high satisfaction ratings. Those working with a financial advisor or planner at an independent investment brokerage or planning firm tended to give significantly higher ratings on average than others.

Advised investors were also more satisfied than other investors when it came to satisfaction with investment performance and the range of investment choices available to them.

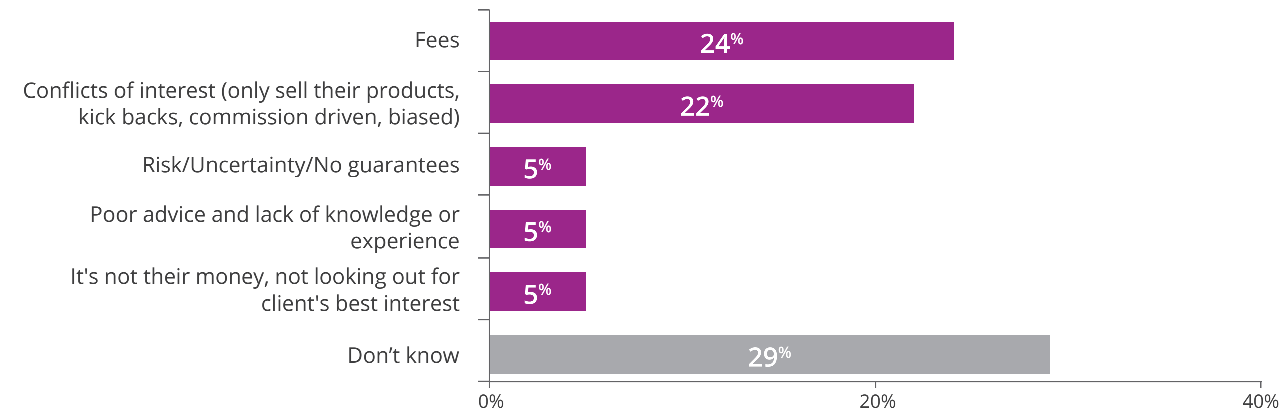
Table 4



"Taking everything into account, how satisfied are you with your financial advisor?" (Asked of those with advisors, n=1041)
***"Taking everything into account, how satisfied are you with your digital or "robo" advisor?"**
Subsample: Those with a "robo" advisor n=123

When asked about weaknesses, minorities mention fees (24%) and conflicts of interests such as those raised either by commissions or proprietary products they are inclined to sell (22%) *(see table 5)*.

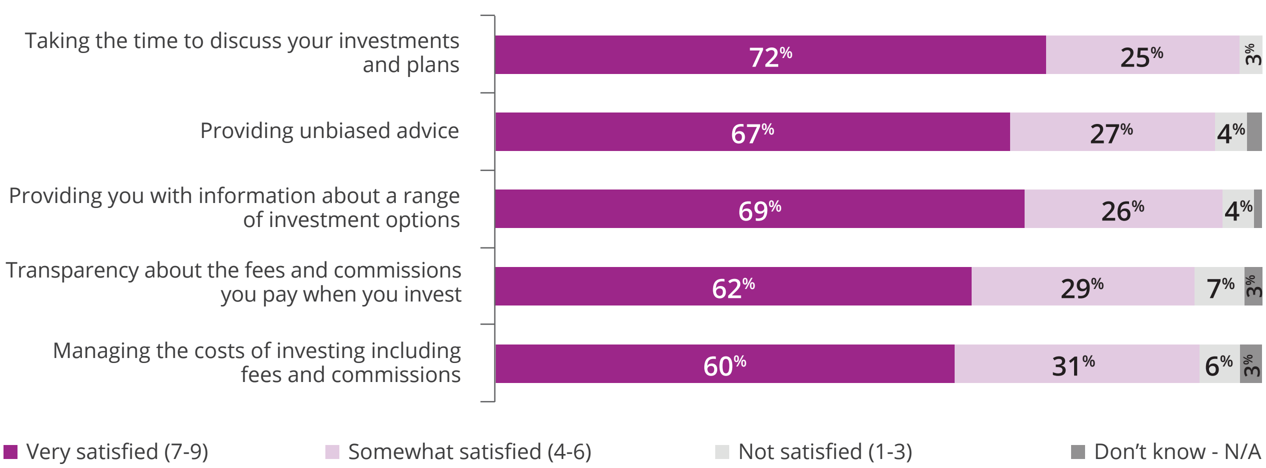
Table 5



"What is the biggest weakness of financial advisor when it comes to the services they provide?"
(Among all investors, n=1299) *Responses >4%

While a proportion raised conflict of interest or self-interest as a top-of-mind weakness of advisors, most advised investors gave high satisfaction ratings to their advisors when it comes to providing unbiased advice, being transparent about fees and helping manage costs of investing *(see table 6)*.

Table 6



"How satisfied are you with your financial advisor when it comes to offering or doing each of the following?"
(Asked only of advised investors, n=1041)

Advised investors were more likely than other investors to be satisfied with the choice in investment products available to them and the returns they receive on investments *(see tables 7 & 8)*.

- 58% of "advised" investors were very satisfied with the amount of choice in investment products available to them vs 36% among non-advised.
- 46% of "advised" investors were very satisfied with the rate of return on their investments compared to only 29% among the non-advised.

Advised investors are also more satisfied than those without advisors with:

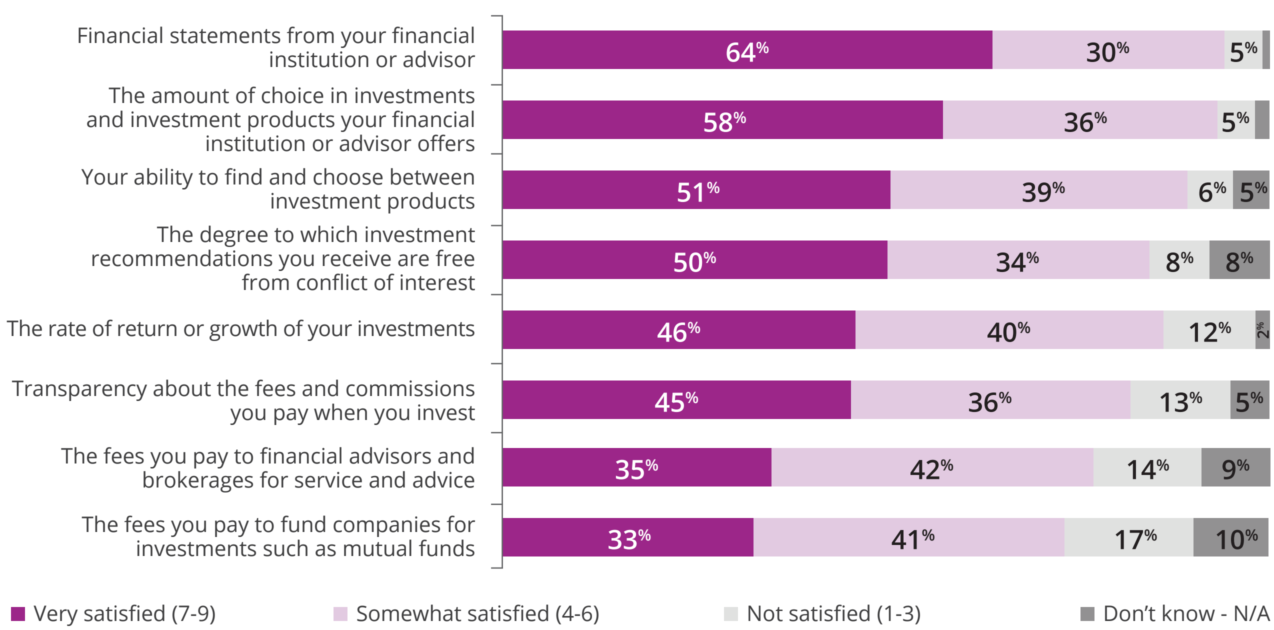
- The degree to which recommendations are free from conflict of interest
- Fees paid to fund companies and for advice services.

