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

Attn: Ms. Pat Chaukos
Senior Accountant/Legal Counsel
Compliance, Capital Markets

Re: Ontario Securities Commission Staff Notice 31-712 – Mutual Fund Dealers Business Arrangements

We are writing to provide the comments of The Investment Funds Institute of Canada ("IFIC") and its Members on Ontario Securities Commission ("OSC") Staff Notice 31-712 Mutual Fund Dealers Business Arrangements (the "Staff Notice")[1]. IFIC is the national association of the Canadian investment funds industry. IFIC's Membership includes fund managers representing nearly 100% of the $476.1 billion in mutual fund assets under management in Canada[2], retail distributors of investment funds and affiliates from the legal, accounting and other professions.

Background

The Staff Notice sets out the views and position of the OSC with respect to certain business arrangements between mutual fund dealers and investment dealers that facilitate clients of mutual fund dealers holding non-mutual fund securities in their accounts with the mutual fund dealer.

The Staff Notice advises that "*Certain of these arrangements raise regulatory and investor protection concerns... accommodating clients' needs to hold all their securities in one account poses problems for mutual fund dealers since their registration limits the types of investments in which they can trade and for which they can provide advice*".

[1] At (2004) 27 OSCB 5623
[2] As at June 30, 2004 – source IFIC Member Statistics.

In response to these concerns, the Investment Dealers Association of Canada ("IDA") and the Mutual Fund Dealers Association of Canada ("MFDA") have, at the request of the OSC, issued a Joint Member Regulation Notice[3] (the "Joint Notice") instructing their Members not to enter into any new joint service[4] or omnibus account[5] arrangements, and not to accept new clients utilizing any existing arrangements at this time. IDA and MFDA Members are expected to render their business arrangements fully compliant with the requirements of the Joint Notice by July 31, 2004.

The OSC has also published an issues paper that canvasses its concerns in greater detail and seeks comment from the industry on a number of regulatory and investor protection concerns that the OSC has raised with respect to joint service and omnibus account arrangements.

We understand that if the regulatory authorities are unable to resolve their concerns through consultation with the industry, IDA and MFDA Members will be required to unwind all joint service and omnibus account arrangements by December 31, 2004.

[3] Member Regulation Notice (MR0296) – *Joint Service and Omnibus Arrangements Between IDA and MFDA Members* (issued June 11, 2004).

[4] "Joint service arrangements" are those in which an investor's account (held at an investment dealer) is serviced by the salespersons of both an investment dealer and mutual fund dealer, each in accordance with the terms of his or her registration. These accounts may hold exclusively mutual fund securities or mutual fund securities and other direct securities.

[5] "Omnibus account arrangements" are open single accounts maintained on the books of an IDA Member firm in the name of a mutual fund dealer. Omnibus accounts are used by mutual fund dealers (who offer self-directed registered accounts to investors) to hold non-mutual fund securities that may be in these investor accounts.

These arrangements can arise when an investor, with an existing account with a mutual fund dealer, wishes to hold non-mutual fund securities in addition to their mutual fund assets. To accommodate the request of the investor, the salesperson of the mutual fund dealer may refer the investor to an investment dealer that has an omnibus account arrangement with the mutual fund dealer.

Capital Reporting in Omnibus Account Arrangements: Salespersons of mutual fund and investment dealers each have four digit dealer representative codes. All investments sold by the salesperson of a mutual fund dealer or the salesperson of an investment dealer are registered under the selling representative's 4 digit code.

Mutual and investment fund dealers are responsible for daily monitoring and monthly reporting of capital positions with respect to assets registered under the representative codes of their respective salespersons. Thus, in omnibus account arrangements, the mutual fund securities sold by the salesperson of the mutual fund dealer are registered under that salesperson's representative code (and capital monitoring and reporting on these mutual fund assets becomes the responsibility of the mutual fund dealer, in accordance with the requirements of the MFDA). Non-mutual fund securities sold by the salesperson of the investment dealer are registered under that salesperson's representative code (and capital monitoring and reporting on these non-mutual fund assets becomes the responsibility of the investment fund dealer, in accordance with the requirements of the IDA).

Immediately following the publication of the Staff Notice, IFIC formed an industry working group to address the questions in the issues paper. The responses of the working group are set out below.

1. General Comments

The issues paper and Staff Notice were published on June 11, 2004, with a requirement that industry comment be submitted by July 15th.

