



# INDEPENDENT

— PLANNING GROUP INC. —

August 13, 2004

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

Re: Comments for Issue paper of "The Mutual Fund Dealers Business Arrangements" June 2004

We would like to thank the Commission for allowing us the opportunity to comment on this important issue paper.

Independent Planning Group Inc. (IPG) is a mutual fund dealer and an Insurance Brokerage firm registered in the provinces of Ontario, Quebec and British Columbia. Our advisors are pre-dominantly financial planners that emphasize financial planning over commission-based transactions. Clients come to an IPG planner to receive professional advice and guidance on:

- General Financial Planning
- Retirement Planning
- Estate Planning
- Education Planning

We do not agree that your description of current industry trends is accurate. As a financial planning organization first and foremost, our advisors are not product driven and instead we place comprehensive financial planning as our primary value proposition to our clientele. As such, product selection is simply a by-product of our services and not the main focus. In other words, if a client's needs predicate that a mutual fund and/or insurance product is warranted to solve certain lifestyle objectives then we will procure these products as part of our financial planning process.

Secondly, a mutual fund dealer can offer a wide range of products and services to their clientele. If you were to add a life insurance license to the product shelf combination, the mutual fund dealer can offer virtually every product and service that an IDA member firm can offer with the exception of stocks, bonds and a few other products. The Commission must also remember that mutual funds are portfolios of stocks and bonds that are managed by professional money managers.

As a mid-tier mutual fund dealership with approximately 125 financial advisors and \$1.3 Billion of assets under administration (AUA), we are rarely approached by our advisors to consider an IDA membership so that they may offer stocks and bonds. Our experience has been to the contrary, in that financial planning professionals want to focus on advice giving and not product. Therefore, we also disagree with the Commission's comments that clients prefer a single point of contact for all of their product procurement needs.

With the recent stock market declines over the past few years, investors, in general, have shifted their investment priorities from a growth focus to a capital preservation mentality. Industry trends have shown that managed portfolios, such as mutual fund products, wraps and other portfolio arrangements, are the main areas of interest for today's more conservative investor.

If some MFDA dealerships and approved persons want to provide their clients a consolidated account statement which would cover all products and services, these companies or individuals would consider applying for an IDA membership. Otherwise, it is understood that their activities are restricted according to their level of registration and they can trade in mutual fund securities.

#### Current Situation:

IPG presently has a referral agreement with MRS, B2B Trust and National Bank if a client wants to hold stock and bond securities in a separate account. In this situation, the client (and not the advisor) is directed to contact the IDA broker by telephone where the trade information is collected, executed and confirmed by the IDA broker. The mutual fund dealer or representative is not permitted to settle or reject trades and/or make any stock or bond recommendations to the client. All statements and trade confirmations are sent to the client by the IDA registrant.

The number of the accounts that we presently have with these referral agreements is relatively small as many of our advisors, and their clients, have not been pleased with the level of service provided by the IDA registrant. As a result, many of our advisors do not recommend this service to their clients. In response to question # 12, we are not aware of any issues or consequences that these referral arrangements cause.

In response to question # 16, we firmly believe that a separate mutual fund dealer registration will continue to be appropriate for our industry. The mutual fund dealer industry is largely made of a group of Canadian small business owners that have a main focus on providing financial planning. The mutual fund dealership community has recently invested millions of start-up capital to fund their new SRO, the Mutual Fund Dealers Association (MFDA). As a result, the compliance standards in our industry have drastically improved and will continue to do so as the MFDA continues to fulfill their mandated objectives. Should the

Commission decide to eliminate the registration category of mutual fund dealer, we would ask that the Commission reimburse mutual fund dealerships the start-up and membership dues that we've paid to the MFDA over the past few years.

The Commission must also undertake to understand the different philosophies that exist between a mutual fund registrant and an IDA registrant. Typically speaking, the objectives of many IDA firms are commission driven, transaction-based businesses with little if any focus on any financial planning. Every part of their management structure has been designed and implemented to maximize trade commissions. In comparison, mutual fund dealers and their representatives tend to be more focused on financial planning and our various industry associations such as Advocis promote the continued education of advisors by providing incentives to obtain their Certified Financial Planning (CFP) and/or Chartered Life Underwriter (CLU) designations. Other important considerations that the Commission should keep in mind are:

- Only a few mutual fund dealers have developed their own in-house mutual funds and/or Wrap accounts as compared to the majority of our IDA counterparts. As a result, mutual fund representatives tend to market third-party mutual funds and do not have a conflict of interest in marketing in-house products for higher commissions.

In closing, we strongly recommend that the Commission continue to enforce its current registration and furtherance of a trade rules and discontinue the use of Omnibus accounts and Joint Service Agreements as stated in your paper. If a firm should wish to provide their clients with stock and bond securities, then they should apply for an IDA registration.

In the meantime, the category of mutual fund dealership is and will remain to be an important registration category in Ontario and the rest of Canada and I would strongly suggest that the Commission should not attempt to fix something that isn't broken.

Sincerely,



Vincent A. Valenti  
President  
Independent Planning Group Inc.