Session 4 – comments from webinar group

Introduction

1. Embedded commissions raise conflicts of interest that misalign the interests of investment fund managers, dealers and representatives with those of investors;
2. Embedded commissions limit investor awareness, understanding and control of dealer compensation costs; and
3. Embedded commissions paid generally do not align with the services provided to investors.

Name	Firm	Comments
Robert Neil (Bob) White, CLU	Group One Planning Solutions (Kelowna)	Where are the facts to support the comments of the 3 points by the CSA? Back to my comment that the 3 points are ambiguous and I have seen no founded facts to back up the statement.
Robert Neil (Bob) White, CLU	Group One Planning Solutions (Kelowna)	We need to stop calling it commission. It is compensation. Depending on our dealer, all advisors are paid differently.
Robert Neil (Bob) White, CLU	Group One Planning Solutions (Kelowna)	Fair Canada's comments are unfounded. Charge a Fee for service, or embedded compensation at 1% and FE zero, is almost identical.
Robert Neil (Bob) White, CLU	Group One Planning Solutions (Kelowna)	With the exception of a few funds all trailers are the same for each asset class. If there is a higher trailer, if is usually offered by a housed product such as Credit Unions.
Robert Neil (Bob) White, CLU	Group One Planning Solutions (Kelowna)	Why has no one illustrated the comparison of fees for the different options, Embedded, fee for service F class) or charge a fee, 1%, 1.5% or 2% of the asset base, full disclosure of facts to prove if there is harm?
Robert Neil (Bob) White, CLU	Group One Planning Solutions (Kelowna)	Fair Canada - there is no evidence that embedded compensation hurts or misaligns interests

Topic 1: Discontinuing the deferred sales charge (DSC) purchase option

- Should we ban DSC products as an alternative to banning all embedded commissions?

Name	Firm	Comments
Brad Brain	Brad Brain Financial Planning Inc. (Fort St John)	To answer this question assumes I agree with assumption that the commission model is at fault. I don't agree with that. No compensation model will provide an assurance of competence, professionalism, ethics, or putting the client first. If you are looking to increase the level of advice, get better advisors. Professional credentials. Meaningful continuing education. Membership in a professional organization with a code of conduct. If they can't make the grade, why are they giving financial advice?
Sylvia Sasyniuk	Desjardins Financial Security Investments Inc. (Penticton)	I do not use DSC but I do use LSC which is far less of commitment period or penalty if funds needs to be redeemed. My clients are very receptive to it as it also keeps them invested in the first 3 years, which should be their minimum time frame anyways that you should have when you are investing in mutual funds. Especially if that fund has equities involved in them. Mutual Funds are NOT short term investments therefore LSC should not be an issue.
Nadine Thornton	North Peace Financial Planning (Fort St John)	I would rather see DSC banned than embedded commissions and agree with one of the previous speakers - having discussed embedded trailers and fee based option, most of my clients prefer to pay my office a fee the way they currently do (via embedded trailer fee).
Robert Neil (Bob) White, CLU	Group One Planning Solutions (Kelowna)	Disclosure is the issue. New advisors need to make an income. DSC helps them do that. So, DSC Make the charge back to Advisor, they can always replace with another DSC or Low Load, if a change is required.

Topic 2: Capping or standardizing trailing commissions

- Would capping or standardizing trailing commissions address the key issues identified in the consultation paper?

Name	Firm	Comments
Brad Brain	Brad Brain Financial Planning Inc. (Fort St John)	No. Rogues will still find a work-around, meanwhile you are hobbling the majority of advisors who are good, honest and ethical. There is no limit on fee for service charges. What is stopping someone from going F class then tacking on an egregious fee? Mutual fund trailers are public knowledge, individual fee for service charges are not. I know one infamous fee for service advocate who sanctimoniously trumpets the benefits of fee for service but then charges more than A class, how is that in the client's best interest?

Topic 3: Tying compensation to advice

- What regulatory changes would align services delivered with fees paid?

