

November 21, 2018

RE: Sept.13/18 CSA Notice and Request for Comment (Proposed Amendments to NI 81-105)

I submit the following as a DIY investor based in Alberta currently accessing the markets via an OEO broker.

I am supportive of all the proposed changes and, in particular, the elimination of embedded trailing commissions. I am particularly offended by the ability of OEO brokers to receive trailing commission payments on fund purchases when they are not providing advice. I understand that fund companies utilize both OEO and full-service brokers (via advisers) as sales channels for their funds. In either case, it stands to reason that the broker should be able to charge an investor a one-time "transaction charge" for enabling the purchase or sale of a fund, much like that which applies to a stock purchase or sale.

As for the fund company wanting to pay an incentive to an Adviser, this sets up a conflict of interest that encourages Advisers to place investors in funds not based on performance or "fit" but rather based on anticipated compensation. I saw this first-hand when I was licensed and sold funds back in the late 90's. I had a discussion with one of the partners of a fund company recently. I was inquiring whether they had a Class D (DIY version) of a fund they offered. His response was that "offering a D class creates channel conflict with [fee-based] advisers as it devalues the value of the advice they provide for their services". My response is that Advisers providing other than OEO service that are truly adding value to their clients should be able to separately negotiate a fee with their clients that compensates them for this. Embedding the fee penalizes DIY investors by requiring them to pay for advice that isn't being offered, or desired. Moreover, it certainly doesn't provide any incentive to DIY investors to purchase such funds given that the forced purchase of only a "Series A" version is typically 25-35%+ more costly than Series D alternatives available elsewhere and perhaps far costlier than any "active" ETF products that may be available that have the potential to mimic the same strategy.

In my opinion, MERs should reflect management expenses only and funds should be constrained to offering only "series" that are void of embedded commissions. This sets up a fairer playing field for all investors. DIYer's that feel they can navigate the investing landscape on their own could benefit from a full slate of available funds with transparent and fairer fees. All investors would pay a similar one-time transaction charge. And those that are accessing the funds via Advisers that are providing other than OEO service, and hopefully receiving value from it, can negotiate separately with these Advisers an appropriate basis of compensation.

Regards,

Alberta-based DIY Investor