



Canadian Foundation *for*  
Advancement *of* Investor Rights

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**RE: Proposed New MFDA Rule 2.4.4 (Transaction Fees or Charges) and Proposed Amendments to MFDA Rule 5.1 (Requirement for Records)**

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A.1. We are pleased to offer comments on the Mutual Fund Dealers Association of Canada's ("MFDA") proposed new Rule 2.4.4. Thank you for the opportunity to provide these comments.

A.2. FAIR Canada is an independent, non-profit organization dedicated to representing the interests of Canadian investors and shareholders in securities regulation. The mission of FAIR Canada is to be a national voice for investors and shareholders in securities regulation and a catalyst for enhancing the rights of Canadian shareholders and individual investors.

**A.3. FAIR Canada agrees with the MFDA's proposal to add new Rule 2.4.4 (Transaction Fees or Charges) requiring that clients be informed of fees or charges that will be incurred by them and deducted in respect of transactions. These amendments are welcome improvements.**

**1. Investors deserve full disclosure of fees and charges.**

- 1.1. It is essential that investors be provided with complete information with respect to charges and fees prior to the execution of a transaction, both at the time of the initial trade and at redemption. Investors need fair access to pricing information, particularly when it comes to the disclosure of what can often be complex fees and charges.

## **2. Redemption fees.**

- 2.1. FAIR Canada strongly supports the MFDA's objective of ensuring that redemption fees and charges are properly disclosed to clients prior to a firm's acceptance of any redemption order. Ensuring that clients are fully aware of the implications of a switch or redemption prior to acceptance is necessary to ensure that clients have all information necessary to make an informed decision about redemption.

## **3. CSA point of sale initiative.**

- 3.1. We disagree with IFIC's submission that the current regulatory structure sufficiently addresses the intended objective of the proposed MFDA amendments. As Kenmar points out in its comment letter, MFDA members can offer products that are not necessarily covered by the CSA point of sale disclosure initiative (the "CSA Initiative").
- 3.2. The CSA Initiative is aimed at indirect fees or charges, while the MFDA's proposed amendments capture direct transaction fees and charges. In addition, the CSA Initiative does not contemplate the provision of such disclosure on redemption. As mentioned above, this disclosure is essential for the protection of investors.

## **4. Form of disclosure.**

- 4.1. While FAIR Canada recognizes that, in limited cases, it may be impractical to require detailed information regarding fees and charges, we agree with Kenmar's submission that, to the extent practicable, the disclosure should be provided in plain language and expressed in dollars and cents. We would further add that the information should be presented in a way that is clear, unambiguous and meaningful to individual investors.
- 4.2. In its proposed amendments, the MFDA notes that disclosure of the exact amount of fees and charges could be difficult because complex calculations may be required to determine the amount, in addition to the fact that such fees are levied at the discretion of the fund company. If MFDA members or their representatives that sell investment products to retail investors are unable to determine the fees and charges associated with a particular transaction, perhaps a more transparent means of calculating such fees and charges is warranted in the mutual fund industry. Given the impact of fees on overall mutual fund performance for individual investor portfolios, FAIR Canada views this information to be essential in financial decision-making.
- 4.3. We suggest that the disclosure requirements in new Rule 2.4.4 be refined to specifically require that fees and charges be provided in dollars and cents unless impractical due to unavailable information. The rule should require that, where specific information in respect of transaction fees or charges is not available, as much accurate and detailed information as possible be provided, such as by providing an estimate.

We thank you for the opportunity to provide our comments and views on the comments summary and proposed amendments. We welcome the public posting of this submission and would be pleased to discuss this letter with you at your convenience. Feel free to contact Ermanno Pascutto at 416-572-2282/[ermanno.pascutto@faircanada.ca](mailto:ermanno.pascutto@faircanada.ca) or Ilana Singer at 416-572-2215/[ilana.singer@faircanada.ca](mailto:ilana.singer@faircanada.ca).

Sincerely,

A handwritten signature in black ink, appearing to read "Ilana Singer". The signature is written in a cursive, flowing style.

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