It appears that both the short comment period and the fast-approaching roundtable discussions that have been scheduled for industry stakeholder consultations in Toronto (August 16, 2004) are being driven by the need to accommodate the December 31st deadline that the OSC has contemplated for the potential winding up of joint service and omnibus account arrangements.

The questions that are set out in the OSC's issues paper are extremely broad and go to the heart of the business of our dealer Members. Addressing these questions in a carefully considered manner is important to our Members and will be a very involved exercise as the responses will involve identifying and reconciling the multiple interpretations of some questions, while considering each question in terms of both its current and future implications for the industry.

We have already communicated to the OSC that our Members would be unable to respond to the issues paper in a meaningful way by the July 15th deadline. Given the short comment period, we are concerned that the OSC may have already made a determination with respect to the winding up of joint service and omnibus account arrangements and is engaging in its process of industry comment and consultation as a formality.

We urge the OSC to engage our Members in a meaningful process of consultation by providing them with enough time to fully articulate their views and concerns with respect to the matters canvassed in the OSC's issues paper, some of which clearly extend beyond the immediate issues arising from these business arrangements.

2. Responses to Questions in OSC Issues Paper

Industry Trends

Question 1

Do you agree with the description of current industry trends? Are you aware of any other similar changes?

Response

The experience of our Members does not establish the holding of non-mutual fund securities within registered plan portfolios as a widespread practice. We are also advised by the MFDA that their recent survey of MFDA Members indicated that only 16 MFDA Member firms have either omnibus account arrangements (13 firms) or joint service arrangements (3 firms) in place. Accordingly, it is unwarranted to categorize the holding of non-mutual fund securities within registered plan portfolios as an “industry trend”. We encourage the OSC to publish for review any other data that it may have compiled that would indicate to the contrary.

Situations do occur in which a mutual fund dealer acquires a new client from an investment dealer. This client’s portfolio may already contain non-mutual fund securities that the client does not wish to sell. The transfer records of some of our Members indicate substantial account-transfer activity between IDA and MFDA Member firms. In these situations the omnibus account provides a facility for holding these assets and the ongoing relationship with the IDA Member provides trading ability if and when the investor wishes to sell the non-mutual fund assets[6].

Long-standing relationships between mutual fund and investment dealers that have allowed mutual fund dealers to provide affordable services to lower income segments of the investing public and that have been of no demonstrable harm to the interests of Canadian investors generally, should, in our view, be permitted to continue.

Question 2

Are there other relevant business arrangements that have developed in response to these industry trends? If so, please describe.

Response

Many mutual fund dealers have entered into referral arrangements in accordance with Rule 2.4.2 of the MFDA.

We also understand that some MFDA Members assist investors in registered accounts by providing a structure where trades in direct securities take place in a single DAP/RAP account opened on behalf of the investor by an investment dealer with the securities being delivered to and settled at a trust company that acts as trustee of the registered plan.

[6] We do not agree that such omnibus arrangements may encourage the salespersons of mutual fund dealers to act outside the scope of their registration. Many omnibus arrangements involving affiliated firms do not allow commissions to flow back to the mutual fund salesperson for non-mutual fund securities. Where commissions do flow back to the mutual fund salesperson, such amounts are less than if the salesperson sold a mutual fund security because the commission is shared between two dealers. Therefore there is no financial incentive to recommend equity purchases beyond the service issue of providing a facility that will allow an investor to transact in unsolicited equity trades. We suggest that there is a clear difference between arrangements set up to accommodate an investor driven transaction and arrangements set up to avoid appropriate proficiency and registration.

Trading in non-mutual fund assets is done on the investor's instructions and takes place at the IDA Member firm. The investor's instructions indicate that on the settlement date, the assets are to be delivered to the trustee ("Trust Company") of his/her registered plan which settles the transaction. Such assets are then held by the Trust Company on behalf of the registered plan.

Omnibus Account Arrangements

Question 3

How are clients being properly served when only a portion of the portfolio held by the mutual fund dealer can be serviced by the mutual fund dealer?

Response

Capital market participants have a strong interest in ensuring that clients are serviced properly. Aggressive competition and widespread public access to information leave investors well equipped to determine whether a particular industry participant meets their needs.

We believe that the OSC's efforts in this respect would be more appropriately directed to ensuring that registrants, including mutual fund dealers, act within the scope of their registration. Accordingly, we submit that disclosure of the services to be offered to the investor, including any business arrangements with other parties and any limitations on services, together with a rigorous use of existing enforcement mechanisms are sufficient to empower the investor to protect his/her interests.