Above all, advised investors are most satisfied with the financial statements provided to them by their advisors and financial institutions.

- 64% are very satisfied with the financial statements they receive

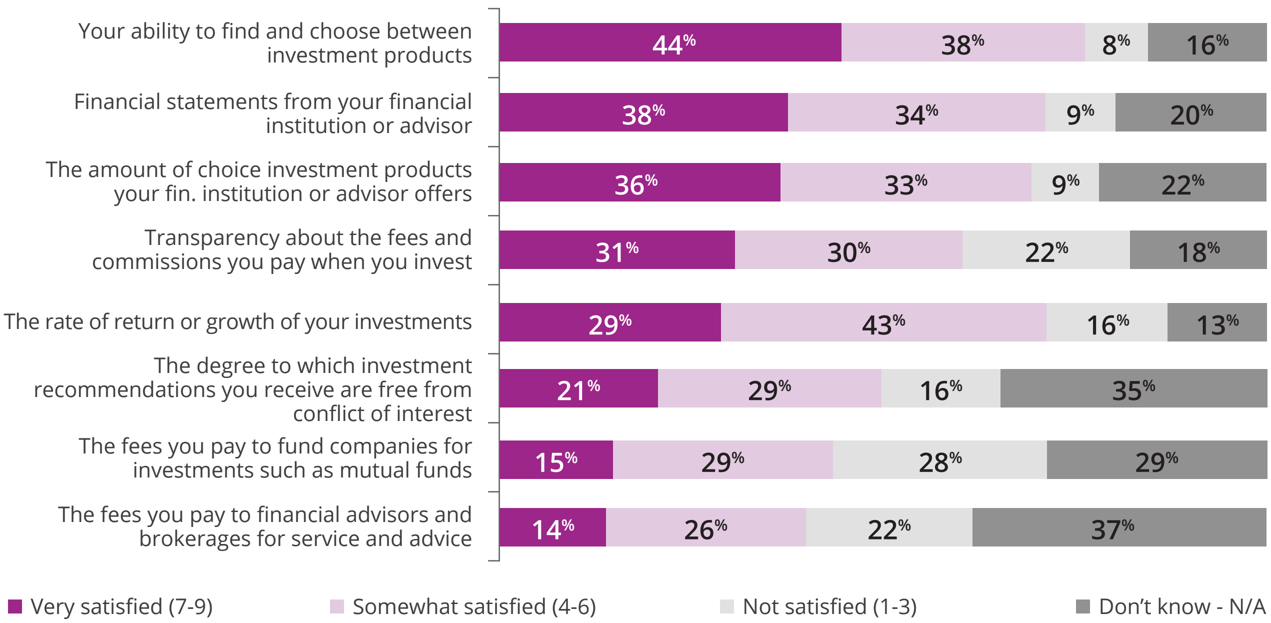
While there is dissatisfaction with the fees they pay only 14% of advised investors are very dissatisfied with the fees paid to brokerages and advisors. Advised investors are relatively satisfied with the transparency around those fees (45% are very satisfied with transparency around the fees they pay, and only 13% are very dissatisfied – *see table 7)*.

Table 7 – Advised Investors



"How satisfied are you with each of the following?" (Among advised investors, n=1041)

Table 8 – Non-Advised Investors



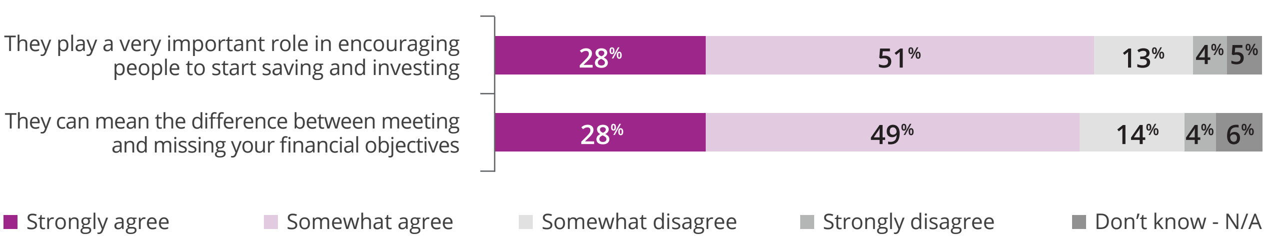
"How satisfied are you with each of the following?" (Among non-advised investors, n=258)

High net-worth investors and more knowledgeable investors were more likely than others to be satisfied with fees, statements, investment recommendations, and fee transparency.

Yet even small investors (lower net-worth) tended to be more satisfied than not with advisors' services and their performance on key ratings.

Most advised investors (79%) agreed that advisors play a very important role in encouraging people to start investing and most agreed they can mean the difference when it comes to reaching financial objectives.

