



April 12th 2012

BY ELECTRONIC MAIL ONLY TO: comments@osc.gov.on.ca consultation-en-cours@lautorite.qc.ca

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

The Secretary
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, ON 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 Discussion Paper 81-407: *Mutual Fund Fees*

The Association of Canadian Compliance Professionals ("ACCP") is an organization representing over 100 compliance professionals across the country.

The ACCP is writing to provide comment that we support and agree with the comment letter (copy enclosed) submitted to you by the Federation of Mutual Fund Dealers on April 12th 2013 with respect to the above captioned Discussion Paper.

Sandra L. Kegie, Executive Director
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In addition to the aforementioned comment letter provided by the Federation of Mutual Fund Dealers we also wish to provide the following comments relating to VII Current Regulatory Initiatives and Topics for Consideration of this Discussion Paper. Specifically item 2 Topics for Consideration; Some Possible Changes Include:

i. Advisors services to be specified and provided in exchange for trailing commissions.

Each Dealer would be expected to establish a minimum standard of service which would be communicated in their Client Relationship Document (“CRD”). Advisors and Dealers would also be expected to record and monitor the nature, extent and frequency of services provided by each Advisor. This would require ongoing monitoring which would require staff and system enhancements which would increase Dealer costs. We believe that disclosure of advisor services is adequately covered in 31-103. Furthermore, the client complaint disclosure requirements in CRM provide investors with clear directions for bringing any identified breaches to the Dealer’s attention.

ii. A standard class of DIY investors with no or reduced trailing commissions

This would significantly alter the existing distribution landscape by creating a new distribution channel that would be a mutual fund dealer equivalent to a discount brokerage investment dealer. This new distribution channel would unquestionably have a negative impact on the financial stability, profitability and ongoing viability of existing mutual fund dealers as there is no doubt that a significant portion of existing clients would be swayed into becoming DIY investors. This would also weaken the effectiveness of the relationship between advisor and investors as the capturing of financial information for the investors would become more fragmented than it currently is.

New fund classes would have to be created which would create additional industry cost and may also impact volumes. While the ability to purchase mutual funds on a low cost “execution only” basis may be of some financial benefit to a small portion of potential DIY investors, it will most certainly encourage many inexperienced and unsophisticated investors to mistakenly become DIY investors and to eschew the financial advice they really require. This could also encourage regulatory arbitrage where investors from mutual fund dealers would be moved to insurance products like segregated funds where there is virtually no regulation to hamper advisors, advisor’s relationships with their clients, and advisors are able to benefit from higher payouts and sales benefits.



iii. Trailing commission component of management fees to be unbundled and charged/disclosed as a separate asset based fee.

There may be tax consequences which would disadvantage the client, advisor and dealer

iv. A separate series or class of funds for each purchase option

This would fragment the funds into multiple varieties creating new fund codes and adding additional compliance disclosure review and analysis. Each new class costs fund companies more to administer which would in turn cost the client more with no complementary benefit. All costs are ultimately borne by the client. This may also be a redundant measure given all of the now enforced increased disclosure requirements just announced by the CSA.

v. Cap Commissions

Fund company to create tracking systems so the amount of commission would never exceed a set maximum. This proposal makes no allowance for length of time that the investment is held. Would the cap be different for investors with a three years time horizon versus investors with a ten year time horizon? How would track this be tracked and who would be responsible for tracking and monitoring? This may also increase potential churning as advisors may simply switch client accounts from one fund company to another once the commission cap for that fund company has been reached. Accordingly, we firmly believe that this proposal is unnecessary, cannot be easily managed, may even have negative unintended consequences as noted above and essentially creates a cap on Dealer and Advisor income, surely something outside of the CSA's mandate

vi. Implement additional standards or duties for advisors

We would like to draw your attention to ACCP Comment Letter re: Best Interests letter Feb. 2013. This inherently brings with it additional standards for fund companies and dealer staff at every level; compliance, operations, IT etc.

vii. Discontinue the practice of advisor compensation being set by mutual fund.

This is essentially an adoption of a fee for service basis for Advisor and Dealer compensation. This certainly has the potential to minimize and/or eliminate churning because there would be no DSC to DSC or any other switch to generate new commission.

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However, this would also place the burden of collecting the fees on the dealer and that will certainly increase the Dealer's business costs. In a fee for service model, the costs of administering smaller accounts and transactions will likely motivate many if not all dealers to impose minimum account balances and fees that will reduce the smaller investor's opportunities to select the same investment alternatives they have access to today.. We believe that investors should be provided with a wide variety of options when it comes to compensating financial advice providers. We are confident that the existing requirements in CRM will provide the full plain and true disclosure that investors need in order to which one is right for them. It is important to note that these practices are already in place where you have dealers and their advisors unable, not necessarily unwilling, but unable to provide any meaningful service to smaller accounts because it just does not make any business sense to do so. Once again the small client suffers and it is arguably the smaller less sophisticated client these proposals will marginalize.

While we do want to thank you for the opportunity to provide our comments, we also feel it is important to tell you that there is a growing concern within the compliance community that comments provided by them are not being given serious consideration. This is clearly evident after the two rounds of consultations regarding cost and performance reporting. Since then, the CSA has published rules materially unchanged by industry comment, and stated that while comments from the industry were against many of the new rules, the CSA believes that the benefits outweigh any concerns the industry may have. We do not understand how the CSA was able to draw this conclusion in light of the fact that these industry comments reflected the views of 80%+ of industry participants.

Do not hesitate to contact me with any questions or concerns you may have.

Regards,

Association of Canadian Compliance Professionals

A handwritten signature in black ink, appearing to read "Skegie", written in a cursive style.

Sandra L. Kegie,
Executive Director