

March 2020

FAIR Focus: Relief for Retail Investors in a Time of Crisis

COVID-19 Financial Relief for Retail Investors: FAIR Canada calls for suspension of DSC mutual fund redemption fees and relief from investment or margin loans

Record breaking numbers of Canadians are applying for employment insurance, losing jobs or worried about losing their jobs, worried about making their mortgage and rent payments and worried about putting food on the table. They are also withdrawing funds from their savings to free up cash from investment savings that are down double digits.

On March 26, FAIR Canada called on the financial services industry, including banks, insurance companies, mutual funds dealers and investment dealers, to provide relief to retail investors suffering financial hardship due to COVID-19 by waiving and suspending deferred sales charge redemption fees triggered by withdrawals from or interfund transfers out of deferred sales charge (DSC) mutual funds and segregated funds. "We join other investor advocates, including Ken Kivenko, in calling on the financial industry to suspend requirements for investors to pay redemption fees when withdrawing money from deferred sales charge (DSC) mutual funds and segregated funds," said Ellen Roseman.

DSCs are a type of back-end fee charged to investors if they redeem prior to a set time, designed to discourage redemption, and generally starting at 5-6% of assets in year 1 and declining over time. DSCs are being banned in every jurisdiction in Canada except for Ontario and Ontario represents about 45% of fund industry assets in Canada. The OSC is proposing to put restrictions on the sale of DSC funds to seniors and other vulnerable investors.

The press release is available here:



To donate, click [here](#)

**Want to know more
about FAIR
Canada?**

Who is FAIR Canada and what does FAIR Canada do? Find out more about us [here](#).

Stay Connected



<https://www.globenewswire.com/news-release/2020/03/26/2007149/0/en/COVID-19-Financial-Relief-for-Retail-Investors-FAIR-Canada-calls-for-suspension-of-DSC-mutual-fund-redemption-fees-and-relief-from-investment-or-margin-loans.html>

FAIR Canada Encourages Exploration of Electronic Delivery in Access Equals Delivery

In March, FAIR Canada provided a written submission in response to the CSA consultation on Access Equals Delivery. https://www.osc.gov.on.ca/documents/en/Securities-Category5-Comments/com_20200309_51-405_fair.pdf The consultation paper sought feedback on an "access equals delivery" model for continuous disclosure documents of listed companies (non-investment fund reporting issuers) to modernize document delivery and in furtherance of the burden reduction initiative. The paper invited comments on whether such an initiative should be prioritized, what regulatory documents it should apply to, whether it should include proxy-related documents, sufficiency of notice via press release and other matters.

FAIR Canada commented that "**electronic delivery** is more efficient and a large majority of investors would be better served by electronic delivery, because it is faster, more flexible to view and easier to file and track e-documents." <https://faircanada.ca/submissions/osc-regulatory-burden-reduction-comments/> . Electronic "access" is not the same as electronic "delivery". Sending a generic email to retail investors and telling them to find a "document" on SEDAR is not "delivery" in the natural meaning of the word. FAIR Canada would like to see adequate safeguards put into place prior to implementing any electronic access or electronic delivery regime.

Protecting Against Investment Fraud

March is Fraud Prevention Month. There are no guaranteed ways to protect against investment fraud but by engaging in preventative behaviors, educating yourself about traditional and current common signs of fraud, you can reduce your risk of becoming a victim.

Here are three steps that you can take:

1. Conduct a [registration check](#);
2. Learn some of the [major signs of investment fraud](#);

3. Learn [Five Rules for Avoiding Investment Fraud](#).

You can also report fraud. Check getsmarteraboutmoney.ca for contact information for reporting investment scams to the Ontario Securities Commission or securities regulatory authorities in other jurisdictions.

Protecting Against Coronavirus Investment Fraud

Con artists are quick to take advantage of consumer fear and news headlines to concoct fraudulent schemes to steal from members of the general public. Coronavirus is already sparking reports of coronavirus scams. Here are several news links for further reading on coronavirus investment fraud:

The Canadian Securities Administrators on coronavirus pump and dump schemes and related fraud: <https://www.securities-administrators.ca/aboutcsa.aspx?id=1878>

CNBC on coronavirus phishing and investment scams reminiscent of 2008 scams: <https://www.cnbc.com/2020/03/20/coronavirus-scams-on-the-rise-mimic-fraud-in-2008-financial-crisis.html>

Global News on complaints from investors to the Nova Scotia Securities Commission about coronavirus scams by fraudsters trying to impersonate banks on calls to financial consumers: <https://globalnews.ca/news/6683979/ns-securities-commission-coronavirus-scam/>

FAIR in the Media

Stop DSCs and relieve margin loans: FAIR Canada

Investment Executive circulated news of FAIR Canada's March 26 press release <https://www.investmentexecutive.com/news/industry-news/stop-dscs-and-relieve-margin-loans-fair-canada/> calling on relief from DSCs and margin loans (covered earlier in this newsletter) to support Canadians during unprecedented circumstances who are in need of financial relief. "The risks of leveraged sales of mutual funds in particular have now crystallized with the market crash this month," said Ermanno Pascutto, executive director at FAIR Canada, in the release. "The thousands of retail investors who followed their investment advisor's recommendation to borrow money to invest are now faced with substantial losses and in some cases margin calls that will make their difficult financial situations even worse."

Are tougher RESP rules dealer rules needed?"

Fern Karsh is quoted in an article by Greg Dalgetty of Investment Executive in the print and digital article https://www.investmentexecutive.com/newspaper_/news-newspaper/are-tougher-resp-dealer-rules-needed/ "Are tougher RESP rules dealer rules needed?" regarding the investor advocates' position that scholarship plan dealers should be subject to more stringent regulations. Group scholarship plans have long been on the receiving end of criticism for a wide variety of reasons related to terms and conduct, including sales fees and transaction fees that aren't aligned with investor interests and that are often non-refundable in the event of cancellation or default. Default rates are high in a space that is often occupied by vulnerable low income investors.

The securities regulatory Modernization Project for group scholarship plans was abandoned after Phase 1 several years ago. The industry received renewed attention recently when the MFDA proposed creation of a single SRO that would combine IIROC and the MFDA, and that would bring scholarship plan dealers under SRO regulation. Currently, group scholarship plan dealers do not have an SRO.

Support FAIR Canada by Subscribing to our Newsletter

FAIR Canada calls on all Canadians who value investor protections, shareholders rights, fairness and integrity of the capital markets to express their support for FAIR Canada and its mission, to show your support by subscribing to this newsletter and to help us reach more Canadians by asking your friends and colleagues to [subscribe](#).

SHARE THIS NEWSLETTER WITH A FRIEND



FAIR Canada | 647-256-6690 | info@faircanada.ca | <http://www.faircanada.ca>
36 King Street East
Suite 400
Toronto, ON M5C 3B2



