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**Via Email:** [kwoodard@mfd.ca](mailto:kwoodard@mfd.ca)

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Ken Woodard  
Director, Membership Services & Communications  
Mutual Fund Dealers Association of Canada (MFDA)  
Suite 1000 - 121 King Street West  
Toronto, Ontario M5H 3T9

Dear Mr. Woodard:

**Re: MFDA Request for Comment – Report on Charges and Compensation – Consultation Regarding Cost Reporting for Investment Funds (the “Consultation”)**

The Investment Industry Association of Canada (“IIAC”)<sup>1</sup> appreciates the opportunity to comment on the Consultation, the results of which are intended to be shared with other securities regulators that govern IIAC Members.

**Premature to Assess Client Impact**

We question the timing of the Consultation and the basis for the feedback received by the MFDA to expand cost reporting, which has not been articulated. The IIAC believes that it is premature at this juncture to consider expanded cost disclosure for investment funds and other products as the industry does not have the benefit of an assessment of the full impact of CRM2 disclosure on clients. Advice provided at this stage would be speculative and implementing new product cost disclosure based on speculation alone may lead to unintended consequences such as client confusion which compromises investors’ interests. The CRM2 disclosure initiative has yet to be fully implemented and an appropriate period of time is necessary to allow for change management, including the steep learning curve for client awareness and education, followed by an impact assessment. In addition, pre-sale delivery of Fund Facts

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<sup>1</sup> The IIAC is the national association representing the investment industry’s position on securities regulation, public policy and industry issues on behalf of our 144 investment dealer member firms (“IIAC Members”) that are regulated by the Investment Industry Regulatory Organization of Canada (“IIROC”). These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations that is fundamental to economic growth.

is yet to be implemented, and this regulatory initiative also requires a period of time for clients to adjust and an impact assessment before embarking on consideration of further regulatory changes.

Expanded cost reporting and the ability to implement same, among other potential changes, may be reviewed only once the context for understanding whether it would be beneficial to clients can be informed by an analysis of the impact of CRM2 disclosure and Fund Facts pre-sale delivery. As such, it is not feasible to advise at the present time whether the disclosure yet to be fully implemented should be expanded.

### **Communication of Expanded Cost Disclosure**

We further question whether there is also a premature assumption that product cost disclosure should belong to the distributor of securities products rather than with the manufacturer. It may be difficult for dealers to communicate expanded cost disclosure for fees clients paid to third parties in an effective manner without investor confusion over the distinction between compensation the dealer receives from the client and third parties versus third-party payments made by the client. To avoid unintended consequences, there should be a comprehensive analysis of CRM2 and point of sale client impacts, following which the issue of where any product cost reporting would reside most efficiently and effectively may be examined.

### **Impact to Industry**

IIAC Member firms have been engaged in a complex CRM2 implementation process that is still not complete. It would be unreasonably burdensome to firms' operations and technology areas to layer on an investigation of expanded product cost reporting capability arbitrarily prior to CRM2 and point of sale impact assessment and an understanding of whether any expanded reporting would best reside with dealers. It is understood generally, however, that dealers would require additional reporting systems, such as feeds with MER information for each fund, and significant development work would be necessitated for dealers to calculate and report each product cost value, where possible to do so.

We appreciate your consideration of our comments on the Consultation and would be pleased to discuss this further should there be any questions.

Yours sincerely,

"Naomi Solomon"