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September 16, 2004

By E-Mail

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

Attention: John Stevenson, Secretary

Dear Sirs:

Re: The Fair Dealing Model Concept Paper

We appreciate the opportunity to comment on the Ontario Securities Commission's Fair Dealing Model Concept Paper ("FDM Concept Paper").

Alberta Securities Commission staff determined that it would be appropriate to consult with industry participants to inform our comments on the FDM Concept Paper. On June 15, 16 and 18 of this year, ASC staff met with approximately 70 individuals representing mutual fund dealers, scholarship plan dealers, investment dealers, investment counsel and portfolio managers to discuss the FDM Concept Paper.

Before these consultations ASC staff also provided 130 industry participants (including those participating in the meetings) with a series of questions designed to elicit feedback about the FDM Concept Paper, and received 50 responses. The list of questions is appended to this letter, together with the summary of the responses received. We have also attached graphs indicating the breakdown of the responses according to the respondent's registration category.

Positive feedback

In general, industry participants support the key principles set out in the FDM Concept Paper, namely:

- Clear allocation of responsibilities;
- Transparency in dealings with retail investors; and
- Management of conflicts of interest to avoid self-serving outcomes.

Clear allocation of responsibilities

The first key principle expressed in the FDM Concept Paper relates to clear allocation of responsibilities between registrants and clients. Industry participants generally agreed that:

- the registrant/client relationship should be clearly defined;
- both parties should be fully aware of their responsibilities; and
- the nature of the relationship and the respective responsibilities should be set out in the know-your-client documentation.

Transparency

The second key principle expressed in the FDM Concept Paper relates to transparency. The FDM Concept Paper expressed the view that all dealings with retail investors should be transparent. Industry participants generally agree with this key principle. Most industry participants particularly support the view that investors are entitled to disclosure regarding salesperson/adviser compensation and third party compensation arrangements.

Conflict management

The final key principle expressed in the FDM Concept Paper relates to the management of conflicts. Industry participants generally agree that firms should attempt to minimize conflicts and, where they cannot be avoided, disclose them to all interested parties.

Concerns

Wholly different approach

As indicated above, industry participants generally endorse the three key principles in the FDM Concept Paper. However, most participants believe that the evidence provided in the FDM Concept Paper does not support the proposed overhaul of the entire regulatory system in order to give effect to these three key principles.

A number of industry participants believe that the key principles outlined in the FDM Concept Paper are adequately upheld by the current regulatory structure but could be bolstered by less ambitious and more practical regulatory initiatives.

Some industry participants suggested that an increase in the number and scope of compliance audits would better achieve the goals of the three key principles than would changes to the regulatory system.

Harmonization

Most participants expressed grave concern about the OSC proposing this new approach to registrant regulation without consultation with – and the support of – the other securities regulatory authorities. They expressed concern that a move to a Fair Dealing Model by the OSC alone would undermine all of the harmonization advances made by the CSA over the past several years. Almost without exception, industry participants believe that any significant changes to the regulatory system must be made in harmony with all of the thirteen securities regulatory authorities and, where possible, with the self-regulatory organizations.

Limited detail

Many industry participants expressed concern that much of the detail of the Fair Dealing Model has not been relayed to industry and, apparently, has not yet been worked out. For example, the FDM Concept Paper defers any detailed discussion of licensing issues (including proficiency issues) to a second concept paper. Until industry participants have all of the details of the Fair Dealing Model, they believe that they cannot comment on the model fully.

Advice-based model

The FDM Concept Paper recommends that regulators shift their focus from a product-based model to an advice-based model. A number of industry participants expressed concerns about this recommendation:

- Some believe that the distinction is erroneous. At present, the system is not entirely product-based. For example, a registered salesperson is permitted to provide advice in connection with a trade. It is this advice component that necessitates know-your-client and suitability rules.
- There is no indication that the current model is sufficiently flawed so as to warrant a shift to a new regulatory focus.
- “Advice” is not defined or otherwise limited in the FDM Concept Paper. Further, the FDM Concept Paper arguably muddies the waters by referring to “investment advice”, “financial advice” and “financial planning” without defining any of these terms.

Prescribed relationships

The FDM Concept Paper anticipates three types of relationships between registrants and clients: self-managed, advisory and managed-for-you. Many industry participants are concerned that these categories are too rigid and do not reflect the reality of the types of relationships that exist between registrants and clients at present.

Multiple accounts

The FDM Concept Paper takes the view that a registrant must open separate accounts for a client if it has more than one of the prescribed relationships with that client. For

example, it proposes that a registrant under an advisory relationship should not accept unsolicited orders from clients. It recommends that the adviser suggest that the client open a self-managed account. Further, it suggests that it may be a conflict for a client to hold an advisory account and a self-managed account with the same registrant. Most industry participants believe that clients will not well served by being put through these additional “hoops”. Some even suggest that this would be a disservice to clients because the registrant may not be able to have a comprehensive view of the client’s holdings.

Fair Dealing Document

The FDM Concept Paper includes a proposed form of Fair Dealing Document (“FDD”) that is designed to replace the current know-your-client documentation. The proposed document is extremely lengthy and detailed.

Industry participants generally agree that the current know-your-client forms are outdated. There is general support for the modernization of these forms. A number of industry participants believe, however, that the proposed FDD does not properly address this problem.

The FDD is considered to be a relatively cumbersome document that cannot realistically be used to set up client accounts. There is a concern that clients will quickly lose patience with the process, particularly when the client is setting up more than one account.

There is also a concern about the expectation that each FDD would be custom-tailored for each client, and created and completed interactively through software or templates. Many industry participants believe that this requirement would significantly increase the cost of opening new client accounts. It is a particular concern for industry participants who focus on smaller retail accounts. These participants do not believe that it is feasible for salespersons to create and print such documents when meeting with a client in the client’s home.

Personalized performance information

The FDM Concept Paper encourages registrants to provide personalized performance information in client account statements. At present, many firms do not have the technological resources to create such statements in a simple, cost-effective manner. Some industry participants believe that without prescribed industry standards, a client’s account performance may be calculated very differently from firm to firm. The potential for marked differences will likely result in investor confusion.

Security performance

The FDM Concept Paper also encourages registrants to provide personalized performance information about each security in client account statements. At present, many firms do not have the technological resources to create such statements in a simple, cost-effective manner. Some industry participants believe that without prescribed

industry standards, a security's performance may be calculated very differently from firm to firm. The potential for marked differences will likely result in investor confusion.

Some industry participants also pointed out that this specific information is not particularly useful or appropriate because each security is simply a component of a client's overall portfolio. The advisor and client should focus on the performance of the overall portfolio. Emphasizing the performance of individual securities may lead the client to make inappropriate, or even harmful, decisions.

Security and portfolio risk

The FDM Concept Paper proposes a reporting system wherein clients are advised of the specific risks of each security in the client's portfolio and of the overall portfolio. Most industry participants expressed a number of serious concerns about this concept:

- Each registrant would have to bear the cost of analyzing every security and assigning a risk rating to the security. They noted that there are tens of thousands of different securities available to clients, and that the risk for a given security can change from day-to-day in response to securities market conditions and changes in the economics of the business underlying the security.
- Since there are many methods to measure risk but no single risk measurement standard in the industry, the selection of the risk measurement method would be subjective.
- It is likely that different registrants would assign different risk ratings to the same security, with the likelihood of client confusion. This is the more likely since there is no single measure of risk for individual securities, so different registrants will likely use different risk measurement systems.
- Assigning a risk rating to each security is not particularly useful or appropriate as each security is simply a component of a client's overall portfolio. The advisor and client should focus on the risk of the overall portfolio. Emphasizing the risk of individual securities may lead the client to make inappropriate, or even harmful, decisions.
- The risk of a portfolio is not determined simply by taking the average of the risks of the securities in the portfolio. Rather, it is a computation-intensive process involving the correlations of the variability of the individual securities in the portfolio. Industry participants said that they do not have the ability to perform these calculations for client reporting in their current systems, and believe that adding this ability would involve significant costs.
- Industry participants did not believe that there would be much value to clients from receiving numerical security and portfolio risk ratings because many clients' measure of risk is simply "how much money have I lost?".

Client education

The FDM Concept Paper anticipates that registrants will be responsible for taking measures to educate their clients. Most industry participants believe that the educational measures anticipated in the FDM Concept Paper are unreasonable, unnecessary and cost-prohibitive.

Current regulations require industry participants to provide investment information to clients. For example, mutual fund companies are required to provide information about their funds in a prospectus and other disclosure documents to potential and current investors. Mandating further disclosure is unnecessary and may be confusing if the disclosure involves interpretation of existing disclosure documents by salespeople or advisers. A number of industry participants suggested that current disclosure documents, particularly mutual fund prospectuses, should be simplified so that typical investors can make use of the disclosure.

Several industry participants also noted that there are currently many sources clients can use if they wish to learn more about securities and investing, including formal courses, informal client seminars, and the Internet.

Implementation costs

Industry participants are gravely concerned about the potential costs of implementing the regime recommended in the FDM Concept Paper. Some industry participants believe that the regime contemplated in the FDM Concept Paper will be so cost-prohibitive as to be completely impractical and unachievable.

Some of the costs anticipated are:

- Initial outlay for new or updated computer hardware and software and ongoing systems maintenance and improvement costs;
- Preparation, printing and delivery costs as a result of increased client reporting obligations;
- Increased training costs for current and future staff;
- Compliance costs; and
- Increased staffing costs.

Many industry participants noted that the costs of implementation are not generally offset by any increased revenue or cost savings for industry.

Impact on small retail investors

Many industry participants expressed strong concern about the impact of the regime contemplated in the FDM Concept Paper on retail investors with accounts of less than \$100,000. Ultimately, these participants are concerned that the cost of servicing small retail investors will eclipse any benefit firms will receive from servicing these clients.

For example, they estimate that the cost to open a new client account in accordance with the FDM Concept Paper would be several hundred dollars and that the increased reporting, client education, and other requirements would incur a similar cost each year. Many smaller retail accounts do not generate that much gross revenue for the registrant each year. These investors will not be able to open advisory accounts.

