

Al Poulin & Associates

Financial Services

Financial Services since 1976

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The Financial Advisors Association of Canada

A Member of  Independent Financial Brokers

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15 March 2013

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8

Fax: 416-593-2318
E-mail: comments@osc.gov.on.ca

Dear Sir or Madam,

Re: "Mutual Fund Fees under Scrutiny"

In response to the comment letter/submission Mutual Fund Fees by Kenmar Associates dated 17 December 2012.

After reading the comment letter, I have made the following observations.

Kenmar steadily refers to trailer fees as commission implying the advisor gets this money and it is all profit.

Our infrastructure has to be paid with these trailer fees such as office space, secretarial, equipment, phones, computer software, accounting, legal, licensing, and insurance and many other cost associates with running a business.

The dealers keep approximately 20% to 30% of these trailers fees before they are paid to the advisors.

Let's say for example, that trailer fees average 60 basis points, 30% to the Dealer leaving 42 basis points for the advisor. If the advisor sells a GIC product, he will make 40 basis points and will not have to deal with the client again until renewal which could be 5 years in the future and clients will not be at your doorstep every 3 to 6 months asking about his investments and market condition, and rebalancing their portfolio etc.

Let's look at bank GIC's. When they quote you an interest rate it is no different than our GIC products, yet we get paid 40 basis points per year to pay for our costs (associated with running an office). The bank does not break down their costs in the GIC rate. Why would we have to disclose what we are getting paid when the client gets the same percentage rate?

If my clients all wanted GIC's instead of Funds, I would sell GIC 100% of the time. Therefore, this comparison is totally unfounded.

Kenmar compares our Trailers Fees to Bank products. The banks price their products with infrastructure costs already calculated in their fees. They have huge buildings and make billions of profits for their shareholders. Kenmar comments comparing us to banks is totally ridiculous.

Kenmar comments on Deferred Sales Charges (DSC). The DSC are for the investor who is going to invest his money for 3 to 7 years. If he is not going to keep the money invested he should not be in the market or in funds. If he is retiring or will need his money in this period, these things have to be discussed at point of sale and dealt with so that the clients do not suffer a pull out charge.

Most clients who are not happy with DSC's; is when they decide they want to deal with another advisor and the new advisor does not check to make sure the DSC's are matured before transferring the funds. We do this in ALL cases. Therefore, the client will not suffer by transferring his business. GIC products are dealt with in the same manner and transferred at maturity only.

Kenmar makes a statement that attacks our industries integrity and honesty because of Trailer Fees. We could say the same thing about lawyers, engineers (look at SNC Lavelin), accountants, vehicle dealership and pretty well any profession who does not carry on business with honesty and integrity. These traits are individual to the person and not the industry as a whole.

I do not think all engineers are dishonest because of some individual firms do not live up to the standards that they should.

If trailing commission get any lower, clients will have to expect limited services such as GIC's which do not require any service or follow up.

We have been receiving embedded commission on GIC's and bank accounts for 35 years which are just as lucrative as fund fees and no one has ever questioned our practices with these products.

We disclose all this information and some members of the public are still not happy. When they buy a car does the dealer disclose his cost? When you buy clothes, jewellery etc... Engineers do not disclose side deals with supplier etc. Maybe if we did not disclose so much we would not have to answer to all these queries such as GIC's and Annuities.

Kenmar writes as comment letter of 23 pages which could have much shorter. I have often wondered how they get paid to write such a volume report. It reminds me of an agreement I asked a lawyer to draft which should have been done in 3 pages. The agreement he sent me was 45 pages long which eventually was downsized to 4 pages. I guess that his fee would have been much greater if we would have accepted his 1st draft and would have been much harder to decipher and totally unnecessary.

Thank you for taking the time in reading our comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Al Poulin', written in a cursive style.

*Al Poulin
President*

*Copy: Independent Financial Brokers of Canada
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