Table 9

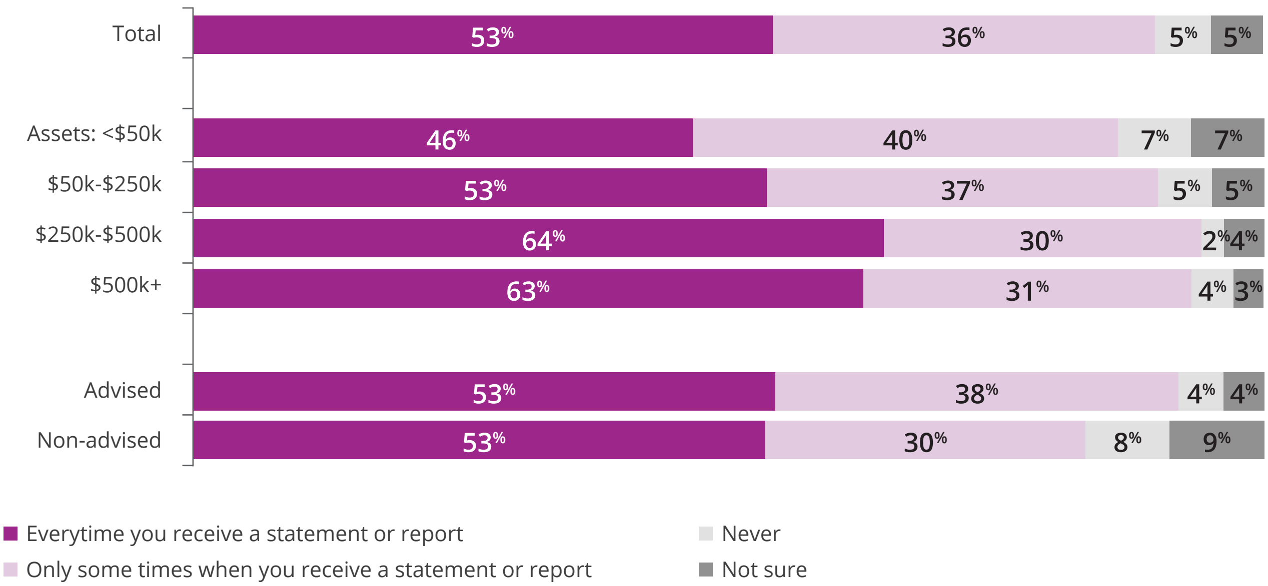


"How much do you agree or disagree with each of the following statements about financial advisors?" (Among all investors, advised and non-advised n=1299)

Assessments of Disclosure & Reporting Provided to Investors

Most investors said they read the statements provided to them by advisors, financial institutions or fund providers about the fees and commissions they are charged: 53% said they read every statement. The proportion that does is higher among those with at least $250,000 invested.

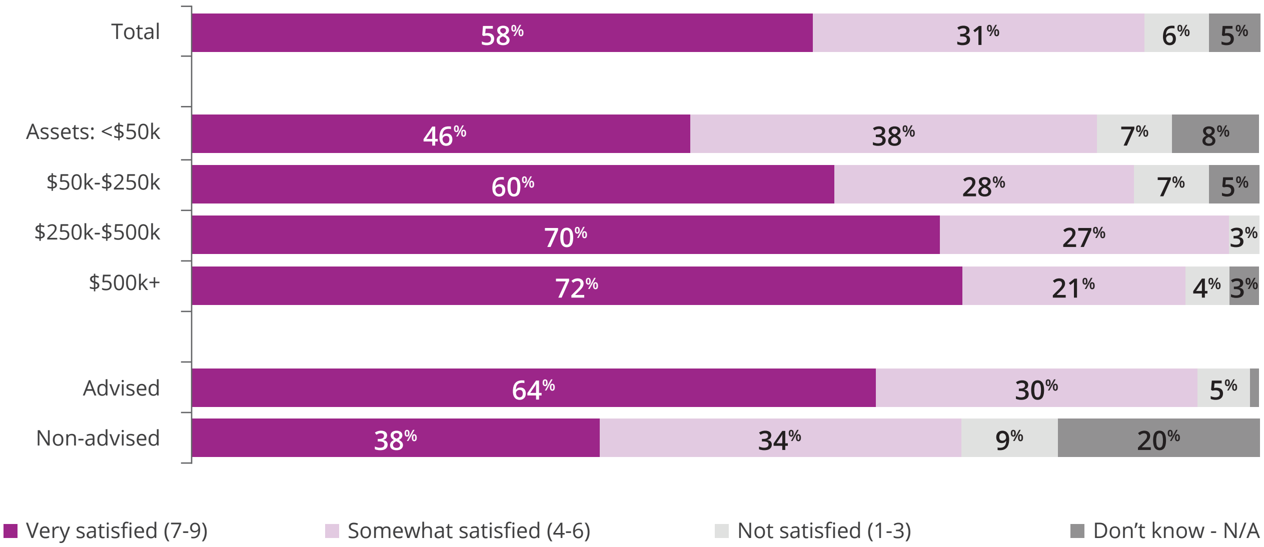
Table 10



"How frequently do you review the information disclosed in statements your receive from your financial institution and advisor(s) about fees and commissions you are charged for owning mutual funds and similar investment products?" (Among all investors, n=1299)

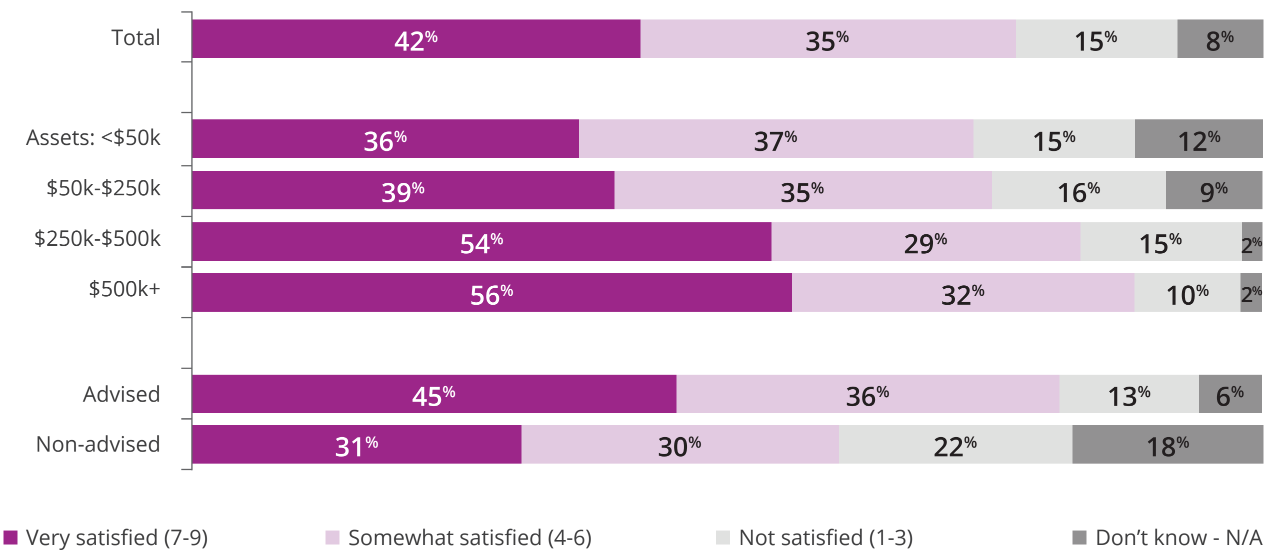
Most investors said they were very satisfied with the information they receive from their advisors and financial institutions overall. They were not as strongly satisfied with transparency around fees and commissions they pay, although the level of strong dissatisfaction was 15% of all investors and satisfaction was relatively higher among advised investors and among those with at least $250,000 invested.