The result may be to push some of these investors out of the capital markets or into self-managed accounts. However, many small clients do not have the resources or expertise to manage their own portfolios, which exposes them to undue risk if they open a self-managed account.

Boon for insurance industry

Industry participants suggested that the securities industry is much more heavily regulated than the insurance industry. Some industry participants expressed concern that advisors who now sell mutual funds may choose to sell segregated funds (an insurance product). With segregated funds, costs to the client are higher; disclosure, compliance and client protections are minimal; and sales practices are essentially unregulated. Not only would clients not receive the benefits of the Fair Dealing Model principles, they would not receive the benefits of the protections in the current securities regulatory system.

Conclusion

As a general rule, industry participants fully agree with the key principles set out in the FDM Concept Paper. However, most industry participants are not convinced that the regime set out in the FDM Concept Paper appropriately addresses these key principles. Most industry participants believe that the current system, with some adjustments, effectively upholds the three key principles.

We thank you again for this opportunity to comment on the FDM Concept Paper. We look forward to ongoing discussions with the OSC about this initiative.

Yours very truly,

“Stephen Sibold”

Enc.: 2

SPS/kap

Fair Dealing Document
ASC Industry Survey

Strongly Disagree Disagree Neutral Agree Strongly Agree

Concept

1. The regulatory overhaul contemplated by the Fair Dealing Model is necessitated by failure of the current regulatory regime to protect investors.	16	18	8	7	1
2. The Fair Dealing Model core principle of clear allocation of responsibilities is upheld by the current regulatory framework.	1	8	13	23	5
3. The Fair Dealing Model core principle of transparency is upheld by the current regulatory framework.	1	14	11	19	4
4. The Fair Dealing Model core principle of conflict management is upheld by the current regulatory framework.	2	10	11	22	5
5. It is better to remedy existing regulatory shortcomings by developing a completely new regulatory structure.	16	16	9	6	3
6. It is better to remedy existing regulatory shortcomings by modifying the existing regulatory framework.	1	5	7	22	15
7. The Fair Dealing Model is consistent with other initiatives of regulators, such as the Capital Raising Exemptions.	11	1	31	3	1

Strategy

8. Overall, implementation of the Fair Dealing Model will have a positive impact on our business model.	17	8	17	8	0
9. Implementation of the Fair Dealing Model will not require us to change our compliance structure.	17	14	7	12	0
10. Disclosure of all compensation (direct and indirect) is a positive concept for the market segment(s) we serve.	6	6	3	21	14
11. Direct billing will not have a negative effect on our business model.	16	8	10	12	4
12. Compensation disclosure will not have a negative effect on our business model.	6	3	9	23	9
13. Upgrading proficiency requirements would not have a major impact on my business model.	3	12	6	21	8

Market

14. My company serves the

- affluent market	\$ 500 K +	22
- mass-affluent market	\$ 100 - 499 K	24
- lower-end market	\$ 50 - 99 K	17
	\$ 25 - 49 K	14
	\$ < 25 K	11
- other (please specify)	\$ _____	88

15. How will the Fair Dealing Model generally impact each of the market segments that your firm serves? NIL
Response

16. The average account size in each of the markets that our firm serves follows.

- affluent market	\$ 500 K +	NIL
- mass-affluent market	\$ 100 - 499 K	NIL
- lower-end market	\$ 50 - 99 K	NIL
	\$ 25 - 49 K	NIL
	\$ < 25 K	NIL
- other (please specify)	\$ _____	NIL

17. The average revenue from accounts in each of the market segments that our firm serves follows.

- affluent market	\$ 500 K +	NIL
- mass-affluent market	\$ 100 - 499 K	NIL
- lower-end market	\$ 50 - 99 K	NIL
	\$ 25 - 49 K	NIL
	\$ < 25 K	NIL
- other (please specify)	\$ _____	NIL

18. The average cost of servicing accounts in the market segments our firm serves follows.

- affluent market	\$ 500 K +	NIL
- mass-affluent market	\$ 100 - 499 K	NIL
- lower-end market	\$ 50 - 99 K	NIL
	\$ 25 - 49 K	NIL
	\$ < 25 K	NIL
- other (please specify)	\$ _____	NIL

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Staffing					
19. Implementation of the Fair Dealing Model will have a positive effect on the recruiting model in our firm.	11	8	28	3	0
20. Our staff currently have the proficiency to create a Fair Dealing Document.	3	6	11	24	6
21. Our staff currently have the proficiency to communicate a Fair Dealing Document to clients.	3	4	8	29	6
22. Our staff currently have the proficiency to use and monitor a Fair Dealing Document.	3	10	11	21	5
23. Our representatives have the proficiency to competently and critically assess research reports and other information in order to act as an unbiased filter for their clients.	2	6	15	17	7
24. Our representatives have the proficiency to explain risk measures such as variance, standard deviation, Traynor measure, beta, etc. used by investment experts.	2	18	10	13	5
25. Costs of implementing the Fair Dealing Model would not cause any staff dislocations in our company.	8	15	14	11	2
26. Our company would not expect any staff dislocations as a result of the increased proficiency requirements contemplated in the Fair Dealing Model.	6	18	7	15	4
Training					
27. Educating clients about their account choices under the Fair Dealing Model will not significantly impact our business model.	7	13	12	14	2
28. Having a variety of media available to educate clients about the Fair Dealing Model is a small cost consideration for our operation.	16	19	7	8	0
29. Educating clients about account choices and their consequences before opening an account, is a practical idea, even during business high season(s).	3	4	6	28	7
30. The representatives/advisors in my firm have the proficiency to understand, create, explain and modify a Fair Dealing Document.	2	7	16	19	5
31. My representatives would need to upgrade their proficiency level(s) to understand, create, explain and modify the Fair Dealing Document.	2	13	16	17	2

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
32. My firm's representatives have the proficiency to deal with their obligations under the Fair Dealing Model.	2	6	13	26	3
<i>Client Relationships</i>					
33. Prescribing relationship types and added documentation requirements leaves enough flexibility for a firm to change in a dynamic environment.	9	13	16	10	1
34. Creation of a Fair Dealing Document will eliminate most client complaints.	19	16	10	3	1
35. Firms and their representatives are better protected from client complaints with a Fair Dealing Document signed and in place.	15	4	11	18	2
36. The introduction of new monetary and time costs will not impact the functioning of existing client relationships your firm.	16	16	11	7	0
37. Restricting clients to one of three relationship types will require a dismantling of existing client relationships and will be detrimental to the existing clients of your firm.	3	19	8	10	8
38. A fund company that is legally responsible for harm to clients (negligence, breach of fiduciary duty, fraud etc.) by the actions of dealer firms and their representatives, will have the power to take appropriate action with the dealer and/or their representatives.	4	7	27	7	2
39. A common understanding of roles and responsibilities should help reduce the number of client disputes.	4	9	12	24	1
40. Client-Advisor relationships are based on initial trust amongst the parties.	0	1	0	34	15
41. Client relationship problems are a result of unclear expectations.	0	6	14	27	3
42. Client relationship problems are a result of unclear regulations.	11	17	14	5	3
43. The clients that come to your firm want advice rather than products or transaction execution	2	7	17	15	9
44. By direct billing, representatives better serve client interests.	12	11	18	7	2

Strongly Disagree Disagree Neutral Agree Strongly Agree

Transparency

45. The requirement to disclose higher fees for the sale of new issues in the primary market, compared to the purchase of the same type of stock in the secondary market, will not impair your ability to raise capital for SMEs.						NIL RESPONSE
46. The requirement to disclose quantified, individual security risk measures will not impair your ability to raise capital in the primary market for SMEs.						NIL RESPONSE
47. The lack of a standard calculation for performance presentation information will keep the ‘playing field’ level in your markets.	9	14	20	5	0	
48. Referrals from other business units in our firm are a significant source of our business.	10	15	16	4	3	
49. Elimination of green or brown dollar incentives will not impact our business model.	5	1	17	17	6	

Profitability

50. An enforced higher standard of client care will increase the firm’s risk to trading losses, and therefore increased costs of administration. (For example: business insurance).	1	14	13	13	8	
51. Eliminating internal sales incentives so advice is not impaired will impact our firm’s business model.	7	16	15	8	1	
52. Implementation of statement disclosure requirements will not change our cost structure.	11	14	14	10	1	
53. Having a variety of media available to educate clients about the fair dealing model is a small dollar cost for our operation.	14	23	7	5	1	
54. What average size client accounts in your market segment(s) will remain profitable under the regime proposed by the Fair Dealing Model?						
- affluent market \$ 500 K +	0	1	1	14	8	
- mass-affluent market \$ 100 - 499 K	1	2	3	12	4	
- lower-end market \$ 50 - 99 K	3	9	5	3	1	
\$ 25 - 49 K	5	12	1	1	1	
\$ < 25 K	9	7	1	0	1	
- other (please specify) \$ _____						

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
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55. Our firm will realize cost savings if our representatives direct billed our clients. 13 15 18 1 0

56. Proficiency upgrades will not impact the profitability of accounts in the following market segments which our firm serves.

- affluent market	\$ 500 K +	NIL RESPONSE
- mass-affluent market	\$ 100 - 499 K	NIL RESPONSE
- lower-end market	\$ 50 - 99 K	NIL RESPONSE
	\$ 25 - 49 K	NIL RESPONSE
	\$ < 25 K	NIL RESPONSE
- other (please specify)	\$ _____	NIL RESPONSE

57. An increase in compliance costs, as detailed in the following table, would decrease client returns in each of the market segments you serve as follows. (Assume a 15 year time horizon, 8% annual return, \$1000 investment and that costs are passed on to clients).

