

October 6, 2018

To: Ontario Securities Commission

Re: Public comments on Trailer fees paid to discount brokers, DSC mutual funds, and misrepresented Dealing Representatives contrary to Securities Act “representation” requirements.

Making payments to discount brokers for advice and undefined services is just plain wrong.

Mutual fund boards should be held accountable for abuse of fund assets. Buying shelf space with fund assets is a breach of fiduciary duty. The Independent Review Committees should be asked if they were asked ABOUT this use of funds and if so, why did they agree for this money to leave the fund.?

If they were not asked, the trustees are non compliant with NI81/-107. No matter how you look at it the root cause of this issue lies with the fund manager and that is who the CSA should be sanctioning.

As for the DSC issue, it has been known since 1998 when the Stromberg report was issued that the DSC sales option is hard-wired to be corrupted. As it is mainly middle income families exposed to the toxic DSC, the CSA should ban it as an abuse of the public and an unjust enrichment of dealing representatives.

It is not a matter of investor choice since only financial illiterates would seek out an investment that locks them in for up to 7 years. Of course, a 5% upfront payment to the salesperson is irresistible but definitely not in the client's best interests. Once the DSC is prohibited, all fund MER's will drop and that's a good thing. Sales of the DSC should cease during the consultation period or at least any ban should be effective as of the date of the consultation.

Finally, for the CSA to turn a blind eye to 116,000 registered dealing representatives, who falsely portray themselves to the public in a manner intended to lead (deceive) Canadians into a false belief that they are dealing with “advising representatives”, and not dealing representatives (salespersons) is tantamount to an epidemic of systemic fraud upon Canadians. The CSA appears willfully blind to this deception at best, and complicit to it at worst.

It must be noted that Provincial regulators may be liable for breaches of the public trust if it can be shown they are/were not acting in good faith in their public protection capacity as government regulators. Letting Canadians be deceived, and financially abused, does not appear to meet the standard of acting in good faith.

Thank you for the opportunity to make comments.

This letter may be publicly posted.

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