



Canadian Securities  
Administrators

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**For Immediate Release**  
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## **Canadian Securities Regulators Publish Mutual Fund Fees Research**

**Toronto** – The Canadian Securities Administrators (CSA) today published *A Dissection of Mutual Fund Fees, Flows and Performance*, independent research prepared by Professor Douglas Cumming, Ontario Research Chair at the Schulich School of Business at York University, along with coauthors Sofia Johan and Yelin Zhang, also from the Schulich School of Business. The research was commissioned by the CSA to assess whether sales and trailing commissions influence mutual fund sales.

This research is based on Professor Cumming's analysis of detailed fund data, obtained directly from manufacturers of publicly offered mutual funds in Canada. Out of 113 mutual fund manufacturers contacted, 43 mutual fund manufacturers who collectively managed approximately 67% of mutual fund assets and 51.5% of fund of funds assets in Canada at the end of 2014 voluntarily provided data.

Mutual fund manufacturers provided 73 different data points for every fund series/purchase option combination they offered between January 1, 2003 and October 31, 2014.

Professor Cumming finds that:

- Mutual funds that perform better attract more sales.
- However, the influence of past performance on fund sales is considerably reduced when fund manufacturers pay sales and trailing commissions.
- As past performance becomes less influential on fund sales, so too is there a reduction in future fund performance.
- For mutual fund sales through fund distributors that are affiliates of the fund manufacturer, past performance has little to no influence on sales, and this also negatively impacts future fund performance.
- For mutual fund sales through fee-based purchase options, fund sales are highly influenced by past performance, and this positively impacts future fund performance.

Professor Cumming's research follows a June 2015 literature review by the Brondesbury Group, which reviewed how fee-based versus commission-based compensation impacts investment outcomes. Both research studies were commissioned by the CSA following the publication in 2012 of a CSA Discussion Paper that identified potential investor protection issues arising from Canada's current mutual fund fee structure as well as extensive stakeholder consultations in 2013.

“Both studies and the comments received during the previous consultation period are intended to be among the inputs that will be factored into the CSA’s determination of whether to effect certain policy changes,” said Louis Morisset, CSA Chair and President and CEO of the Autorité des marchés financiers.

The CSA aims to communicate a policy direction on mutual fund fees by the first half of 2016.

Professor Cumming’s report is available on various CSA members' websites.

The CSA, the council of the securities regulators of Canada’s provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

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