We note also that a response to this question depends upon how the word "serviced" is interpreted. A sophisticated investor may only require a facility to execute a transaction in a non-mutual fund security, whether it be shares acquired through a stock option plan or a desire to hold government backed fixed income securities or to liquidate a holding acquired through a previous relationship with another securities dealer.

In most instances, the non-mutual fund holding represents only a small portion of an investor's portfolio or registered plan assets and the investor may not require advice but simply a means by which to execute a trade, as is the case with most relationships between an investor and a discount brokerage firm.

It is our understanding that within IDA Member firms there are instances where an investor who wants to trade in options or futures may have to do so through two separate advisors at an IDA firm as the initial advisor is not appropriately licensed. In this scenario the investor is being serviced by two separate advisors and we do not see the difference, in the context of the question that the OSC has asked (i.e. from a client service perspective), between the situation of one investor being serviced by two separate salespersons at an investment dealer and being serviced by salespersons from an MFDA and an IDA dealer.

Investors do have a right to decide who they will deal with and there are many instances where investors have accounts with different dealers. Provided the investor agrees, regulators should only be concerned with ensuring that investors are making an informed choice and that the salespersons and dealers are acting within the bounds of their registration.

Question 4

What actions can be taken to ensure that the mutual fund dealer salesperson is acting within the terms of his/her registration regardless of client pressure?

Response

These pressures exist and must be dealt with by mutual fund dealers, regardless of whether they have business arrangements with IDA Member firms.

Mutual fund dealers are subject to the comprehensive rules and oversight of the MFDA. Dealers are required to have compliance programs (including policies, procedures, client reporting and statements and systems) that are structured to prevent 'prohibited' securities or transactions. Similar rules and oversight apply to IDA Member firms.

Ensuring that a mutual fund dealer salesperson is acting within the terms of his/her registration is thus, in our view, a matter of ensuring that existing regulatory requirements are adhered to.

Question 5

What actions, if any, are being taken by mutual fund dealers to ensure that clients are aware of the lack of coverage on assets held by the mutual fund dealers at investment dealers? What actions should be taken in this regard?

Response

While the MFDA is working on the establishment of a contingency trust fund, no contingency trust fund coverage for mutual fund dealers is in place today, beyond the limited coverage offered by various provincial schemes. We would support the extension of requirements that would allow for Canadian Investor Protection Fund ("CIFP") coverage of such non-mutual fund securities in appropriate circumstances (i.e. where such assets are held by an IDA Member firm but in an omnibus account in the name of a mutual fund dealer).

The statements that the investor receives from an MFDA Member disclose the name of their dealer and advisor for mutual funds. The mutual fund dealer must not reflect any security positions or activity that did not take place through the dealer or advisor on the dealer's statement to their client. The dealer is, however, able to record the information as a "portfolio summary" in accordance with Member Regulation Notice – Portfolio

Summaries (MR-0024)[7]. The mutual fund portion of such a summary reflects activity as well as balances. The non-mutual fund portfolio summary reflects balances and market values only.

MFDA rules require that consolidated information or portfolio summaries that include non-mutual fund assets disclose to investors that (once it is operational), the MFDA's Investor Protection Corporation will not necessarily apply to all of the positions disclosed and that the client should refer to the Member's official account statement to determine which client assets are eligible for coverage.

Members must also have policies and procedures in place for the review of all client communications, including portfolio summaries, to ensure that they are not misleading and otherwise in compliance with MFDA Rules.

Also pursuant to MR-0024, MFDA Members with "related financial service entities"[8] that wish to provide clients with the account statement of the Member together with the account statements of the related financial service entities in one document are currently only permitted to do so if:

- The account statement of the Member is clearly separated or segmented from the account statements of the related financial service entities within the document, which will require at a minimum:

  (i) A separate section within the document for each legal entity with separate pagination; and

  (ii) A separate heading clearly identifying the legal entity that is responsible for the transactions or assets shown on the account statement.

- In accordance with MFDA Rule 5.3.4, the account statement of the Member would only show transactions executed by the Member and may not include transactions executed on behalf of related financial service entities. This restriction applies to information regarding segregated fund transactions executed by an affiliated insurance agency of the Member.
- The account statement of the Member includes a statement providing disclosure to the client of which assets are eligible for protection by the MFDA Investor Protection Corporation (when operational).
- The document includes a disclosure statement outlining the relationship between the Member and the financial services entity and advising that the Member is a separate entity from the financial services entity.