<i>Market Segment Served</i>	<i>Compliance Cost Increase</i>				
	0.25%	0.50%	0.75%	1.00%	1.25%
- affluent \$ 500 K +				NIL RESPONSE	
- mass-affluent \$ 100 - 499 K				NIL RESPONSE	
- lower-end \$ 50 - 99 K				NIL RESPONSE	
				NIL RESPONSE	
				NIL RESPONSE	
				NIL RESPONSE	
- other (specify) \$ _____				NIL RESPONSE	

58. What is your average annual cost per client?

- affluent market	\$ 500 K +	NIL RESPONSE
- mass-affluent market	\$ 100 - 499 K	NIL RESPONSE
- lower-end market	\$ 50 - 99 K	NIL RESPONSE
	\$ 25 - 49 K	NIL RESPONSE
	\$ < 25 K	NIL RESPONSE
- other (please specify)	\$ _____	NIL RESPONSE

59. What is your average annual revenue per client?

- affluent market	\$ 500 K +	NIL RESPONSE
- mass-affluent market	\$ 100 - 499 K	NIL RESPONSE
- lower-end market	\$ 50 - 99 K	NIL RESPONSE
	\$ 25 - 49 K	NIL RESPONSE
	\$ < 25 K	NIL RESPONSE
- other (please specify)	\$ _____	NIL RESPONSE

Strongly Disagree Disagree Neutral Agree Strongly Agree

60. Our firm’s ability to profitably advise the clients we serve in each of the following market segments will not change due to the increased time requirements and costs of adopting the Fair Dealing Model concepts.

- affluent market	\$ 500 K +	_____	5	2	4	8	2
- mass-affluent market	\$ 100 - 499 K	_____	7	2	4	7	0
- lower-end market	\$ 50 - 99 K	_____	7	6	5	0	0
	\$ 25 - 49 K	_____	9	6	2	0	0
	\$ < 25 K	_____	9	5	1	0	0
- other (please specify)	\$ _____	_____					

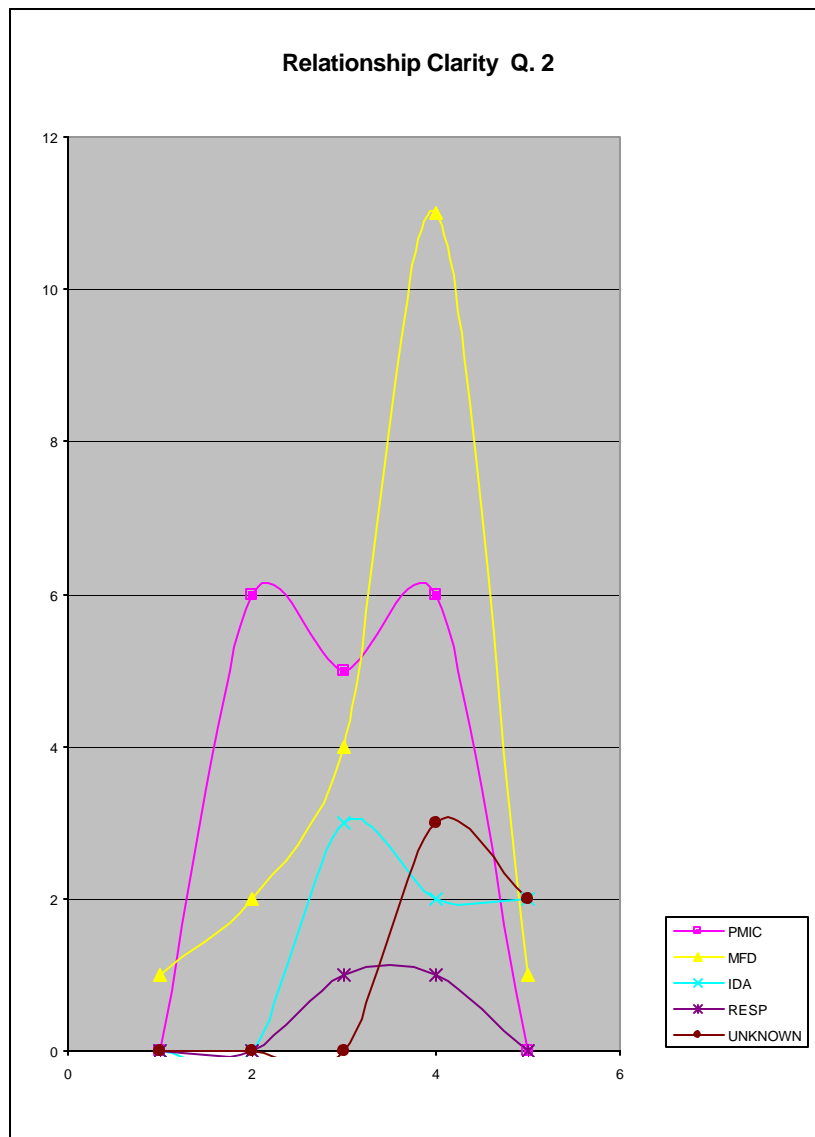
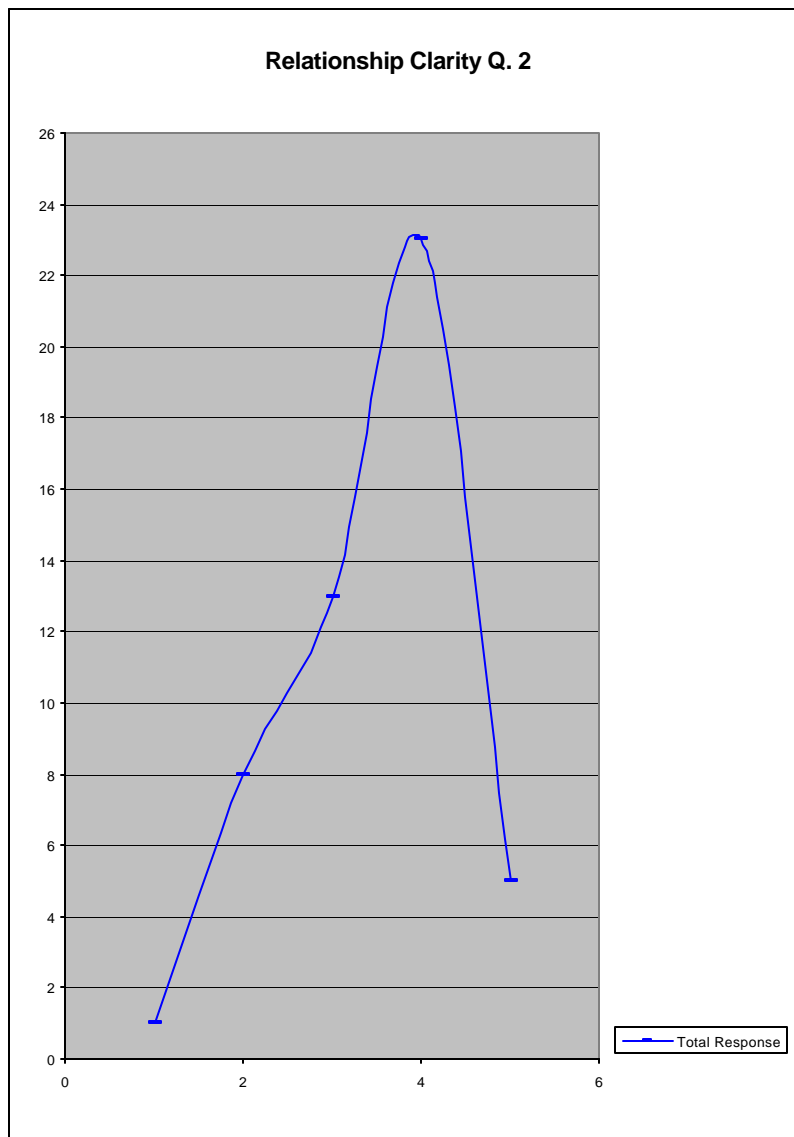
Systems

61. Our current systems can deliver a customized Fair Dealing Document to each of our current and future clients.	11	19	6	9	4
62. Our current systems can generate the disclosures to clients of all direct and indirect compensation paid to your representatives.	12	12	10	9	6
63. Our current systems can support the creation and monitoring of client conversation records.	16	16	4	9	2
64. Our current systems can generate a client statement with a risk profile for each security in the portfolio.	20	18	5	3	1
65. Our current systems can generate a client statement with the risk profile of the entire portfolio.	16	17	4	9	1
66. Our current systems can generate a client statements with personalized performance histories.	13	4	3	22	6
67. Our current systems can generate a client statement that graphs security holdings by risk category.	17	18	5	7	1
68. Our current systems can generate a client statement showing aggregated costs and compensation paid by the client for the past year.	16	14	2	13	3

