

April 30, 2004

Mr. John Stevenson  
Secretary  
Ontario Securities Commission  
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**OSC Fair Dealing Model Concept Paper Comments**

On behalf of the Saskatchewan District Council of the Investment Dealers Association of Canada I am pleased to submit these comments with respect to the OSC Fair Dealing Model (FDM) Concept Paper.

The Saskatchewan District Council (SDC) represents the local interests of Saskatchewan based Investment Dealers and Registrants on behalf of the Investment Dealers Association. Therefore, given the potential scope and far-reaching adjustments to the investment industry that the FDM may entail, we wish to insure that the views of the Saskatchewan investment community are made know to the OSC.

In general, the SDC supports the core principles outlined in the FDM. The principles of clear allocation of responsibilities, transparency, and management of conflicts are cornerstones of our business and deserve both industry and regulator attention to insure they are maintained.

The SDC recognizes that the FDM is strictly a concept paper at this stage and is currently undergoing review on many levels. We realize that many of the details and procedures remain to be detailed by the OSC and, as such, our comments to you will also need to remain general until such time as specific requirements and implementation details are available.

Our initial opinion is that the core principles outlined in the concept paper are already upheld by the current regulatory structure (both IDA and Provincial Securities Acts). It would seem to the SDC that if the OSC has specific items they believe need addressing that modifications or revisions of what is already in place may be a better remedy than developing a completely new structure.

The SDC has concerns with the unintended impact that implementation of the model may have particularly to the clients of investment dealers. We hope that the OSC will consider the possible side effects prior to pushing ahead with the model as it now stands.

We feel that the FDM will introduce new costs, both monetary and time, that will be imposed on existing, well functioning client-broker relationships. The SDC understands that completing a cost-benefit analysis will be part of the mandate of each of the Implementation Groups that have been struck by the OSC. We feel that this is a vital step in the process and will be very interested in the findings.

If these costs cannot be controlled we fear that many clients will find that they can no longer afford to keep their existing relationship with their Investment Advisor. Unfortunately, many Advisors may find they are unable to maintain smaller, less profitable accounts as time requirements and costs rise.

In addition to increased costs to the investing public, the SDC feels that the FDM recommendation of labeling clients into one of three “relationship types” and then restricting dealings to one of the types may be misguided. The FDM defines the three types of accounts as Self-Managed, Advisory, and Managed-for-you, and the concept paper seems to suggest that an individual would be limited to maintaining only one type of these relationships with a given advisor. The idea that clients would easily be labeled as one “relationship type” or another is actually the opposite of what is found in many cases as some relationships are a blend of two if not three of the outlined “relationship types. To dismantle existing healthy client-broker relationships would seem to be detrimental to the existing clients of firms.

As mentioned above, we also feel another unintended consequence of the FDM is that due to increased costs the small client many find their accounts will not be opened or will be shifted to “Self-Managed” status. Unfortunately, it is our experience that it is the client with the smallest account that most often requires the most guidance from an Investment Advisor.

In summary, the SDC questions the need for the introduction of the FDM at this time. It is our view that there has already been many improvements to the regulatory environment to both protect investors and encourage capital formation. The SDC feels that if there are specific changes that the OSC would like to see that they could be accomplished through the current IDA/Securities Commission structure in place. We are of the opinion that the whole scale change to the regulatory philosophy of the business that is proposed by the FDM is not in the best interest of the investing public nor of the capital markets.

The SDC looks forward to when the specific details and requirements will be outlined so that we will be able to provide a greater level of insight into the proposals. We would welcome the opportunity to provide further explanation on any of our comments that may be unclear to OSC staff.

Yours truly,

Brad Ens  
Chair, Saskatchewan District Council  
Investment Dealers Association of Canada

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