

March 9, 2016

BY EMAIL

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Dear Sirs/Mesdames:

Re: MFDA Consultation Regarding Cost Reporting for Investment Funds

The Canadian Advocacy Council¹ for Canadian CFA Institute² Societies (the CAC) appreciates the opportunity to respond to the MFDA's request for feedback regarding the report on charges and compensation, which relates to MFDA Rule 5.3.3.

We would support expanding the requirements under Rule 5.3.3 to include disclosure of the other costs of owning an investment fund that are not paid to the MFDA Member. We would like to respond to the following specific questions contained in the consultation.

1. *Is the current proposed disclosure of dealer compensation sufficient for clients to make informed decisions or should disclosure be expanded?*

It is important that investors be provided with timely, accurate and understandable disclosure about all investment charges to help assess the performance of their advisor and their investments. If investors are provided with full transparency with respect to the cost of their investment, a properly functioning market will help keep costs at a competitive level.

We are of the view that disclosure should be expanded to cover items such as those listed in the consultation paper, which include management fees, redemption fees and short term trading fees. With respect to disclosure of items such as fund operating costs, we are cognizant of the fact that too much disclosure could put fund managers at a competitive disadvantage and could be confusing to retail investors, and thus we do not believe it is necessary to include information that is any more granular than operating costs in aggregate.

¹The CAC represents more than 15,000 Canadian members of the CFA Institute and its 12 Member Societies across Canada. The CAC membership includes portfolio managers, analysts and other investment professionals in Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. See the CAC's website at <http://www.cfainstitute.org/cac>. Our Code of Ethics and Standards of Professional Conduct can be found at <http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx>.

² CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors' interests come first, markets function at their best, and economies grow. CFA Institute has more than 135,000 members in 151 countries and territories, including 128,000 CFA charterholders, and 145 member societies. For more information, visit www.cfainstitute.org.

2. *What types of investment products should be subject to expanded disclosure?*

Any expanded disclosure should not be limited solely to mutual fund products. In order for investors and their advisors to make more informed investment decisions, products that are sold in a similar fashion to mutual funds, and potentially by the same person or by a non-registrant (e.g. insurance products), should be subject to similar disclosure rules.

3. *Specifically, how could the expanded disclosure be reported in a way that clearly and effectively communicates the information to clients and is consistent with other product disclosure (e.g. Fund Facts Document)? What are the various options and alternatives?*

While there are some issues with the Fund Facts Document, it is widely recognized by investors. Products that are similar to investment funds could utilize a similar format to disclose both fees and risk ratings for the product. Specifically, disclosure with respect to fees could include a comparative fee. As an example, the disclosure document for an insurance product could be required to discuss fees relating to a similar mutual fund product.

In our experience, investors find it easier to understand the dollar cost of charges rather than only a percentage figure. We believe that wherever a percentage cost is listed in the disclosure, a corresponding dollar amount per \$1,000 of investment should also be provided.

4. *What is the impact to the industry in expanding current requirements? Please specifically comment on operational or implementation issues such as system requirements, transition periods, etc.*

If the requirements were expanded to include non-MFDA Members, it would take time for those entities not currently subject to CRM2 to comply. We would suggest that an implementation period similar to that which was provided to registrants now subject to CRM2 would be sufficient. For MFDA Members and other registrants already subject to those requirements, a suitable transition period of up to one year for additional disclosure should be achievable.

Concluding Remarks

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have or to meet with you to discuss these and related issues in greater detail. We appreciate the time you are taking to consider our points of view. Please feel free to contact us at chair@cfaadvocacy.ca on this or any other issue in future.

(Signed) *“Michael Thom”*

Michael Thom, CFA
Chair, Canadian Advocacy Council