

May 30, 2004

Mr. John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West
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Toronto, Ontario
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Alberta District Council of the Investment Dealers Association
Comments on The Fair Dealing Model (FDM) Concept Paper

On behalf of the Alberta District Council of the Investment Dealers Association of Canada, I provide these comments and concerns. The Alberta District Council is composed of 17 member representatives elected from 53 member firms who are registered to conduct business from over 120 offices in Alberta.

This District is in support of the principles of disclosure, transparency of compensation and avoidance of conflicts of interest. To suggest, however, that the present regime is out of step with industry reality is an overstatement that is made without any supporting evidence. The transaction/advice model that drives the industry today has evolved over decades and the industry, through their SROs, have developed standards of practice and rules of conduct to reflect present relationships. Although we agree that self managed accounts through internet based discount brokers are relatively new, as is individually managed accounts, we believe that these service relationships are well understood by those members of the public that decide to avail themselves of these services.

The FDM proposal contains Sample Fair Dealing Documents for three types of relationships. As stated we believe the “Self-Managed” and “Managed for You” relationships are presently well defined and users of these services receive appropriate information and agree to the nature of the relationship provided by these services. The “Advisory Relationship” as defined and the suggested Fair Dealing Document (FDD), which would define this relationship, presents substantive difficulties.

While we agree that account documentation should disclose the financial circumstances of the client and their objectives, we believe that a document that is a contract for services lacks flexibility and presents unnecessary rigidities for both parties. We are concerned that this redefinition of the client/broker relationship through contract could lead to a reinterpretation of the relationship and place the advisor in the position of a fiduciary who would be responsible for the outcome of every transaction.

While we recognize an advisor should provide information and opinion to the best of his/her ability, we cannot download accountability for all outcomes on the advisor alone. Clients must share responsibility. This type of account as it presently exists provides a client with flexible options. They can make unsolicited orders for securities which they choose, on their own, to purchase and these types of accounts are based on the well-established principles of Know Your Client and Suitability. The present relationship is appropriately defined by SRO rules and decisions of the courts.

The FDM discussion of risk measurement and disclosure is laudable. The introduction of such measures would, however, be very problematic if individual firms produced risk measures. The same security would be rated differently as to risk by different firms. Very substantial and well-researched analysis should be undertaken before proceeding further with this proposal.

We are also concerned that the Ontario Securities Commission has decided to produce this substantive proposal without the participation of Canada's other securities commissions. The present system is national in nature and the effects of this change in Ontario, if introduced, would impact the rest of the country. The large national Ontario registered dealers would be required to comply and would introduce these changes throughout their system for reasons of efficiency. This gives argument that any changes should be well considered and agreed upon by all securities commissions and SROs.

The costs of implementation of the changes proposed are of grave concern to this District. These additional costs, we believe, would be substantive and would be passed on to clients. In a system that is arguably already overburdened with regulatory costs, additional costs could well place certain services out of the reach of smaller investors.

We look forward to reviewing and commenting on the FDM proposal as it evolves.

Yours truly,

Robert G. Jennings, CFA
Chair, Alberta District Council
Investment Dealers Association of Canada

cc. Steve Sibold, Chair, Alberta Securities Commission
Honourable Greg Melchin, Minister of Revenue, Province of Alberta
IDA, National Advisory Committee