Table 11



"How satisfied are you with each of the following: Financial statements from your financial institution or advisor" (Among all investors, n=1299)

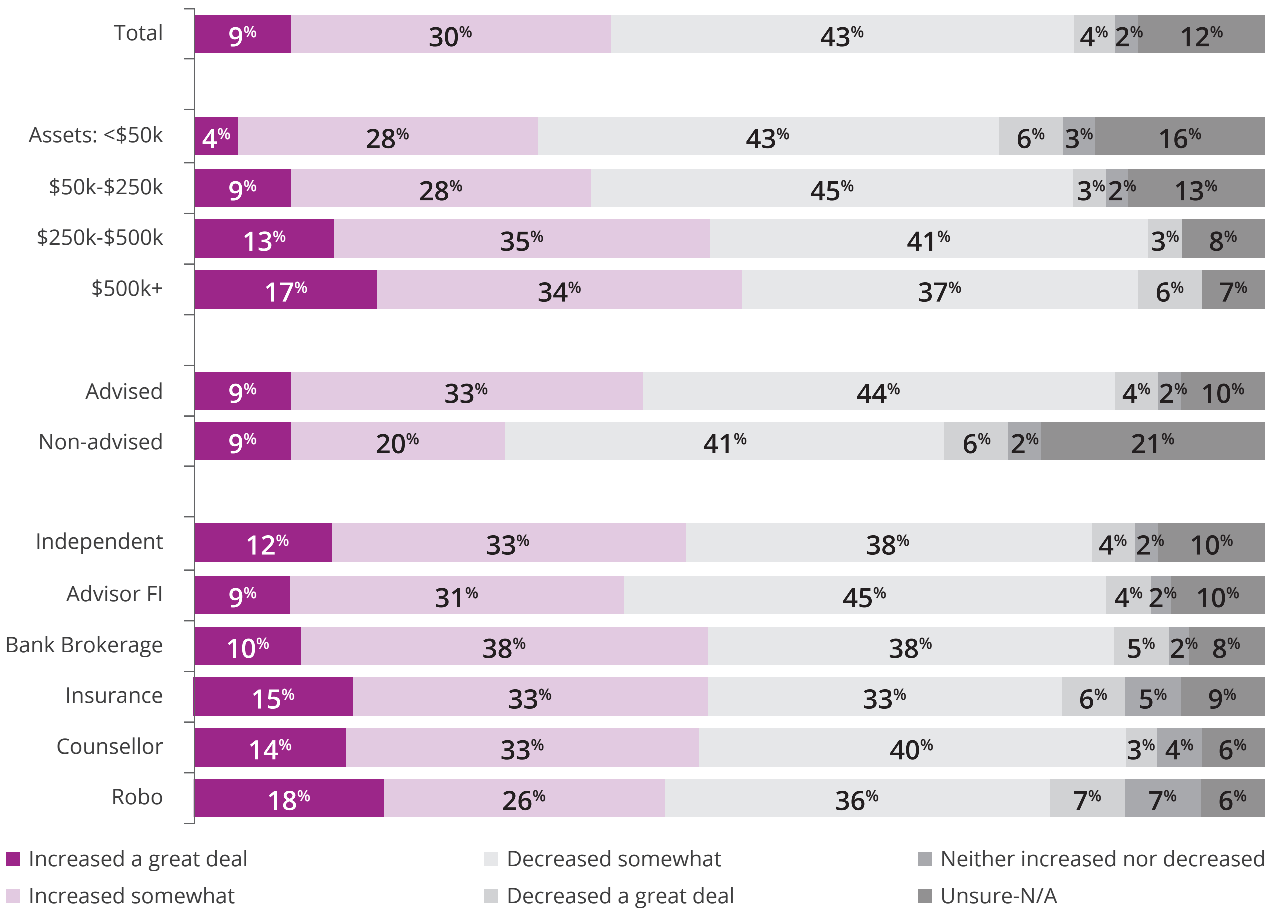
Table 12



"How satisfied are you with each of the following: Transparency about the fees and commissions you pay when you invest" (Among all investors, n=1299)

While few have heard a great deal about new industry rules that require improved disclosure to customers, just over half have heard at least something about this and a significant proportion (39%, *see table 13*) has noticed improvements in the amount of information their statements have disclosed to them in recent years. Advised investors are more likely to have noticed improved reporting, disclosure and statements. The degree of awareness of improved reporting and disclosure is not so much associated with the type of advisor an investor has (and the institution or firm they work with) as it is with the amount they have invested.