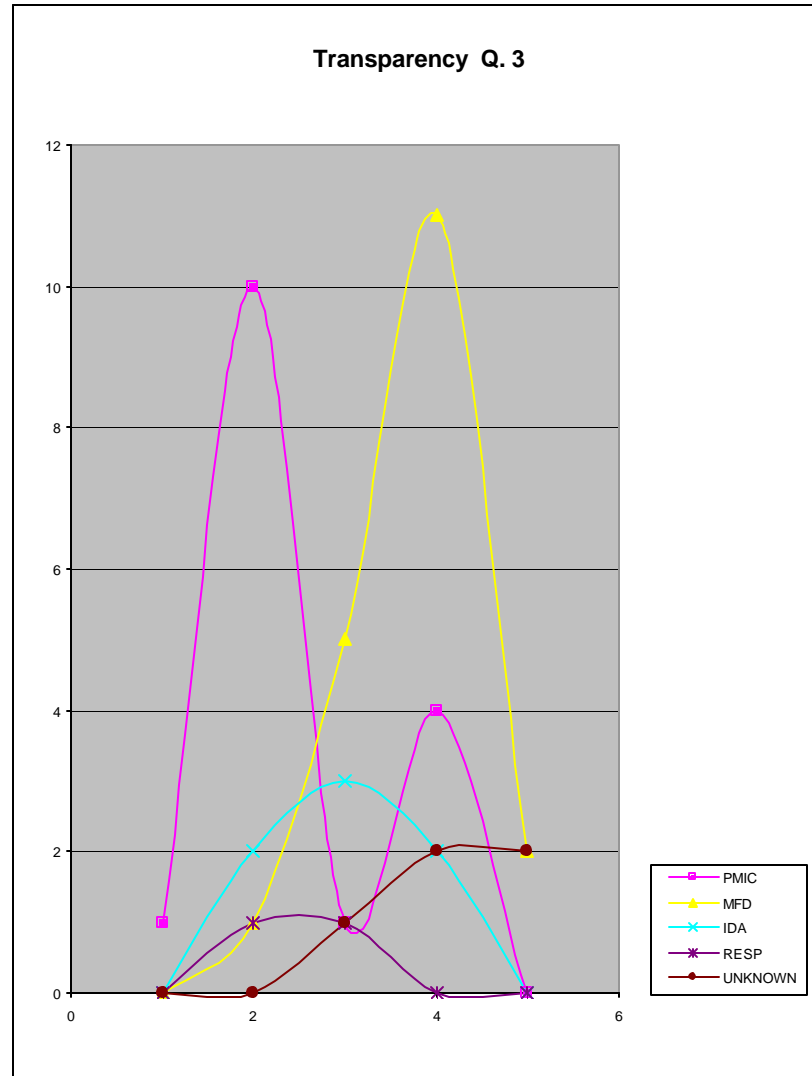
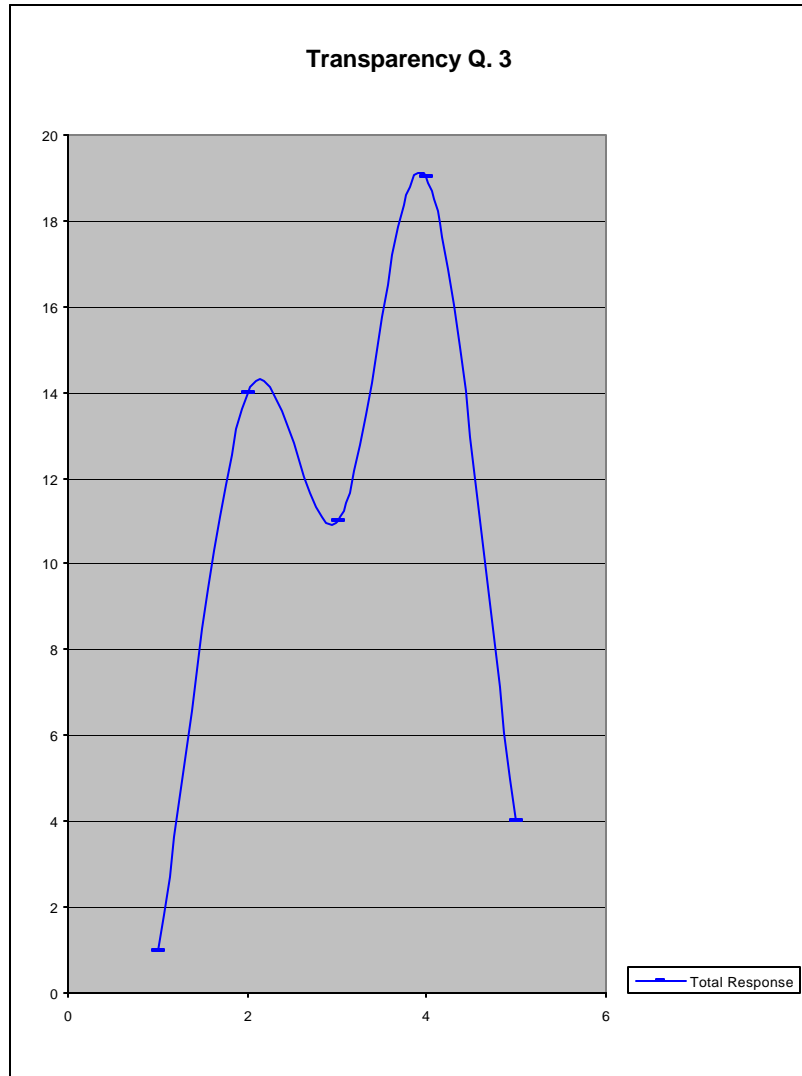
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
69. Our current systems can generate a pre-trade summary which includes security identification; price and quantity estimates; all fees, compensation and service charges; detailed fee calculations; the risk level of the security and why the transaction was advised by your representative.	21	16	5	3	2
70. Our current systems can generate a confirmation for fund purchases showing the total compensation the investor has paid or is potentially committed to pay (direct, indirect, trailers etc.).	16	12	9	6	3
71. Generating a statement with risk information on individual securities and on each client portfolio is feasible with the firm's systems.	19	17	5	5	1
72. If not feasible with current systems, the cost of upgrading systems for the above capability would be approximately _____ dollars.				NIL RESPONSE	
73. With our current systems, it is feasible to have our representatives direct bill our clients.	16	10	6	10	1

The graphs on the following pages reflect the responses received to selected questions in the survey. For each question, other than questions 14, 54 and 60, the responses are on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree). For each question, other than questions 14, 54 and 60, the first graph reflects the responses of all respondents, while the second graph reflects the responses according to the respondent's industry segment. The Unknown category reflects responses from respondents that did not indicate an industry segment.

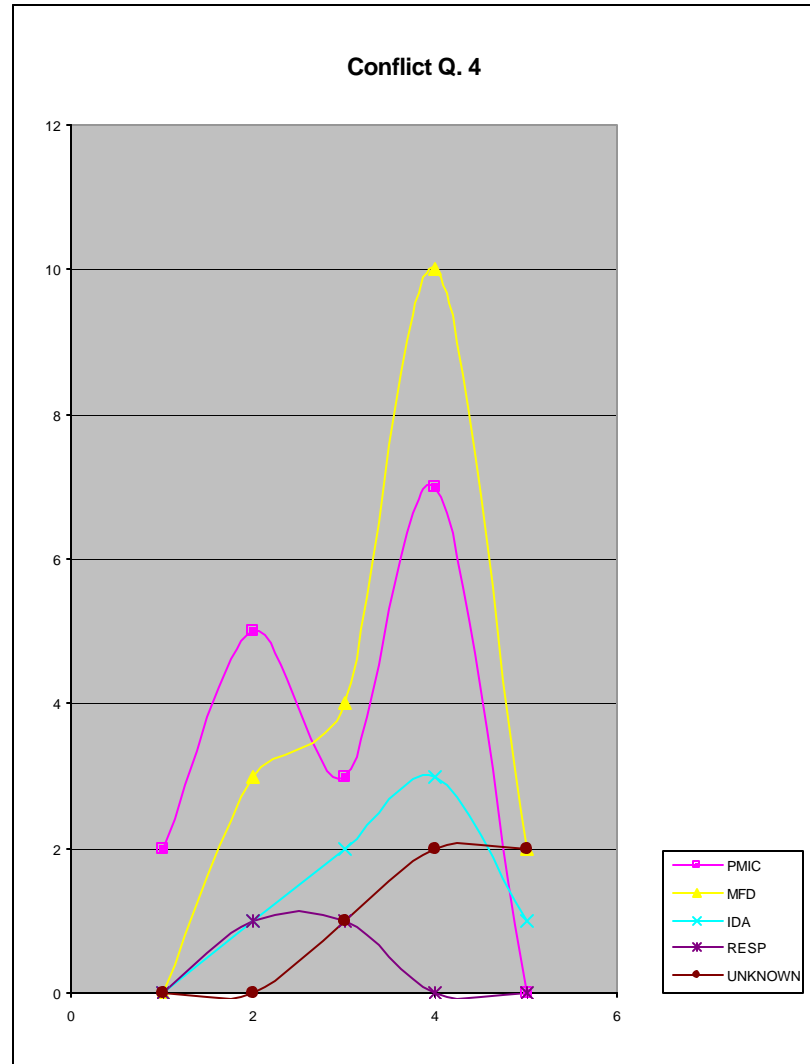
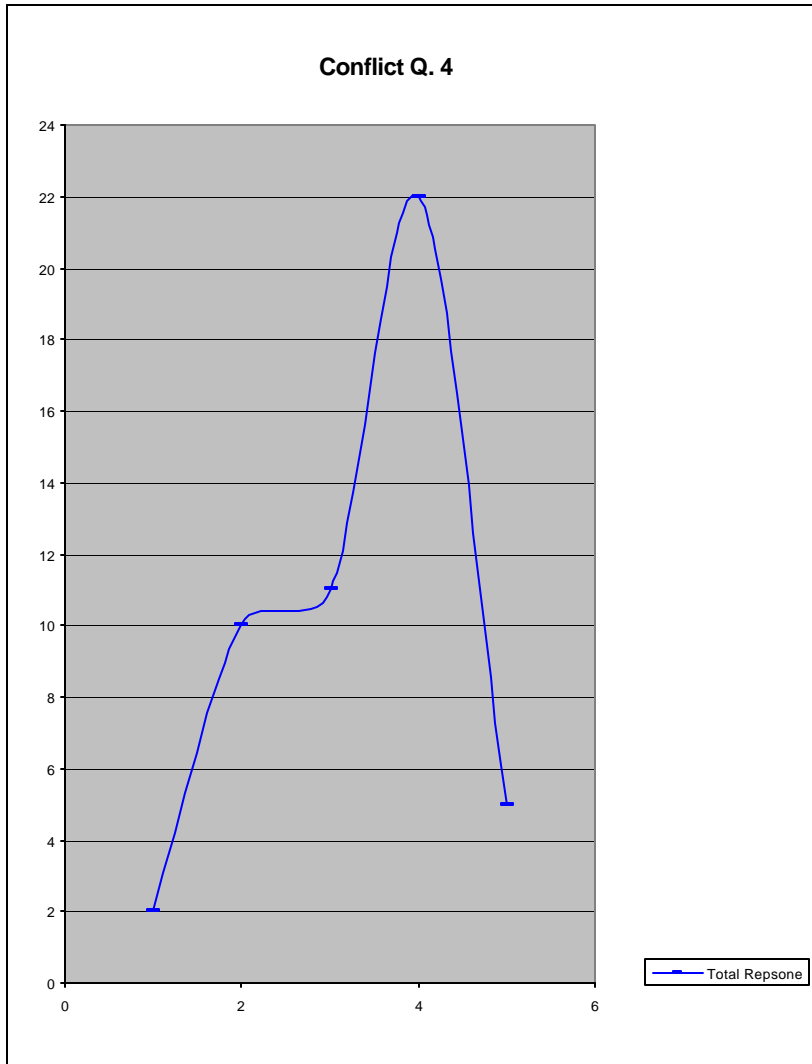
The FDM core principle of clear allocation of responsibilities is upheld by the current regulatory framework.