Name	Firm	Comments
Brad Brain	Brad Brain Financial Planning Inc. (Fort St John)	Trying to prescribe more and more rules is the wrong tactic. It impedes the real advocates, and it hardly dissuades crooks. By definition crooks don't follow the rules. Adopt a principals based regulatory model. Rules can be worked around, but principals are immutable. It's not whether the advisor used a DSC model or not that is the issue, it's did they do they right thing for the client that matters.
Janet Fish	Advocis (Vernon)	Does a lawyer, doctor, nurse need to disclose their compensation and does that make them in a conflict of interest?
Nadine Thornton	North Peace Financial Planning (Fort St John)	Something that is not currently being discussed and which I think is far more

		important than how advisors are currently being paid is the current lack of professionalization of the financial advice industry. There are currently no National regulations on what qualifications a person must hold in order to hold themselves out as a financial advisor/planner.
Nadine Thornton	North Peace Financial Planning (Fort St John)	On the topic of aligning services with fees paid please see my comment above regarding raising standards / professionalization of financial advice! As a CFP, the services I offer my clients that are included in the fee they pay include a Financial Plan. I explain all the services I provide and even send a handout home with clients that clearly outlines what I do for them that their fee pays for.
Robert Neil (Bob) White, CLU	Group One Planning Solutions (Kelowna)	You cannot regulate the service to fee. How will the client know the value of service to fee? If the fee comes from a high interest portion of the investments, then it is an embedded fee payment. So it is effectively the same. Compare the disclosure idea of services to what service is the investor getting for their savings account or GIC at the bank. What have they done for rate of return, how have they lent the funds invested (deposited) how have they leveraged that money. Make everything on a level playing field
Robert Neil (Bob) White, CLU	Group One Planning Solutions (Kelowna)	How do these conflicts affect bank employees who sell mutual fund product, with only bank products and how do they disclose how much the banks get paid, and that there is no other fund company choice?

- In addition to CRM2 (cost disclosure), what regulatory changes would make investors aware of the fees they are paying for and the services they receive in return?

Name	Firm	Comments
Brad Brain	Brad Brain Financial Planning Inc. (Fort St John)	CRM2 is a lousy disclosure. It doesn't address total fees paid. We need a CRM3 that discloses what clients are actually paying, not merely what goes to the dealer. They are not at all the same thing.
Janet Fish	Advocis (Vernon)	I would suggest the reporting of fees are also not correct as the way the statements look now is as though I receive ALL the fees ... it doesn't show how much my dealer gets. This whole conflict of interest thing really bugs me - I don't see it. I also wonder how much we advisors have paid in compliance fees and how many BAD advisor have been kicked out of this industry.
Sylvia Sasyniuk	Desjardins Financial Security Investments Inc. (Penticton)	The only thing lacking, as one other person commented, the full MER needs to be disclosed, not just ours. The % / $ figures that the fund companies receives, the fund manager's share, the dealer's share and then, the advisor share.

Topic 4: Option of discontinuing embedded commissions

- Is there a combination of reforms, not including banning embedded commissions, that can alternatively address the key issues identified in the paper?

Name	Firm	Comments
Brad Brain	Brad Brain Financial Planning Inc. (Fort St John)	Yes. Stop allowing people to treat financial planning as a side hustle. This is a full time job for professionals, not a part time multi-level marketing "opportunity." Additionally, stop allowing multi-level marketers to call themselves "financial professionals." They aren't. Regulate the titles so you can't convey upon yourself some grandiose job description that infers an

		inflated sense of importance or capability.
Janet Fish	Advocis (Vernon)	All of this "boils down to conflicts created" I am not sure where that came from? Yes, I am sure there are 'greedy' advisors. I would argue the LARGEST number of independent advisors are in the business to HELP people.
Sylvia Sasyniuk	Desjardins Financial Security Investments Inc. (Penticton)	I don't think this there is anything more that should be done because we are already doing it with CRM2. It is fully disclosed at the time they purchase the investment. They receive the fund facts with the compensations fully disclosed in writing, They see it on their portfolio statements AND they sign for it every time they make a purchase.
Sylvia Sasyniuk	Desjardins Financial Security Investments Inc. (Penticton)	No, do not discontinue embedded commissions. It will do more harm than good. We are almost fully transparent now.
Sylvia Sasyniuk	Desjardins Financial Security Investments Inc. (Penticton)	National professional standards (advisors to be properly qualified) and giving investors the choice of how to pay the fee!

- Potential unintended consequences of discontinuing embedded commissions include an advice gap for small accounts and market shifts to segregated funds and other products not subject to securities regulatory requirements. What other unintended consequences are possible if we discontinue embedded commissions?

