

July 12, 2004

c/o Secretary to the Commission  
Ontario Securities Commission  
20 Queen Street West  
Suite 1903, Box 55  
Toronto, ON  
M5H 3S8

Dear Sir or Madame,

Please find below our responses to the Mutual Fund Dealers Business Arrangements survey.

Industry Trends

Question 1: We agree with the current industry trends summary somewhat. Clients are looking for account consolidation, but not all clients.

Question 2: We are not currently aware of any other relevant business arrangements as a result of demand for account consolidation.

Omnibus Account Arrangements

Question 3: Dealers have policies and procedures in place to ensure that each client's mutual fund portfolio is adequately serviced. Mutual fund dealers should not be servicing client needs beyond the dealer registration category.

Question 4: Dealers have policies and procedures to review salesperson activities as well as their clients' account activities. Salespeople should be directly questioned about their service activities by the dealer as part of its on-going review obligations, and identify where salespeople may be acting outside their registration categories.

Question 5: Clients should be made aware of the regulatory concerns outlined in the Staff Notice 31-712.

Question 6: The MFDA has provided significant framework for dealers in the Rule Book in that dealers need to establish internal policies and procedures on the sale of mutual fund products only.

Joint Service Arrangements

Question 7: Under the current regulatory framework, the mutual fund dealer can only be responsible for its own employees/salespeople. This presents a heightened level of risk for both dealers when the client expects account and salesperson supervision and accountability.

Question 8: We cannot expect clearly defined responsibility and liability of dealers under joint service arrangements under the current regulatory framework.

Question 9: The issue of client confusion will always be prevalent as long as the mutual fund salesperson facilitates transactions under a joint service arrangement. Clients identify with the salesperson first and foremost, so the salesperson's sales and promotional activity must be monitored and reviewed regularly.

Question 10: If the salesperson wishes to conduct him or herself as a salesperson of an investment dealer, then that salesperson should only represent the investment dealer. Mutual fund salespeople should attain the necessary proficiency exams and change their registration category by joining an investment dealer and not conduct themselves as acting on behalf of two dealers, which is unacceptable.

Question 11: None. If the salesperson wishes to conduct him or herself as a salesperson of an investment dealer, then that salesperson should only represent the investment dealer. Mutual fund salespeople should attain the necessary proficiency exams and change their registration category by joining an investment dealer and not conduct themselves as acting on behalf of two dealers, which is unacceptable.

#### Alternatives Considered

Question 12: There are no additional consequences perceived at this time.

Question 13: It may not be possible to resolve issues of liability and clarify the lines of responsibility as long as two dealers are involved, as long as the mutual fund dealer is in a restricted category, and as long as there is more than one account.

Question 14: We are not aware of other arrangements that would permit consolidated accounts without raising regulatory concerns.

Question 15: Changes are not required to the regulatory environment.

Question 16: If clients are looking for an investment dealer, then they should deal with an investment dealer, not a mutual fund dealer willing to make accommodations or alternative arrangements. The mutual fund dealer is still able to service those mutual fund clients looking for advice on their mutual fund accounts.

Question 17: There are no joint service or omnibus account arrangements, so there will be no impact.

Should you require any further information or explanation please do not hesitate to contact us at 1-800-461-9501.

Sincerely,

Jeffrey Yewer  
Compliance Officer  
Ten Star Financial Inc.