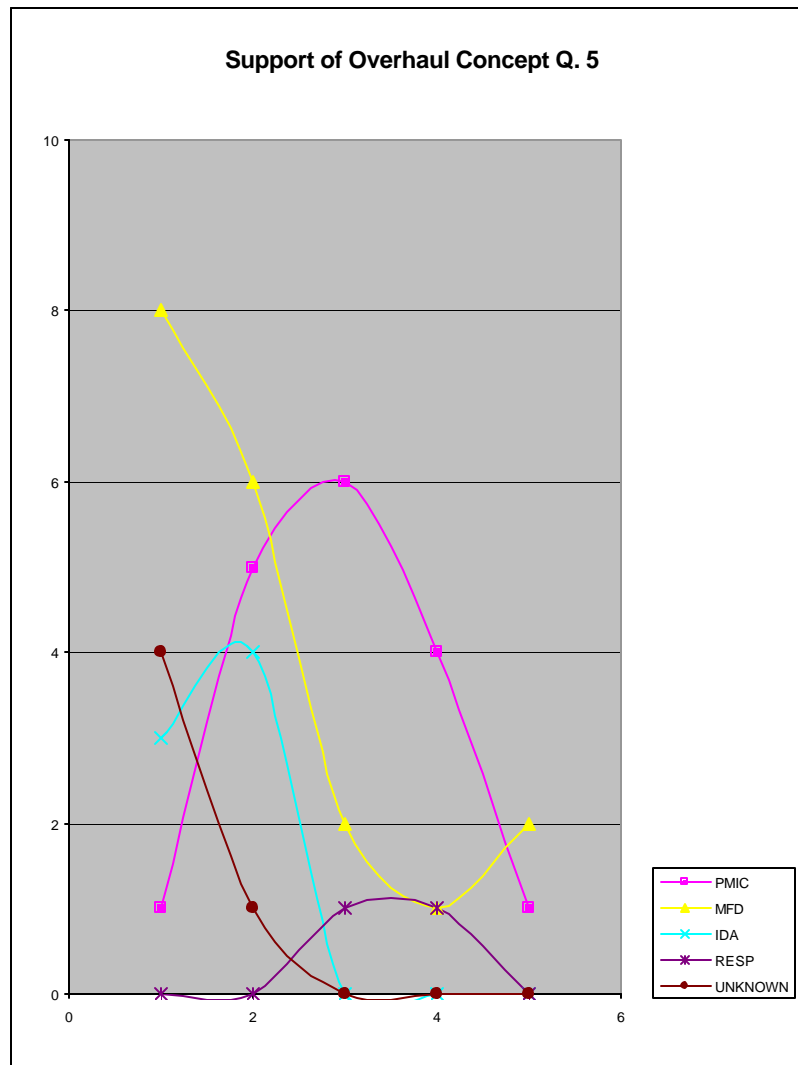
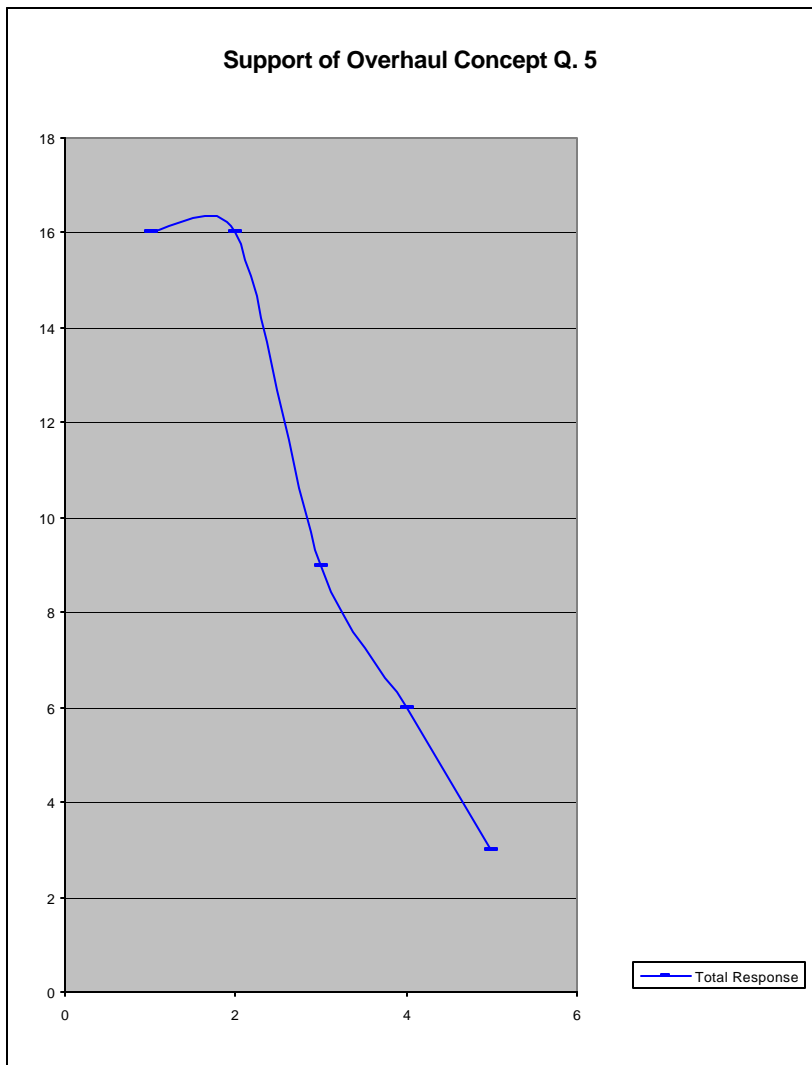
The FDM core principle of transparency is upheld by the current regulatory framework.



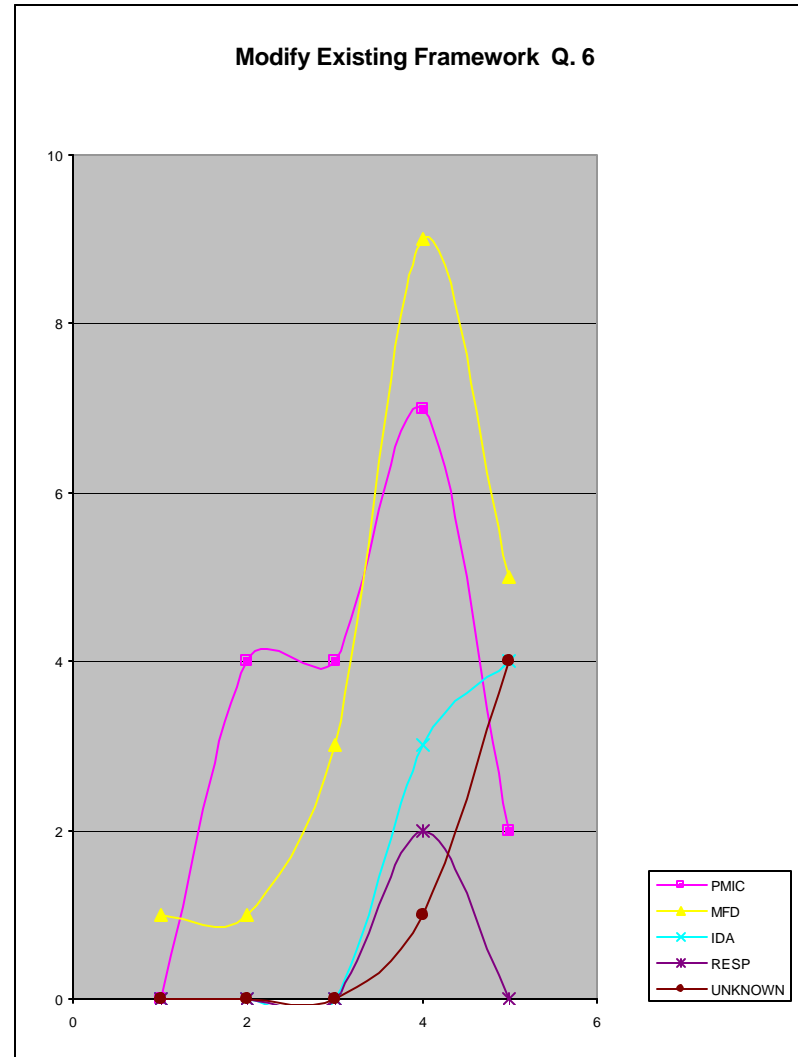
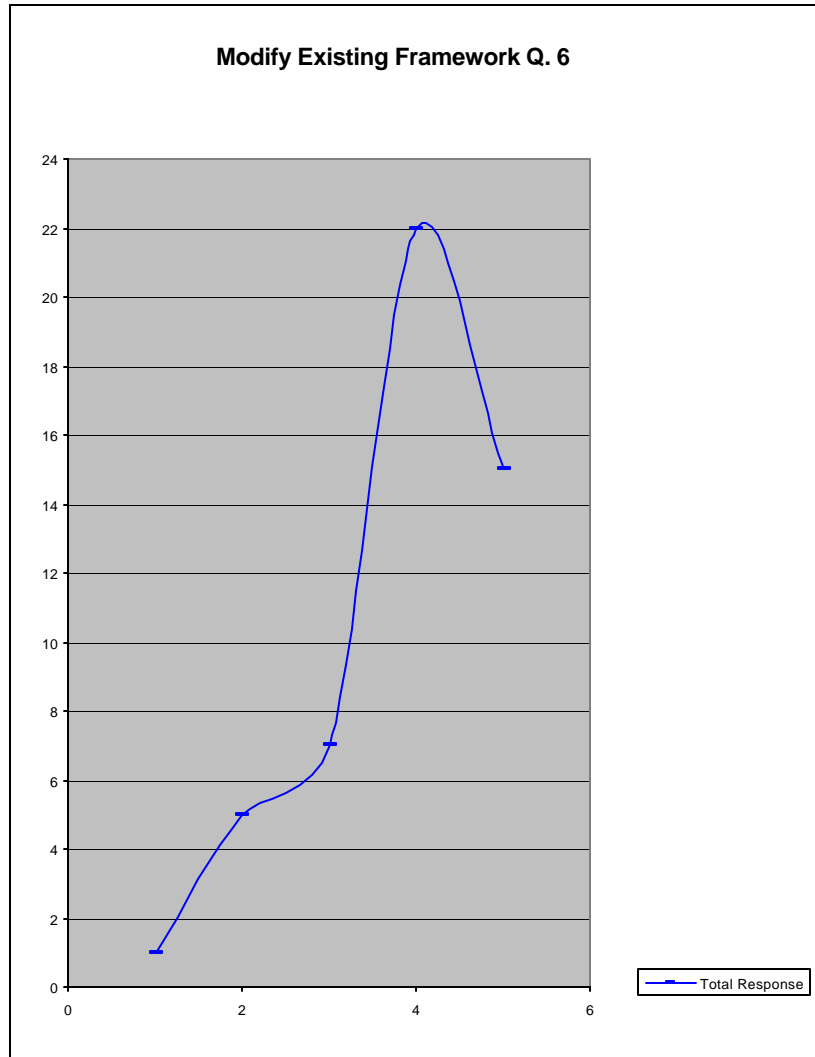
The FDM core principle of conflict management is upheld by the current regulatory framework.