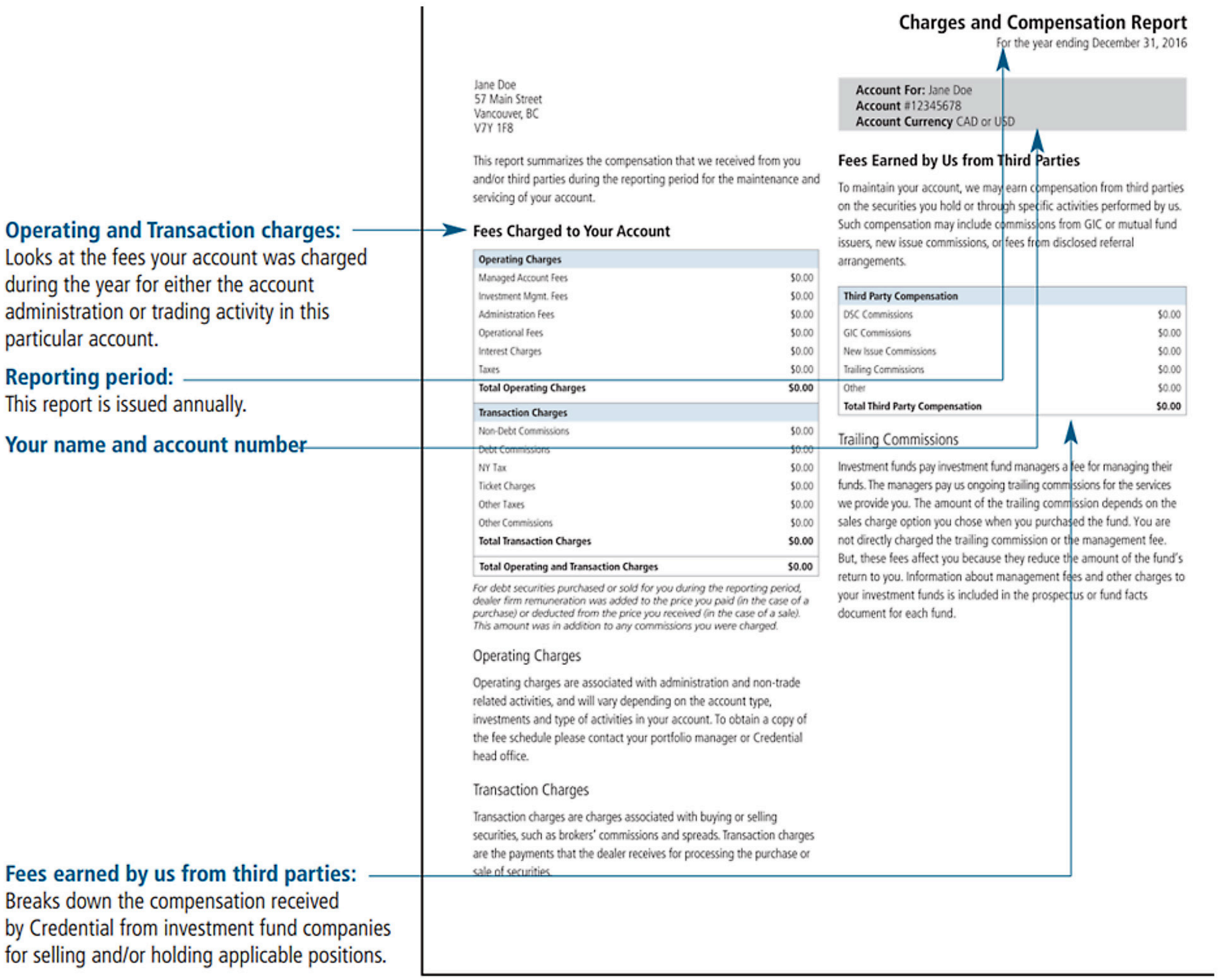
Table 13



"Over the past three years, would you say that the amount of information disclosed to you in statements, reports or purchasing and offering documents by your financial institution or advisor about fees and commissions you are charged for mutual funds and similar products you own has...increased/decreased a great deal/somewhat?"
(Among all investors, n=1299)

Survey respondents were provided with a description of recently mandated disclosure requirements and a visual sample of how a standard statement discloses fees advisors earn from fund providers, financial institutions and third parties *(see table 14 below).*

In 2016, new rules developed by Canadian investment industry regulators required that investors receive adequate information about how their investments are performing and what they cost. Financial advisors and institutions must provide an annual Performance Report, an annual Charges and Compensation report and a regular summary of how much financial advisors, firms or institutions receive from you and from third parties for servicing of your account. You can see a sample of this reporting below: "



Charges and Compensation Report
For the year ending December 31, 2016

Jane Doe
57 Main Street
Vancouver, BC
V7Y 1F8

Account For: Jane Doe
Account #12345678
Account Currency CAD or USD

This report summarizes the compensation that we received from you and/or third parties during the reporting period for the maintenance and servicing of your account.

Fees Charged to Your Account

Operating Charges	
Managed Account Fees	$0.00
Investment Mgmt. Fees	$0.00
Administration Fees	$0.00
Operational Fees	$0.00
Interest Charges	$0.00
Taxes	$0.00
Total Operating Charges	**$0.00**
Transaction Charges	
Non-Debt Commissions	$0.00
Debt Commissions	$0.00
NY Tax	$0.00
Ticket Charges	$0.00
Other Taxes	$0.00
Other Commissions	$0.00
Total Transaction Charges	**$0.00**
Total Operating and Transaction Charges	**$0.00**

For debt securities purchased or sold for you during the reporting period, dealer firm remuneration was added to the price you paid (in the case of a purchase) or deducted from the price you received (in the case of a sale). This amount was in addition to any commissions you were charged.

Operating Charges

Operating charges are associated with administration and non-trade related activities, and will vary depending on the account type, investments and type of activities in your account. To obtain a copy of the fee schedule please contact your portfolio manager or Credential head office.

Transaction Charges

Transaction charges are charges associated with buying or selling securities, such as brokers' commissions and spreads. Transaction charges are the payments that the dealer receives for processing the purchase or sale of securities.

Fees Earned by Us from Third Parties

To maintain your account, we may earn compensation from third parties on the securities you hold or through specific activities performed by us. Such compensation may include commissions from GIC or mutual fund issuers, new issue commissions, or fees from disclosed referral arrangements.

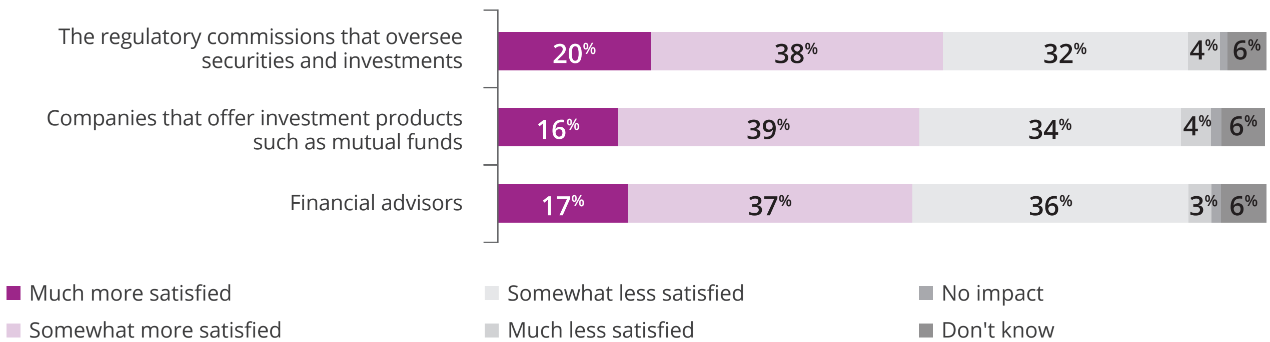
Third Party Compensation	
DSC Commissions	$0.00
GIC Commissions	$0.00
New Issue Commissions	$0.00
Trailing Commissions	$0.00
Other	$0.00
Total Third Party Compensation	**$0.00**

Trailing Commissions

Investment funds pay investment fund managers a fee for managing their funds. The managers pay us ongoing trailing commissions for the services we provide you. The amount of the trailing commission depends on the sales charge option you chose when you purchased the fund. You are not directly charged the trailing commission or the management fee. But, these fees affect you because they reduce the amount of the fund's return to you. Information about management fees and other charges to your investment funds is included in the prospectus or fund facts document for each fund.

Familiarity with these new requirements was low: 14% said they had heard a great deal about these requirements after being provided with this description and example and an additional 44% said they had heard something about them. After being told of these new rules, most said this had at least a somewhat positive impact on their view of the advisory services and fund management industry as well as regulatory bodies *(see table 15)*.

Table 15



"How do these new disclosure and reporting procedures concerning investment performance and compensation of advisors and firms impact your satisfaction with each of the following? Do they make you…" (All investors, n=1299)

Assessments of Trailing Commissions

Most investors have at best a moderate level of knowledge about the fees and commissions they are charged. When it comes to mutual funds (owned by 82% of investors):

- roughly four in ten investors who own them said they felt relatively knowledgeable about the amount and type of fees they pay on those funds (i.e. 38% of mutual fund owners rating their knowledge a 7, 8 or 9 on a 9-point scale where 9 means they know a great deal);
- another 38% rated their knowledge at about the mid-level;
- and 16% admitted they know little or very little about the fees they pay through their mutual funds.

