

July 27, 2022

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Manitoba Securities Commission
Financial and Consumer Services Commission of New Brunswick
Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Nunavut
Ontario Securities Commission
Prince Edward Island Office of the Superintendent of Securities
Financial and Consumer Affairs Authority of Saskatchewan
Office of the Yukon Superintendent of Securities

Attention:

The Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario
M5H 3S8

Raymond James Ltd. CSA Response – Enhanced Total Cost Reporting Requirements

Raymond James Ltd. (NRD # 8240) (“RJL”) would like to thank the Canadian Securities Administrators (CSA) for the opportunity to comment on Proposals to enhance total cost reporting for investment funds and segregated funds scheduled to come into effect in September 2024, pursuant to the *CSA and CCIR* (Canadian Council of Insurance Regulators) *Joint Notice and Request for Comment* published on April 28, 2022, for proposed amendments to National Instrument 31-103 and Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

The primary goal of the Proposals is as an extension to previous efforts from Client Relationship Model, Phase 2 (CRM2) to provide enhanced cost transparency for investors and policy holders, improve fee and performance reporting, and as a response to research indicating that investors can potentially believe that the statements they receive from their dealer or advisor provide them with all fee-related costs of investing, including those paid indirectly through investments in funds.

There remains uncertainty about how specific requirements included in the Proposals will provide added value or benefit to investors, in particular, the requirement to update account statements to include fund expense ratio (FER). The inclusion of FER, stated as a percentage, does not provide substantive additional context related to fees generally, and provides neither meaningful information nor a clear investor benefit to clients.

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Additionally, Fund Facts include management expense ratio (MER) and TER details as a percentage, which are provided to clients prior to investment fund purchases. The industry has an existing regulatory obligation to provide clear point-of-sale disclosure to investors related to fees and expenses, as well as continuous disclosure. These factors need to be considered as part of the Proposals' assumptions about investor needs. The addition of this information on subsequent statements will potentially serve to exacerbate the perceived issue of client confusion that the Proposals aim to eliminate.

An important consideration for a September 2024 implementation should be the allotment of reasonable and defined timelines, both pre- and post-entry into force. There remain significant challenges for investment fund managers (IFMs) and their ability to deliver the information outlined in the Proposals. Development of a timeframe for reporting the prescribed information, while also factoring information delivery considerations from vendors, each with their own operational costs and projects, is crucial.

Dealers are reliant on IFMs and vendors to receive and adapt the information into satisfactory reporting data. The proposed transition periods for both securities and insurance sector reporting may not be operationally achievable, irrespective of firm-level review of systems and resources.

We also encourage the Joint Regulators, Project Committee, and stakeholders to consider additional regulatory change initiatives scheduled for implementation in the coming 24 months, including, but not limited to, trade settlement and cycle transition to T+1.

Lastly, RJL supports the recommendations put forth by the Investment Industry Association of Canada (IIAC) concerning additional considerations and challenges as part of the Proposals, including recommendations on what should be included on account statements, dealer reliance on IFM information, standardization of data requirements, challenges related to new investment fund products and ETFs, the proposal for an enhanced disclosure stakeholder committee to ensure a timely transition, and the need for a more fulsome cost-benefit analysis of the Proposals at large.

Yours sincerely,

Jamie Coulter
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Raymond James Ltd.

Jason Enouy
Chief Compliance Officer
Raymond James Ltd.

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