[7] Issued February 24, 2004.
[8] MR-0024 states that "…a "related financial service entity" would include an entity that is licensed or registered in another category pursuant to applicable securities legislation, a bank or trust company or an insurance company".

- The document may include a portfolio summary that summarizes the client's total investments and holdings across multiple related financial service entities. The portfolio summary must be clearly separated from the official account statement of the Member and comply with the requirements set out above.

With regard to the official dealer statement, current MFDA rules require the dealer to reflect holdings for nominee assets (which would include omnibus assets). These rules could be amended to require disclosure that the MFDA dealer and salesperson cannot trade in these securities, that these securities are not subject to CIPF coverage and that such securities are not purchased or sold by the MFDA dealer but rather delivered from or to the IDA dealer. This would supplement and reinforce additional disclosure regarding the arrangement that should be provided at account opening.

Question 6:

What controls or requirements could be put in place to ensure that mutual fund dealers are only trading and providing advice on mutual fund securities, while allowing clients to consolidate their holdings in one account?

Response

As a matter of clarification, we note that for mutual fund dealers that are limited market dealers, advice that is incidental to a trade in an exempt security is also permitted[9]. We assume that it was the intention of the OSC for the question to read "What controls or requirements could be put in place to ensure that mutual fund dealers are only trading and providing advice on securities *that they are registered to trade in* while allowing clients to consolidate their holdings in one account?"

Current provincial securities regulation and SRO rules establish a comprehensive compliance regime aimed at ensuring that SRO members are only trading and providing advice in accordance with their registration. In addition, the securities industry SRO's have entered into a Memorandum of Understanding ("MOU") to co-operatively monitor and enforce legislative and SRO requirements**.** We submit that these measures are both appropriate and sufficient.

If enhancement is required, account opening documents and account statements should include disclosure of the fact that the mutual fund dealer and its salespersons cannot provide advice with respect to certain securities in the omnibus account, that the securities are not subject to CIFP coverage and that transactions in non-mutual fund securities are not shown on the mutual fund dealer statement, as these are executed through the IDA Member. Specific approval of joint service arrangements could also be required from both the IDA and MFDA as a precondition to allowing members to engage in such activities.

[9] Part XII – Exemptions From Registration Requirements, Section 34 (Exemption of Advisers).

It may also be useful to require that mutual fund dealers review their own advisors' statements (i.e. in-house accounts also accounts held by that advisor elsewhere) for activity in mutual fund and exempt assets (including GIC's) that also exist in their own client accounts.

Consolidation of assets can be accomplished in many forms ranging from true asset consolidation to manual reporting and/or the portfolio summaries discussed under our response to the previous question. We encourage the OSC to engage in further discussions with the industry.

Joint Service Arrangements

Question 7

Under our current regulatory framework, what actions, if any, can be taken to address concerns regarding supervision of salespersons in joint service arrangements? How can clear lines of responsibility of each of the dealers be maintained?

Response

The current regulatory framework is comprehensive and provides, through policies, procedures rules and regulations, for the supervision of advisors in both MFDA and IDA firms. Failure to have effective supervision has been addressed by the IDA and is currently part of the MFDA audit process.

The possibility of allowing introducing/carrying dealer arrangements between MFDA and IDA dealers has been proposed. This model would resolve many issues as roles and responsibilities are defined in SRO By-laws and Rules, disclosure is provided to clients about the arrangement, SROs will have MOUs to deal with oversight, and contingency trust fund coverage would be extended. This model exists among IDA Members and was considered acceptable by the CSA in its Distribution Structures Position Paper. We also believe that this is a viable option that should continue to be explored.

The OSC may also wish to consider requiring dealers involved in joint service arrangements to have formal written agreements that clearly establish the authority and itemize the specific responsibilities of each dealer.

These agreements could also be required to have mandatory disclosure with respect to the arrangements made by each dealer in the following areas: custody, statements, trade confirmations, suitability, trade execution, compliance, file retention, account opening documentation, approvals and any applicable contingency trust fund coverage.

Again, the resolution of these issues will depend, to a great extent, on appropriate enforcement of the existing rules respecting supervision of client accounts.

Question 8

How can we ensure that responsibility and liability of dealers in joint service arrangements to clients is clear?

Response

Please see our response to Question 7.

In our view, requiring full true and plain disclosure of the relationship that must be explained to and signed off on by the client, along with robust enforcement is an effective and reasonable way to address this concern.

Question 9

What controls, if any, could be put in place to prevent client confusion?

