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

Dear Mr. Stevenson:

Re: Fair Dealing Model

On behalf of Elliott & Page Limited, we would like to provide comments with respect to the Fair Dealing Model. Elliott & Page is a wholly owned subsidiary of Manulife Financial, and is the manager of the Elliott & Page and MIX mutual funds. In particular our comments relate to the issue of third-party compensation.

The Model suggests three possible approaches to address the potential conflicts that arise from this situation. The concern identified is that when compensation is paid by the manager to the dealer it will act as an incentive for the dealers to sell the funds. The implied presumption is that dealers will sell funds with the highest commission or trailer fee rate and will make their determinations based on the fees paid by the manager rather than on the attributes of the fund itself. We question whether the Commission actually believes this to be generally the case in Canada and has empirical evidence in support of this belief. At Elliott & Page our most successful fund by a significant margin over the past three years has been the Monthly High Income Fund, a fund that provides a low trailer fee of either .25% or .50%. There maybe advisors who do not act in their clients best interests and are guided by the amount of fees but we believe these are the exceptions and would represent an extremely small percentage of advisors in Canada. We question not only whether certain of the approaches are appropriate but whether they ultimately will have any effect on the few who do not put their client's interests first.

We agree that simplified, client friendly disclosure of fees paid to dealers is commendable provided it does not come at an excessive cost. However we strongly object to the second approach whereby a fund manager would be responsible for the actions of independent dealers that sell their funds. We view the mutual fund as a commodity and have trouble understanding how the manufacturer of the commodity is liable for the actions of an independent person who recommends it to a client. We as manager have no control over the actions of the dealer. Imagine a small fund company becoming liable for the failure of a representative of a major dealer to know its client when it recommended one of manager's funds. What would the payment of a trailer have to do with the fact that a dealer did not know its client? The suggestion is that this approach would result in the small fund company supervising the activities of the large dealer. The small fund company would have to supervise the activities of all the major dealers that decided to sell its funds. Elliott & Page has over 400 dealers that sell its funds. The approach would be for Elliott & Page to impose some form of supervisory regime over these 400 dealers. The other suggestion is that the fund company could impose its own proficiency requirements on the dealer. This first of all suggests that the Commission believes the existing proficiency requirements are inappropriate. Does the Commission believe a major dealer or even a small dealer will accept having different proficiency requirements imposed by each fund manager?

It should also be kept in mind that any compensation paid by the mutual fund company is to the dealer and not to the representative. Mutual funds do not directly compensate the representatives who act on the sale. Legislation like NI 81-105 is present to ensure no special incentives are provided to the dealers or their representatives and to ensure that fund companies deal with the dealers and do not deal directly with the representatives selling their products. On the one hand we have legislation ensuring the fund companies are kept separate from the actual representatives selling their products while on the other hand we have the suggestion they should be liable for their actions.

It would clearly be preferable from the fund company's perspective if forced to make a choice between, becoming liable for the acts of persons it can not control or being prohibited from providing compensation to the dealer, to choose the later alternative. We would suggest however that some clients clearly prefer to make what it views as a long term investment and make the purchase using a DSC option and avoid having to pay any up front commission. When given the choice between a fee-based account where they are billed a fee and investing in a advisor class of a fund, which pays a trailer they may choose the advisor class in order to avoid this fee charge. In the case of a registered account it may make more sense to buy the advisor class of a fund with a slightly higher MER and trailer as the MER for the fee based class together with the dealer's fee would be higher. It seems more appropriate to permit alternative fee structures and then ensure that the client has the alternatives properly disclosed to him or her.

On the question of disclosing the amount of trailer fees paid to a dealer on account of a client we would recommend the more general calculation of the fee rather than have the fund companies change their systems and procedures to produce annual calculations for each of its accounts. The cost of system changes and providing this information would end up being charged to the fund and we do not believe the difference between the level of information provided justifies the cost that the clients would incur through the higher MER.

We continue to commend the Commission on its goal of making the disclosure on fund investments more accessible and meaningful to the client. General continuous disclosure material together with basic fund sheets is the preferable course.

We appreciate having this opportunity of commenting on the Fair Dealing Model.

Yours truly,

(Signed)
Robert G. Weppler

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