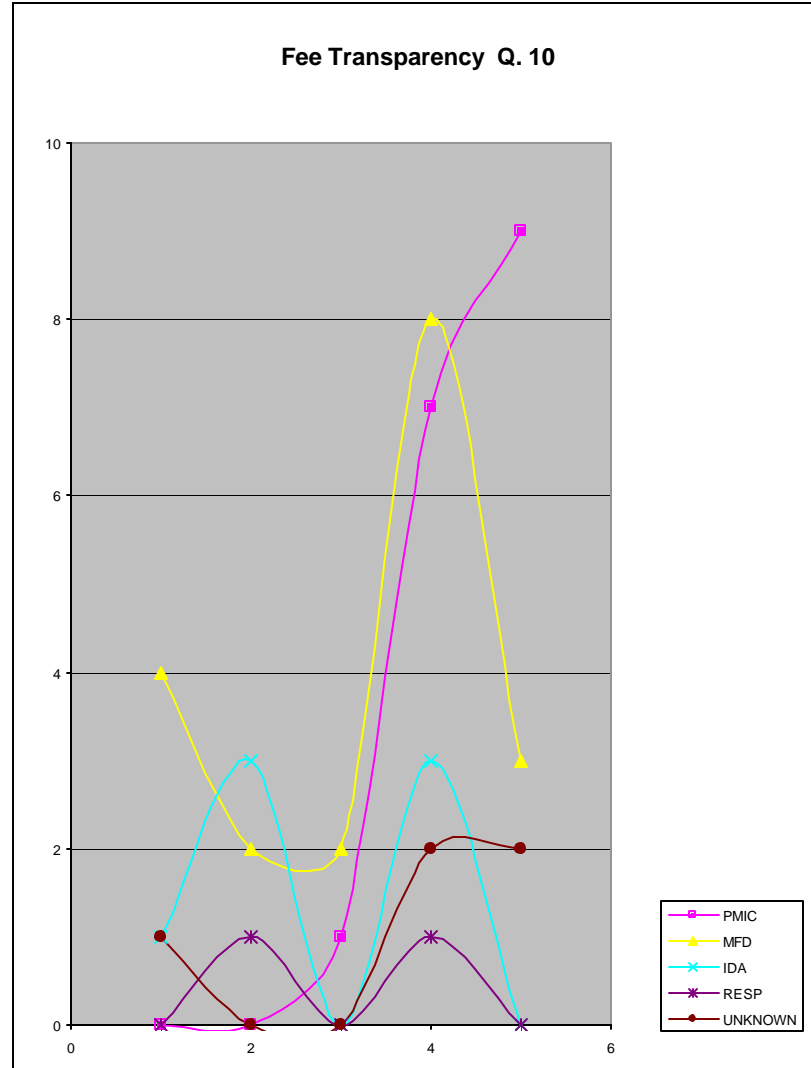
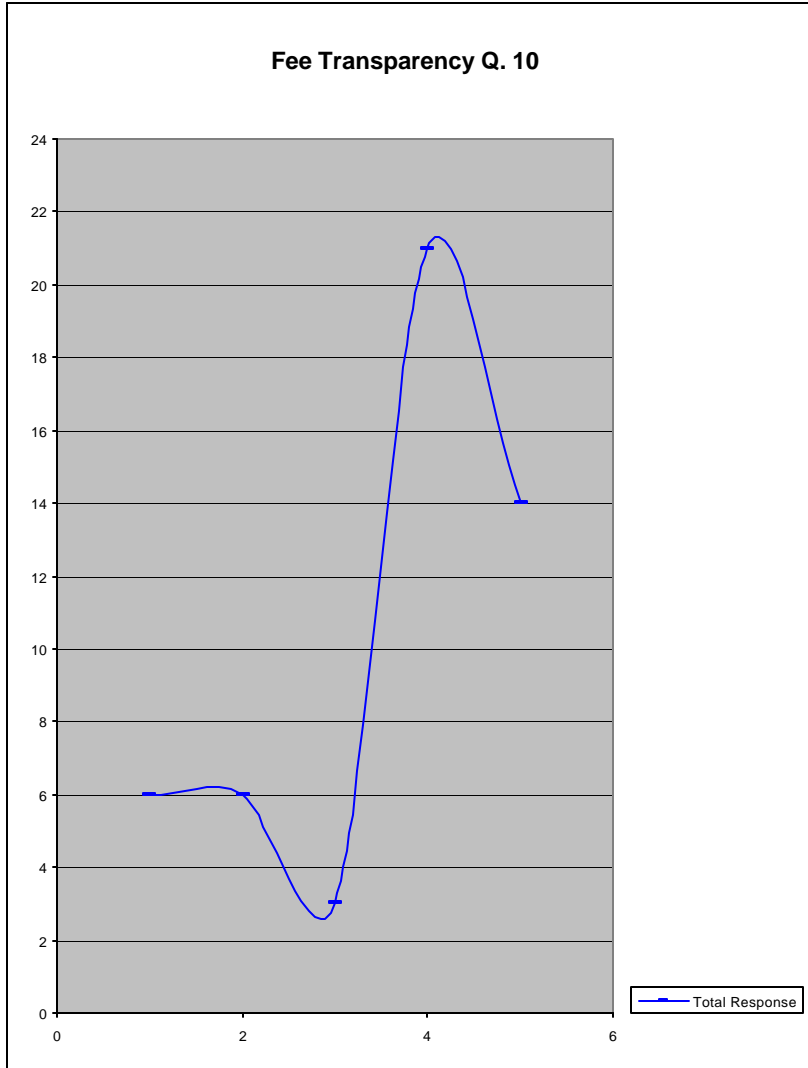
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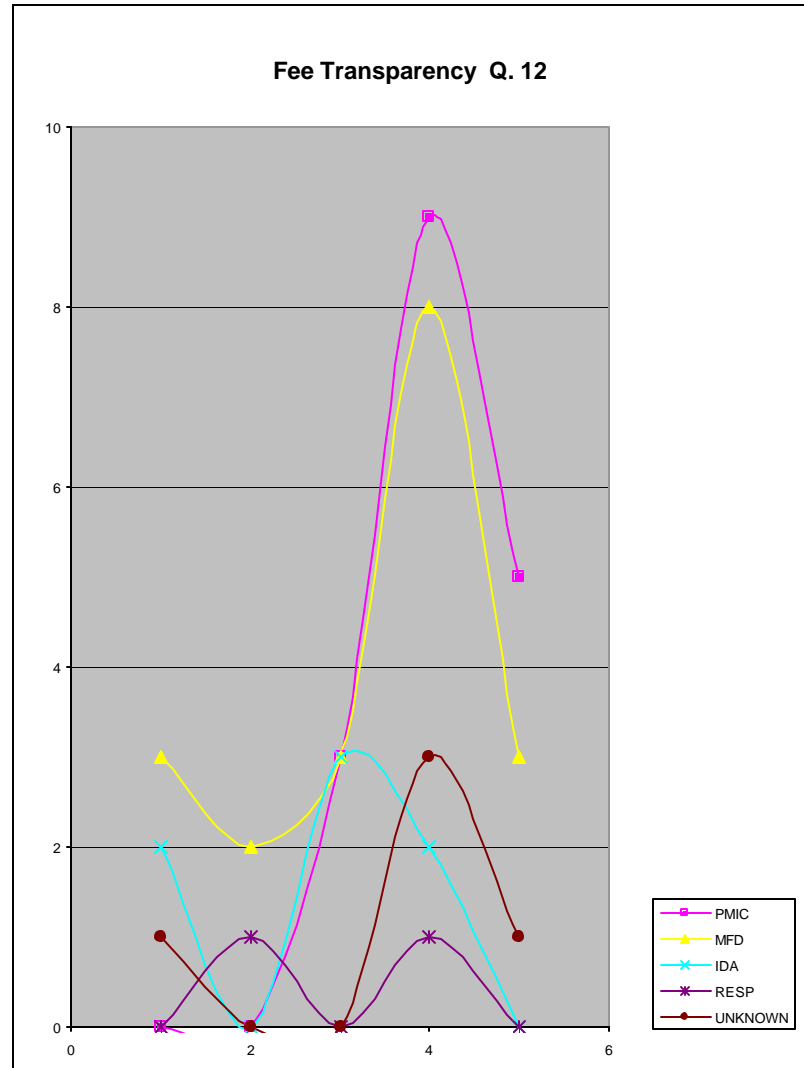
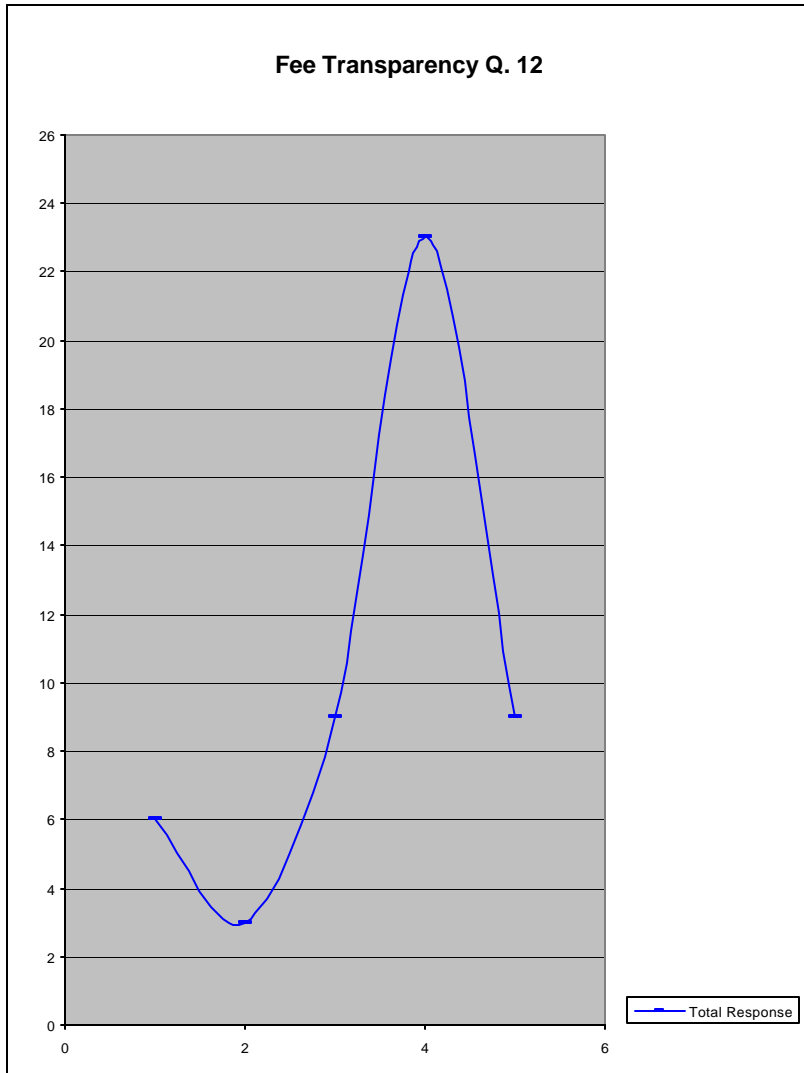
It is better to remedy existing regulatory shortcomings by modifying the existing regulatory framework.