Response

The current regulatory framework has comprehensive policies, procedures and regulations on how advisors in both the MFDA and IDA firms must be supervised. Failure to have effective supervision has been addressed by the IDA and is currently part of the MFDA audit process.

As noted above, clear disclosure in all investor communications and account documentation is necessary to ensure that there is no client confusion. Furthermore, we believe that existing regulatory requirements and rigorous enforcement, are capable of adequately addressing these concerns.

Question 10

Can you suggest any alternative solutions that would address the supervisory, accountability and liability issues that arise when salespersons act on behalf of two dealers?

Response

The question, as stated, does not reflect the current situation correctly. A salesperson cannot act on behalf of two dealers because the salesperson cannot be registered with two dealers. We note that the onus is on the dealer to ensure that its salesperson is acting within the scope of his/her registration at all times.

As noted above, the IDA and MFDA have proposed the establishment of an introducer/carrier arrangement. This proposal should be reviewed and, if necessary, revised to provide for mandatory investor disclosure. We would also assume that

adoption of such arrangements by the two SRO's would be accompanied by the adoption of rules providing for the adequate supervision of each party to such an arrangement.

Whether a single dealer served two accounts or two dealers served a single account, it should be possible to establish parallel compliance structures relating to mutual funds / exempt securities and non-exempt securities, respectively. Compliance supervision and reports would be generated depending upon the type of product being serviced in each case.

Other issues that would need to be considered in the context of these arrangements would include:

- Operating platforms;
- Marketing materials;
- Compensation and
- Client privacy needs.

Question 11

What changes, if any, would you support so as to allow the mutual fund salesperson to service the investment dealer account?

Response

Documentation creating the proposed MFDA/IDA introducer/carrier arrangement could be required to designate services in respect of the direct account (with the investment dealer) that would be performed by the mutual fund salesperson and those which would be performed by the salesperson of the investment dealer. Such documentation should also deal with, among other things, supervision and disclosure to investors.

As a general comment we note that the interests of all industry stakeholders need to be identified, considered and reconciled so as to enable the OSC to come to a meaningful understanding of the changes that would be supported by the industry. We caution the OSC against trying to gauge the views of the industry in a perfunctory manner as we are of the view that this issue, along with many other issues in this paper, must be the subject of ongoing discussions with the industry.

<u>*Alternatives Considered*</u>

Question 12

Referral arrangements require that clients have separate accounts at each dealer, instead of one consolidated account. The need for separate accounts may raise issues of convenience from the client's perspective; beyond this, are there any issues or consequences of referral arrangements that we should be aware of?

Response

As a preliminary matter, we note that mutual fund dealers do not always receive a referral fee from investment dealers, as suggested by the commentary preceding this question[10]. There are many instances where the relationship is established simply on the understanding that the client will not be prospected by the investment dealer.

There are significant implications to splitting client accounts with mutual fund dealers into two or transferring these accounts to an IDA Member. These implications go beyond issues of "convenience" and include cost considerations, foreign content management and the severing of existing client/advisor relationships.

Question 13

If the MFDA/IDA introducer/carrier model contemplates two dealers servicing one client account, how can clear lines of responsibility (including supervision, accountability and liability) of each of the dealers be maintained?

Response

As set out above, documentation of these relationships that is provided to investors must require plain disclosure of the relationship in sufficient detail to enable the investor to understand both the services that the investor can expect to receive and who will be providing such services, at both the dealer and individual salesperson level. Again, disclosure along with appropriate enforcement is the most reasonable way to address this concern.

Alternatively, if this introducer/carrier model contemplates two dealers servicing two client accounts, how does this meet clients' needs?

Response

We suggest that whether or not a particular structure meets investor needs is a determination that is best left to individual investors. Regardless of the form of such arrangements, provided that investors are fully informed of the services offered, who will provide such services (along with any limitations) and also providing that current supervisory requirements are enforced, we see no further issues warranting regulatory concern.

Furthermore, what actions can be taken to ensure that the mutual fund dealer salesperson is acting within the terms of his/her registration?

Response

[10] At (2004) 27 OSCB 5628

The current regulatory framework is comprehensive and provides, through policies, procedures rules and regulations, for the supervision of salespersons in both MFDA and IDA firms. Failure to have effective supervision has been addressed by the IDA and is currently part of the MFDA audit process. The resolution of these issues will come not from more rules but rather from rigorous enforcement of the existing rules.

Question 14

Are you aware of any arrangements that would allow a mutual fund dealer to service its clients' need for one consolidated account, yet do not raise these regulatory concerns?