The overall awareness of investors about fees they pay is important to the discussion of investors' preferences and concerns when it comes to commissions and advisory services. Many investors surveyed have not heard much about trailing commissions. For the purposes of the survey, investors were provided with the following description of trailing commissions:

"Trailing commissions are paid by most mutual funds and other investment products to financial advisors for ongoing service and advice they provide to clients. Trailing commissions paid to advisors tend to be between 0.5% and 1% of the value of the mutual fund or investment product the advisor purchased with their client, meaning the commission paid each year will be higher or lower based on the value of the investments. The fee is one part of the Management Expense Ratio or overall cost charged to investors for most mutual funds and some other investment products."

After that description was presented:

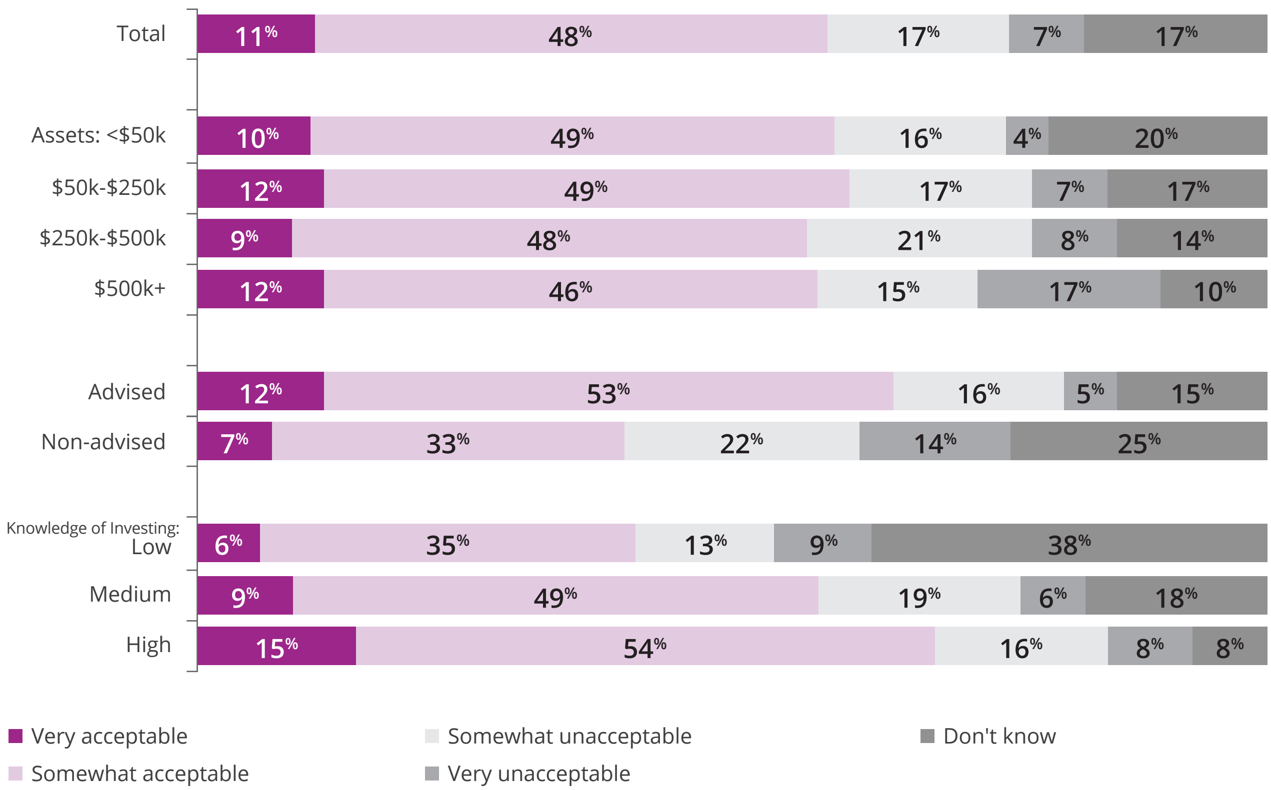
- 13% said they had heard a great deal about these commissions prior to the survey
- 31% said they had heard something about them
- 28% had heard very little about them
- 29% had heard nothing or were unsure if they had heard of them before.

Those who own mutual funds were not significantly more or less likely to say they had heard a great deal about these commissions. Advised investors were not significantly more likely to have heard a great deal or something about these (44% compared to 40% among non-advised investors).

Based on what they know, including the explanation provided, most investors said trailing commissions were an acceptable means of compensating advisors for the service and sales they provide. Advised investors were significantly more likely to say these were very or somewhat acceptable. Nearly one in four said these were unacceptable, but only 7% said these were very unacceptable (see table 16). High-net worth investors (at least $500,000 invested) were more likely than others to say these were very unacceptable (17%) although most in this group still said these were at least somewhat acceptable. Conversely, those with less invested tended to be unsure of how acceptable these commissions were.

What is especially noteworthy is that those investors who said they had a high-level of knowledge about investing (roughly 4 out of every 10 investors), were significantly more likely to say trailing commissions. So, while most investors know only a moderate amount about the fees they pay or about trailing commissions, those who claim to know more are no more likely to be concerned or consider these commissions to be unacceptable.

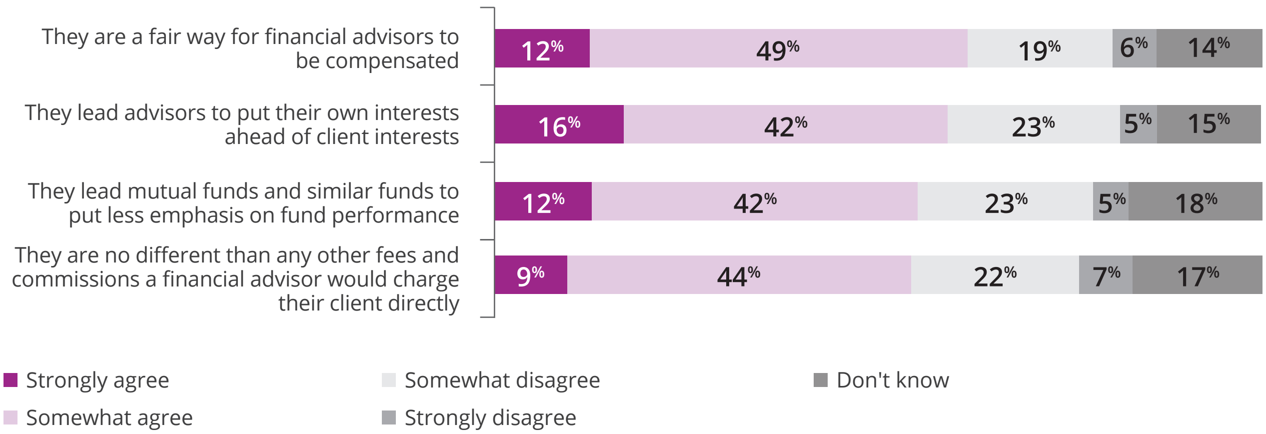
Table 16



“Based on what you know, how acceptable do you think trailing commissions are as a means of compensating financial advisors for the service and sales they provide to investors?” (Among all investors, n=1299)

We tested several propositions or statements in relation to trailing commissions. There is a recognition by at least half of investors that these commissions lead advisors to put their interest ahead of their clients or lead funds to put less emphasis on performance *(see table 17)*. However, there was little strong agreement about these concerns and investors were somewhat ambivalent in their feelings towards these types of commissions. Most agreed trailing commissions were no different than any other fees and commissions a financial advisor would charge their client directly.