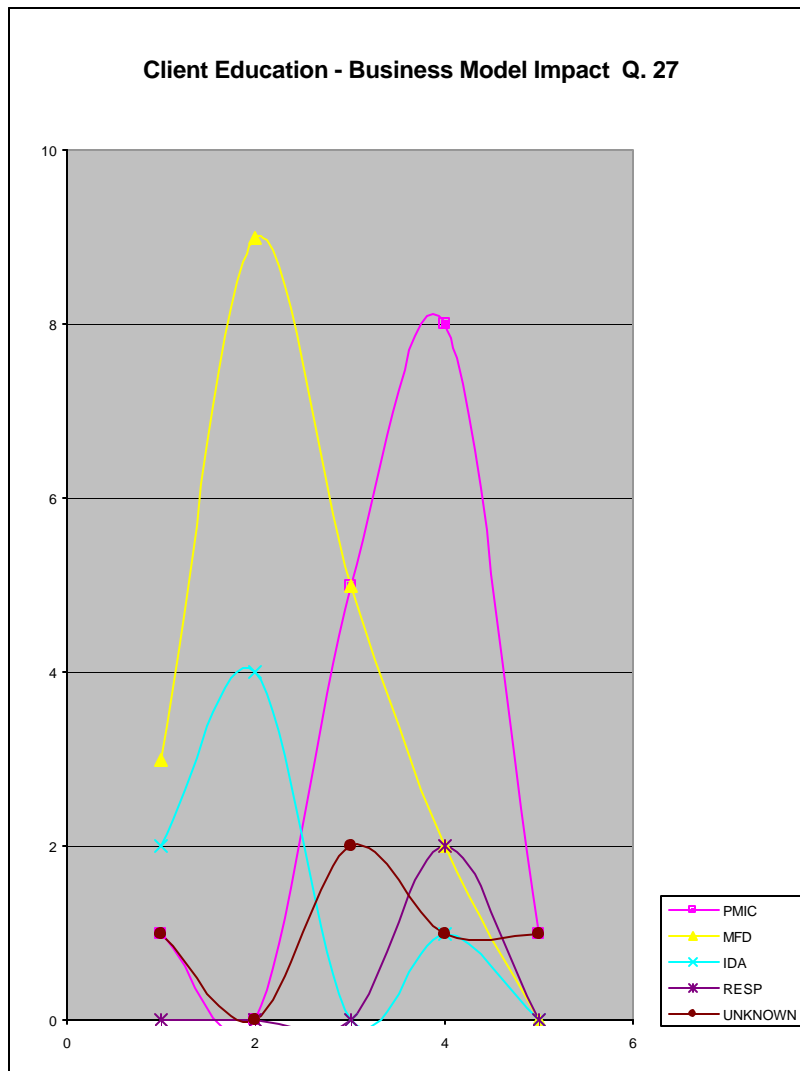
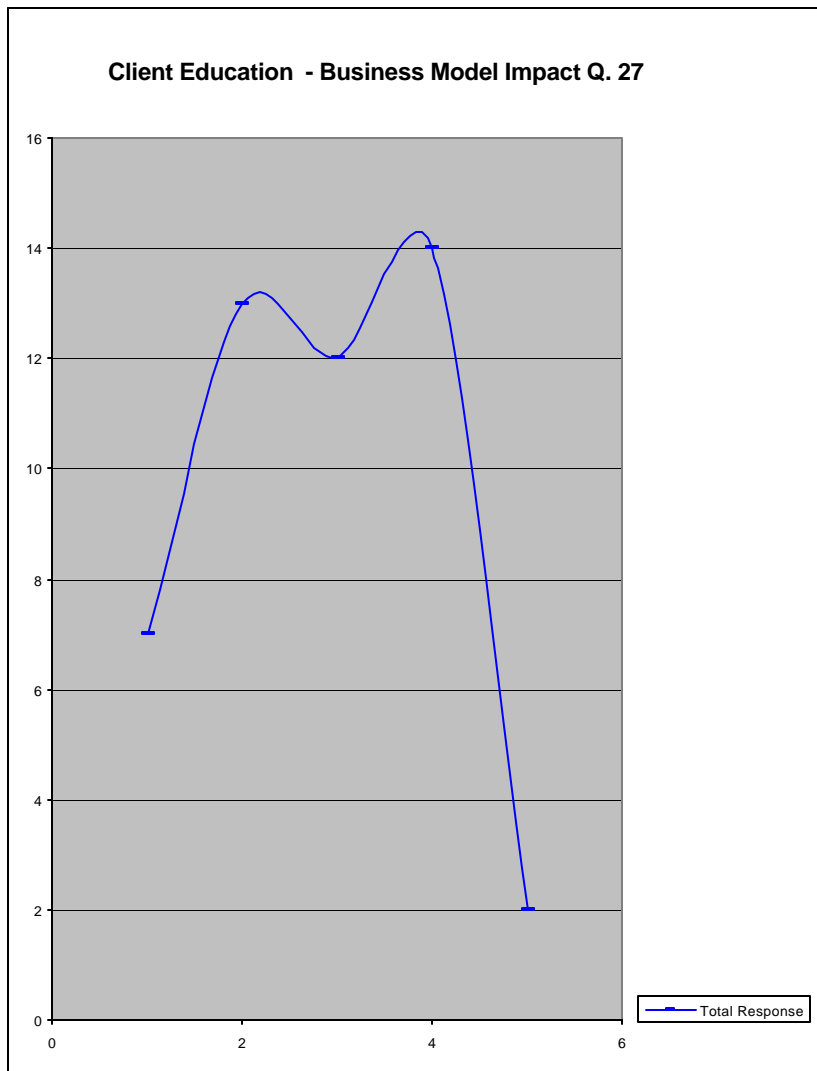
Disclosure of all compensation (direct and indirect) is a positive concept for the market segments we serve.