Response

As noted above, we believe that the proposed MFDA/IDA introducing/carrying arrangement could provide a solution that meets both regulatory and investor service concerns.

Question 15

What are alternative solutions to the issues raised by the OSC with respect to joint service and omnibus account arrangements? Do these solutions require changes to the regulatory structure or requirements?

Response

There is a need for regulatory changes that will permit MFDA/IDA introducing/carrying arrangements. A standardized servicing model that might operate outside of the introducing/carrying regime is an undertaking of significant scope and further analysis would be required to develop and fairly assess any available options. The OSC might, for example, wish to explore the option of allowing dual employment status for salespersons.

Question 16

Does a restricted dealer registration category continue to be appropriate in the current business environment where clients want to have one consolidated account and be serviced by one sales representative?

Response

We are aware that the OSC's proposed Fair Dealing Model contemplates a "single service provider" registration. We are, however, uncertain whether this single service provider registration is intended to result in the elimination of the mutual fund dealer category.

We do not believe that elimination of the restricted dealer category of registration is warranted in the absence of empirical evidence of a pattern of abuse that is occurring or being facilitated as a result of this registration category. If the OSC has evidence of such abuse, it would be more appropriate to deal with it through rigorous enforcement of the existing rules and not by proposing industry-wide changes to legitimate and useful business practices.

In our view, the restricted dealer category continues to serve an important need by providing investors with cost-effective access to diversified mutual fund products.

Mutual funds are flexible instruments that, in appropriate circumstances, can satisfy the investment needs of Canadians at all levels of the financial spectrum. Today, millions of Canadians[11] rely, in whole or in part, on mutual funds as a vehicle to achieve their financial goals.

In addition, the elimination of defined benefit pension plans for employees has meant that the average person must rely to a much greater extent on their own savings and investment to provide funding for retirement. These investors, often have only modest amounts to invest. In many cases, mutual funds offer such investors a cost-effective means to improved investment returns and diversification benefits that they would have difficulty obtaining if they were investing in individual securities.

Many of our Members serve low-to-middle-income investors. In this market segment, it is not uncommon for the majority of accounts to have balances of $5,000.00 or less. It is also not uncommon for investors in this demographic to engage in monthly trades, by way of pre-authorized chequing, that total as little as $25.00.

Many of these investors are invested primarily, if not exclusively, in registered retirement and registered education savings products as they have little disposable income and must, to a much greater degree than more affluent investors, look to meet their investment objectives over the long-term.

Full service brokers have no economic incentive, to provide affordable investment alternatives to this particular market segment. Accordingly, elimination of the mutual fund dealer registration category would effectively disenfranchise small net worth investors.

We also wish to note that there are 193 MFDA Member firms that have chosen to remain mutual fund dealers for various reasons, despite the available option of becoming investment dealers. These firms employ many registered salespersons and many other staff all of whom would have to either join the IDA or exit the business.

Question 17

[11] 51.2 million unitholder accounts as at June 30, 2004 – source IFIC Member statistics.

If mutual fund dealers and investment dealers are required to unwind the joint service and omnibus account arrangements, what will the impact be to your firm's clients, as well as to your firm, and how long do you anticipate this would take?

Response

Mutual fund dealers continue to serve an important role in providing advice and services to Canadian investors. Investors continue to approach and transact business with mutual fund dealers because they do not want or need a full service broker but do wish to have more assistance and a greater personal relationship than can be offered by a discount broker.

The re-documentation and dislocation of these existing relationships along with a potential increase in fees if investors are forced to move accounts to investment dealers is not, in our view, in the best interests of investors.

While we have not had enough time to conduct a thorough analysis of the economic impact on our Members, should the OSC require joint service and omnibus arrangements to be unwound, we are advised that the immediate costs and long-term impacts would be substantial. We encourage the OSC to pursue further dialogue with the industry with respect to this issue.

3. In Closing

We appreciate the opportunity to provide the views of our Members on this important issue. Should you have any questions or require further information with respect to our submission, please do not hesitate to contact the undersigned; John W. Murray, Vice-President, Regulation & Corporate Affairs at (416) 363-2150 x 225 / jmurray@ific.ca; or Aamir Mirza, Legal Counsel at (416) 363-2150 x 295 / amirza@ific.ca.

Yours truly,

THE INVESTMENT FUNDS INSTITUTE OF CANADA

Original Signed by John W. Murray for Thomas A. Hockin

By: Hon. Thomas A. Hockin
President & Chief Executive Officer