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**RE: Proposed Amendments to MFDA Rule 5.3.2 (Content of Account Statement)**

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FAIR Canada is pleased to offer comments on the Mutual Fund Dealers Association (“MFDA”) proposed amendments to MFDA Rule 5.3.2 (Content of Account Statement) (the “Proposed Amendments”).

FAIR Canada is a national, charitable organization dedicated to putting investors first. As a voice of Canadian investors, FAIR Canada is committed to advocating for stronger investor protections in securities regulation. Visit [www.faircanada.ca](http://www.faircanada.ca) for more information.

**1. Executive Summary**

- 1.1. The MFDA’s Proposed Amendments will require that MFDA members (“Members”) disclose to clients, on the account statement, that they are members of, and regulated by, the MFDA.
- 1.2. FAIR Canada supports efforts to promote and raise awareness of the MFDA and its regulatory function which will thereby help investors assess the regulatory status of member dealers and/or individual registrants.
- 1.3. FAIR Canada also supports requirement to include the MFDA logo on account statements. This proposed change will increase the degree of client awareness that the MFDA is the regulator of the Member and that the Member is a regulated entity.

- 1.4. FAIR Canada believes, however, that the MFDA should require that this disclosure appear prominently on Member account statements. The MFDA logo as well as the statement that the Member is a member of, and regulated by, the MFDA must be legible and appear in a prominent location on the account statement.
- 1.5. FAIR Canada encourages the MFDA to promptly implement the Proposed Amendments and recommends that the MFDA mandate that the new account statement disclosure come into effect at the same time as CRM2.

## **2. Proposed Changes to new MFDA Account Statement Content rules**

- 2.1. FAIR Canada supports the MFDA's introduction of an obligation for Members to disclose membership in the MFDA through their account statements by indicating that the Member is regulated by the MFDA and by including the MFDA logo on the account statement.
- 2.2. Disclosing membership in the MFDA, indicating that the Member is regulated by the MFDA, and including the MFDA logo on the account statement will help to make investors more aware about registrants and the MFDA, and should ultimately make it easier for investors to access information about the Member and its regulatory status.
- 2.3. Account statements are the documents that clients receive on a periodic basis and retain for their records. If the MFDA logo is placed on these documents it stands to reason that significantly more clients will be made aware that the MFDA is the regulator of their Member.

## **3. Public Awareness**

- 3.1. FAIR Canada believes that it will be easier for investors to recognize the MFDA if they are not only told that the Member is part of the MFDA, but if they regularly see the MFDA logo on their account statements.
- 3.2. FAIR Canada supports efforts to promote and raise awareness of the MFDA and its regulatory function, thereby helping investors assess the regulatory status of Members (both firms and individual registrants) and the Member is a regulated entity.
- 3.3. In particular, it is important that investors know about the additional regulatory requirements and oversight the MFDA provides and the fact that MFDA members are backed by a compensation fund, namely the MFDA's Investor Protection Corporation ("IPC") plan coverage. This is particularly important given the lack of a comprehensive national compensation scheme for investors in Canada.

## **4. Disclosure must be prominent**

- 4.1. FAIR Canada urges the MFDA to require that the new disclosure be legible and appear prominently on the Member's account statement. If the account holder is not able to clearly see the MFDA logo and statement that the Member is a Member of, and regulated by, the MFDA then the benefits of adding the disclosure will be lost.

## 5. Timing/Costs

- 5.1. FAIR Canada urges the MFDA to implement the Proposed Amendments in conjunction with the proposed changes to Rule 5.3.2 disclosure pursuant to the CRM2 account statement changes.
- 5.2. FAIR Canada sees no reason to delay the Proposed Amendments and believes that it would be both efficient and logical to require that the Proposed Amendments to the account statement come into effect at the same time other changes are to be made in accordance with CRM2. Given the changes being made to account statements as a result of CRM2, the addition of the MFDA logo and disclosure indicating the Member is regulated by the MFDA should be comparatively less costly than if they were the only changes being contemplated. However, even if the Proposed Amendments were made independently, the costs to include the MFDA logo and disclosure indicating the Member is regulated by the MFDA would not be substantial.
- 5.3. Given the implementation of CRM2's new requirements, including new cost disclosure and performance requirements, clients will be receiving and reviewing key information that they have not, to date, ever received – such as how their investments have preformed and how much they have paid in fees (including fees paid as a result of trailing commissions). The industry has recently given significant focus to how this disclosure may enhance the client relationship and how the industry needs to prepare for these conversations. Accordingly, It would be helpful if these same statements inform clients about who regulates their dealer, should they have need to contact that regulator to obtain information, make an inquiry, make a complaint or otherwise. This is in furtherance of the public interest and in furtherance of the stated purpose of the amendments, namely education and protection of investors.

We thank you for the opportunity to provide our comments and views in this submission. We welcome its public posting and would be pleased to discuss this letter with you at your convenience. Feel free to contact Neil Gross at 416-214-3408/neil.gross@faircanada.ca or Kate Swanson at 416-214-3442/ kate.swanson@faircanada.ca.

Sincerely,



Canadian Foundation for Advancement of Investor Rights