

26 January 2017

The [Secretary](#)

Ontario Securities Commission 20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8 Fax: 416-593-2318

Attention: Provincial and Territorial Canadian Securities Administrators
Regulators

EMBEDDED COMMISSIONS

Reference: CSA CONSULTATION PAPER 81-408 – [CONSULTATION ON THE OPTION OF DISCONTINUING EMBEDDED COMMISSIONS](#)

1. I am an individual investor and have been concerned with the ongoing practice on embedded commissions for several years now. This practice obfuscates broker fees and harms investors through the conflict of interest it creates for advisors. As I have watched other countries e.g. the United States, United Kingdom and Australia ban embedded commissions it is confusing as to why this practice has not been stopped in Canada. Having reviewed the reference paper I believe that the conclusions are self-evident and support cessation of embedded commissions i.e.:

1. Embedded commissions raise conflicts of interest that misalign the interests of investment fund managers, dealers and representatives with those of investors;
2. Embedded commissions limit investor awareness, understanding and control of dealer compensation costs; and
3. Embedded commissions paid generally do not align with the services provided to investors.

The evidence we have gathered to date shows that embedded commissions encourage the suboptimal behavior of fund market participants, including that of investment fund managers, dealers, representatives and fund investors, which reduces market efficiency and impairs investor outcomes

2. Your report provides factual evidence that the practice of embedded commissions is counter to investors interests and would ensure a more efficient and competitive industry. Therefore, I would like you take note of my support for the immediate elimination of embedded commissions. I would also implore you to not delay any decision based on industry self-interest and the fallacious argument that many Canadian's will be denied investment advice because they will have to pay for it. Canadian's have been paying too much for advice under

the current system and it is time to force the industry to compete for business in a more open market. I believe that individual investors can make appropriate choices on the selection of investment advice and what value to pay for said advice when they are faced with a level playing field and not faced with information asymmetry that is supported via embedded commissions.

3. The recent, if not glacial, implementation of CRM II is a good step for investors. I urge you eliminate embedded commissions as quickly as possible to protect and serve Canadian investors.

Sincerely,

Signed by

Alistair Harrigan Cdr (Retired) RCN BComm

[REDACTED]
Victoria BC
[REDACTED]
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