Name	**Firm**	**Comments**
Brad Brain	Brad Brain Financial Planning Inc. (Fort St John)	Making it harder to engage with clients will not end well. Half of my clients are on a fee for service arrangement. The reason the other half aren't is because it doesn't always fit. On a fee for service basis there are only four options for clients to pay, and each

		has its drawbacks. 1) The client can inject new cash. But this decreases cash flow. 2) The client can sell investments. But this is clunky and labour intensive, and can result in transactions costs or tax implications. 3) The client can keep cash on the sidelines. But this diverts money from long-term objectives. 4) The client can add to income producing investments. But this can take money away products appropriate for the client's objectives, in particular for someone looking to grow their portfolio. In addition to a flight to segregated funds, a far, far greater risk is a flight to exempt markets, where 100% losses are routine and referrals by the uninitiated are commonplace. You are looking at smaller clients inevitably being abandoned to anonymous, rotating clerks at financial big-box stores or left to figure things out on their own. Costs to small investors will inevitably go up. Gargantuan compliance over-reach will expand even further with no meaningful productive results. No compensation system is either intrinsically good nor evil, and this will do nothing to stop rogue behaviour by the ethically-challenged.
Janet Fish	Advocis (Vernon)	How about the amount of advice clients receive that they do not pay for? We give options for our clients or prospective clients on how to buy a car,

		a house, manage the day to day spending, paying off debt, building wealth, how much money should go to RSP's / TFSA's / how to structure my retirement income. I agree that minimum education requirements and mandatory membership to an approved organization (Advocis / CIFP)
Janet Fish	Advocis (Vernon)	How do we bring new advisors into this industry? How do we fill the large gap that is looming for people to continue to receive great financial advice? The model that was adopted in Britain and Australia has left only the very wealthy with advice. I understand Australia is looking at changing back to another model because it hasn't worked there. How will this work here?
Colin Karpowich	VantageOne Financial Corp. (Vernon)	Our firm would require a minimum \$1500 annual fee per client, even if assets are modest (<\$100K). This would result in a much higher cost to clients than the current trailing commissions they pay, particularly if they are holding fixed income funds which generally provide a 0.5% trail. How does tripling the cost to clients benefit them?
Sylvia Sasyniuk	Desjardins Financial Security Investments Inc. (Penticton)	It will put more costs directly onto the advisor to monitor, collect , etc. the fees and potentially could lead to putting many independent advisors and their business out of business. Clients will lose advisors they have trusted for years and be forced to seek other options at perhaps even higher cost elsewhere and perhaps receive lesser service. Employees would be laid off. Rent you pay for your space would be lost. Service Providers. The EI and CPP and taxes collected would be lost.
Sylvia Sasyniuk	Desjardins Financial Security Investments Inc.	My other concern is how is the BCSC ensuring that banking clients are

	(Penticton)	receiving the same level of regulatory disclosure that we are in regards to the sale of their mutual funds to keep a level playing field. If the sales person is on salary at a bank versus commission advisor, does the banks fund give the illusion that it is cheaper to buy through the bank verses the independent advisor?
Nadine Thornton	North Peace Financial Planning (Fort St John)	re unintended consequences - for me personally if embedded commissions are banned a large % of my clients will have to move their accounts elsewhere as they do not meet minimum assets needed to open a fee based account with my dealer - at the moment a choice of either embedded fees or fee based account works very well.
Robert Neil (Bob) White, CLU	Group One Planning Solutions (Kelowna)	The Cummings report gave exactly what was asked. There are no trailers on F class funds, these are fee for service. Many dealers only offer F class (fee for service) for larger accounts. So the only choice is embedded compensation.
Robert Neil (Bob) White, CLU	Group One Planning Solutions (Kelowna)	If a client is sold a fee for service with a fee over 1.1%, then it is almost certain that the client will pay more, so more punitive in cost than the embedded version.
Robert Neil (Bob) White, CLU	Group One Planning Solutions (Kelowna)	Advisors who sell fee for service (F Class) they should have to disclose if their fee is higher than the embedded option
Robert Neil (Bob) White, CLU	Group One Planning Solutions (Kelowna)	It is proven that people with advisors over a period of time will have more money , than with no advice.