Table 17

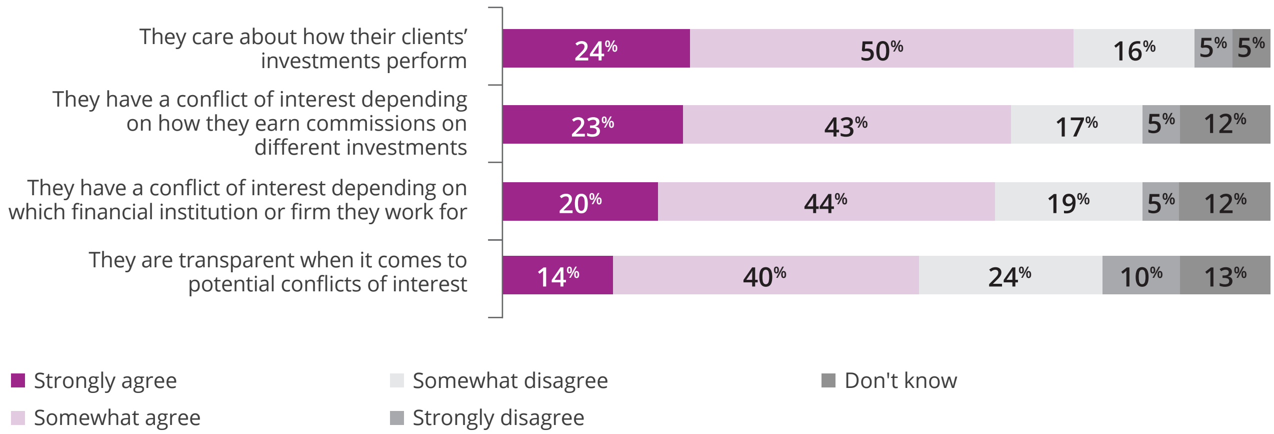


"To what extent do you agree or disagree with the following statements about trailer commissions?" (Among advised investors, n=1041)

And while most agreed advisors have a conflict of interest, that was offset by the fact that investors are more likely to believe advisors are motivated to ensure their clients' investments perform well and are transparent *(see table 18)*:

- While 66% of all investors agreed advisors have a conflict of interest based on how they earn commissions, a larger majority (74%) agreed that advisors care about the performance of their clients' portfolios.
- Among advised investors per se, an even larger proportion (82%) agreed that advisors care about clients' portfolio performance.
- 54% of all investors (including 61% of advised investors) agreed advisors are transparent about potential conflicts.

Table 18

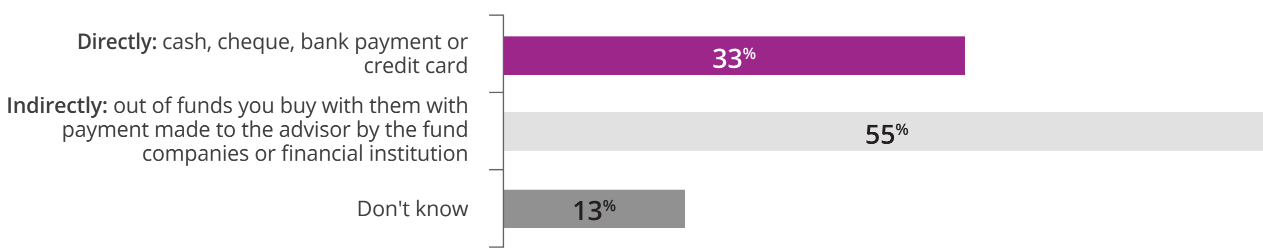


"How much do you agree or disagree with each of the following statements about financial advisors?" (Among all investors, advised and non-advised, n=1299)

Advisor Compensation Options

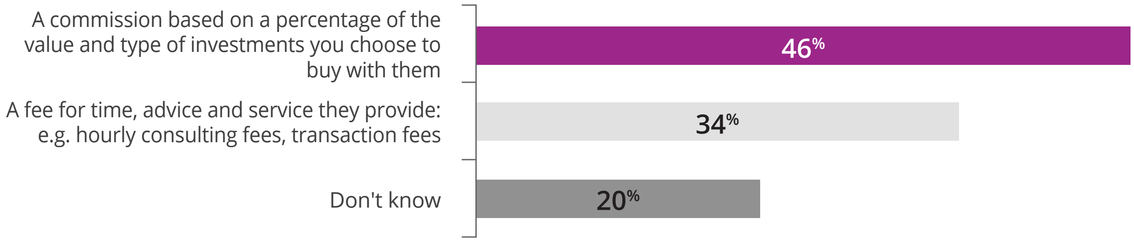
An important reason for investors' preferences in respect of commissions relates to how they prefer to calculate and pay for their advisors' compensation. In a forced choice, advised investors (and those who said they were likely to seek out an advisor) expressed a clear preference to pay for the service offered by advisors indirectly: i.e. out of the funds they buy with that advisor and with the payment made by the fund provider or financial institution. Far fewer would prefer to pay directly by way of a payment.

Table 19



"And between the following two options how would you prefer to pay a financial advisor for advice and services they offer?" (Among those with an advisor or likely to seek one out, n=1158)

Table 20

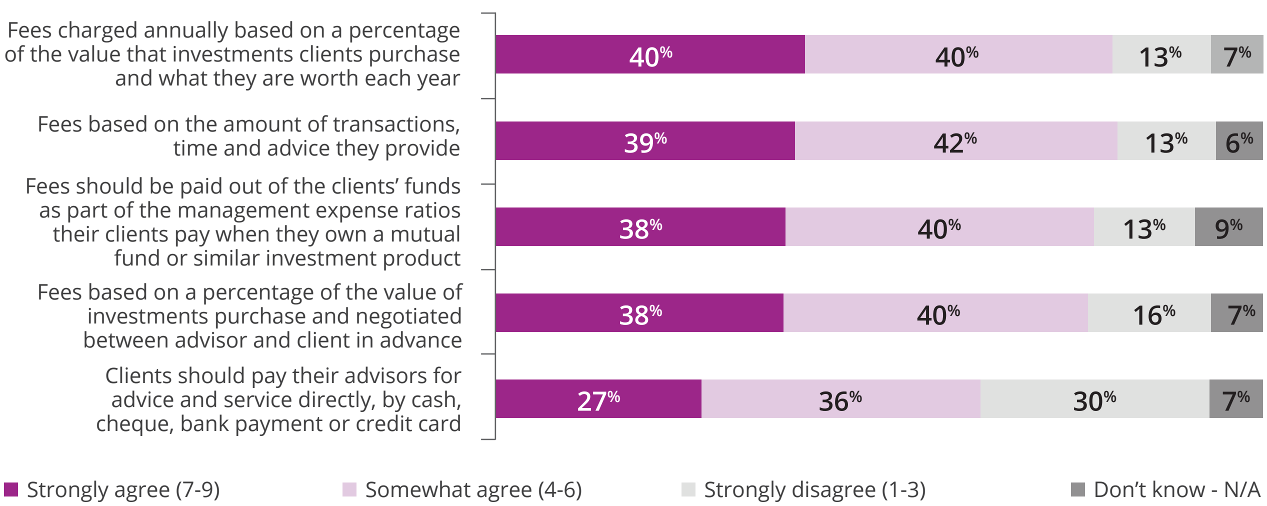


"How would you prefer to determine your financial advisors' compensation for advice and services if you had to choose between the following two options?" (Among those with an advisor or likely to seek one out, n=1158)

Even when asking all investors (both the advised and non-advised) to rate their agreement with each approach per se (rather than in a forced choice) there was little disagreement with a model that emphasizes annual commissions for advisors based on the value of investments clients purchase with them *(see table 21)*.

There was agreement with the idea that fees should be negotiated and reflective of the amount of service advisors provide. But somewhat more disagreed with the idea of charging advisors directly, i.e. delivering them a bill that they would be separately by means of payment outside of a deduction from their portfolio – 30% disagreed strongly with that approach to compensating advisors *(see table 21)*.

Table 21

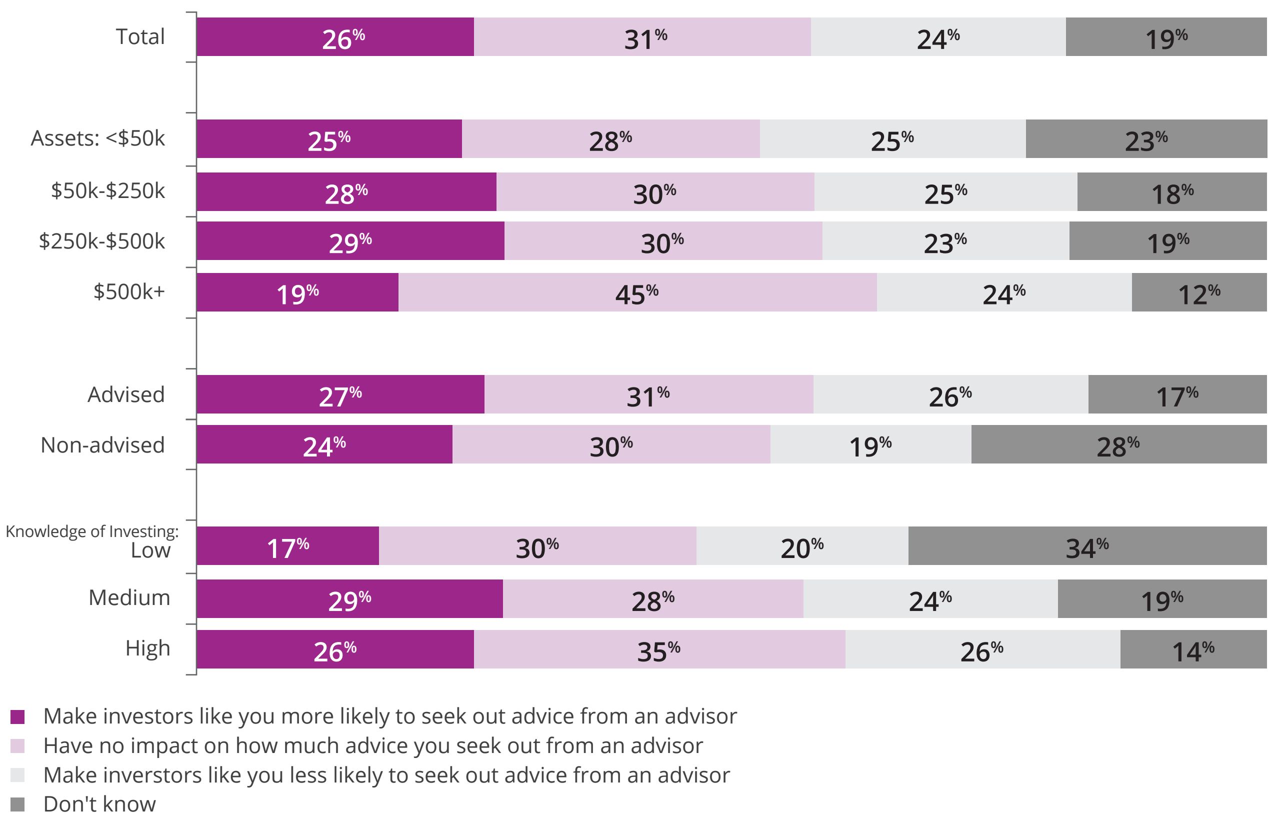


"Using a 1 to 9 scale where 1 means strongly disagree and 9 means strongly agree, please tell us how much you disagree or agree with the following approaches to compensating a financial advisor for their advice and service to a client?" (Among all investors, n=1299)

Investors were divided when asked what the potential impact would be of any possible move to phase out trailing commissions and the way they are paid to advisors and calculated.

Roughly three in ten investors said phasing out trailing commissions paid out of a clients' portfolio and moving to a system where advisors charged clients for advice and service would have no change in their likelihood to seek out advice; 19% were unsure. For 26% of investors, such a move would make them more likely to seek out assistance from an advisor whereas 24% of investors said such a move would make them less likely to seek out advice.

Table 22



"If mutual funds ended the practice of paying advisors trailing commissions based on and paid out of the funds or investment products their clients own, and advisors instead charged clients for advice and service directly, would this:" (Among all investors, n=1299)

Conclusions

In sum, there is limited dissatisfaction with the current system of financial advice in Canada and the way advisor compensation is calculated. While there may be some dissatisfaction about fees, generally, there is relatively higher satisfaction when it comes to advisors' transparency around fees.

It could be argued that the lack of concern around current approaches to advisor compensation is due to the low level of knowledge investors have about different fee structures and all the implications of them. But this is not the case for more knowledgeable investors who were more likely to say trailing commissions were acceptable.

The acceptability about current fee models relates partly to investors' preference for a commission-based approach to advisor compensation based on portfolio value instead of a fee-for-service approach that would see investors invoiced with a bill they would have to pay out of pocket. While investors see value to fees geared to the amount and level of service provided, and generally agree that fees should be negotiated, investors see strengths in both approaches. In a forced choice, more opted for a system of commissions paid by fund providers and financial institutions to advisors from the capital of the investments purchased with the advisor.

Fundamentally, the degree to which investors perceive a potential or real conflict of interest when it comes to advisors' fees is offset by the fact a larger proportion of advised investors is satisfied with their advisors and think they have their clients' interests at heart. Most believe their advisors are concerned about the performance of their portfolio and a preference for a commission-based approach to advisor compensation (drawn from and based on the value of the portfolio) may be rooted in that.