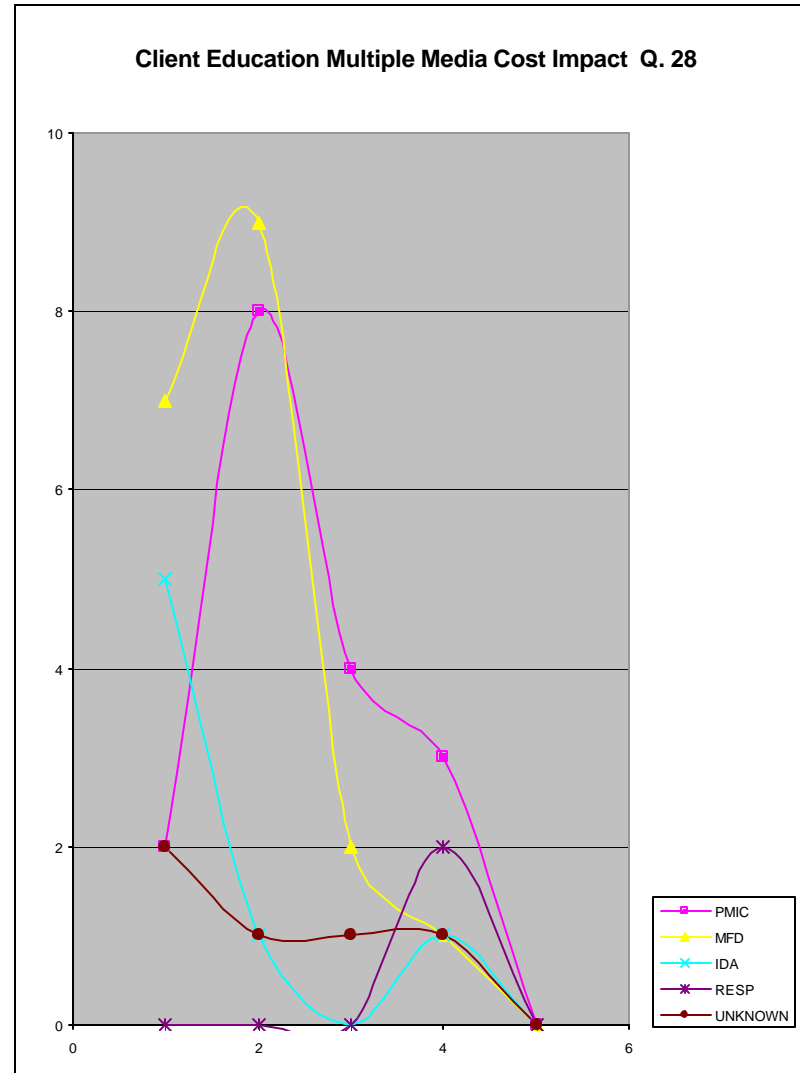
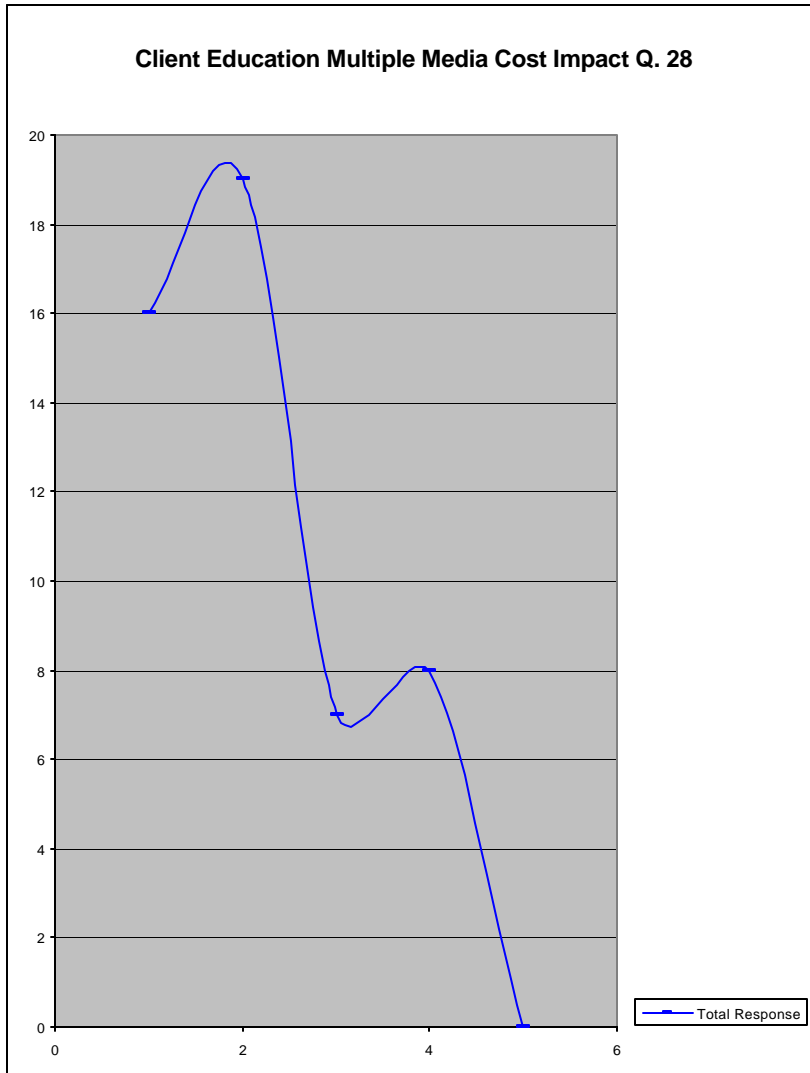
Compensation disclosure will not have a negative effect on our business model.



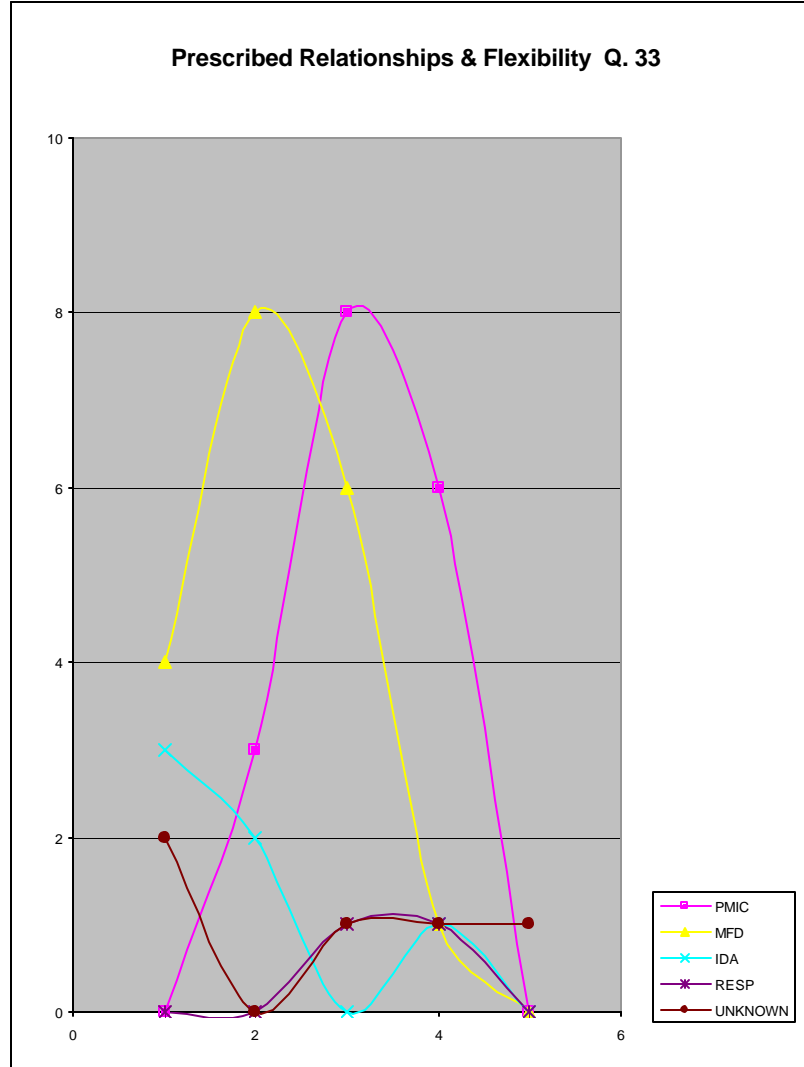
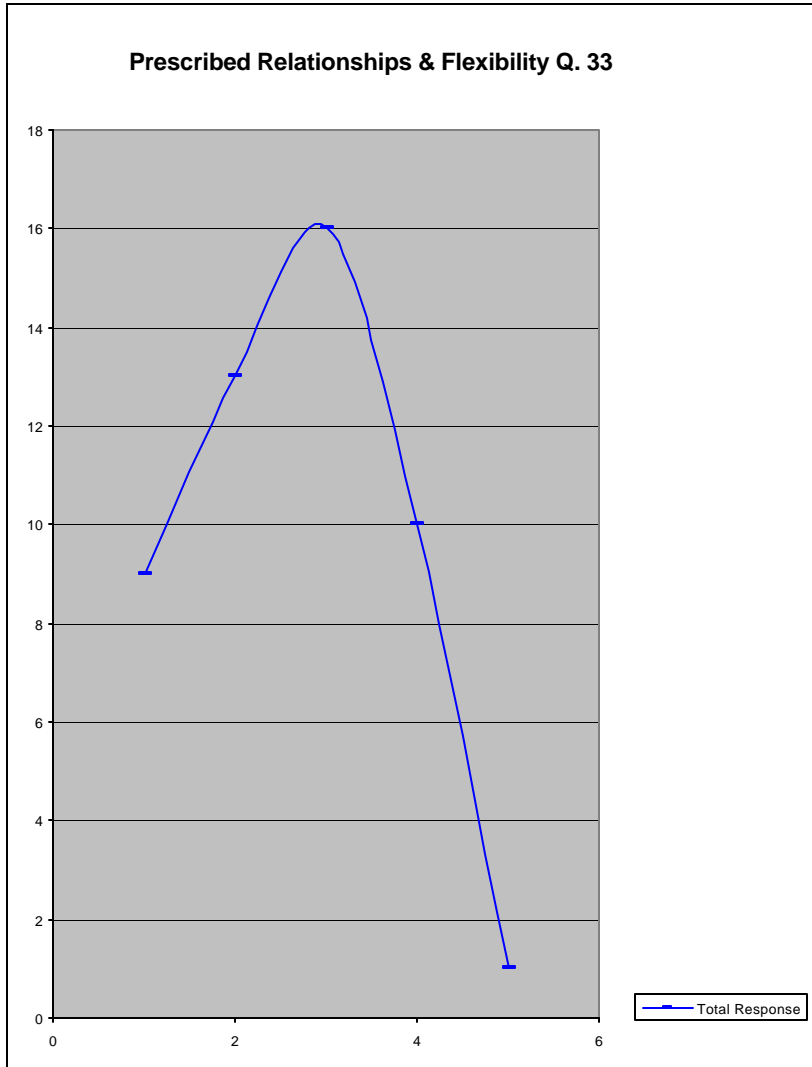
Educating clients about their account choices under the FDM will not significantly impact our business model.



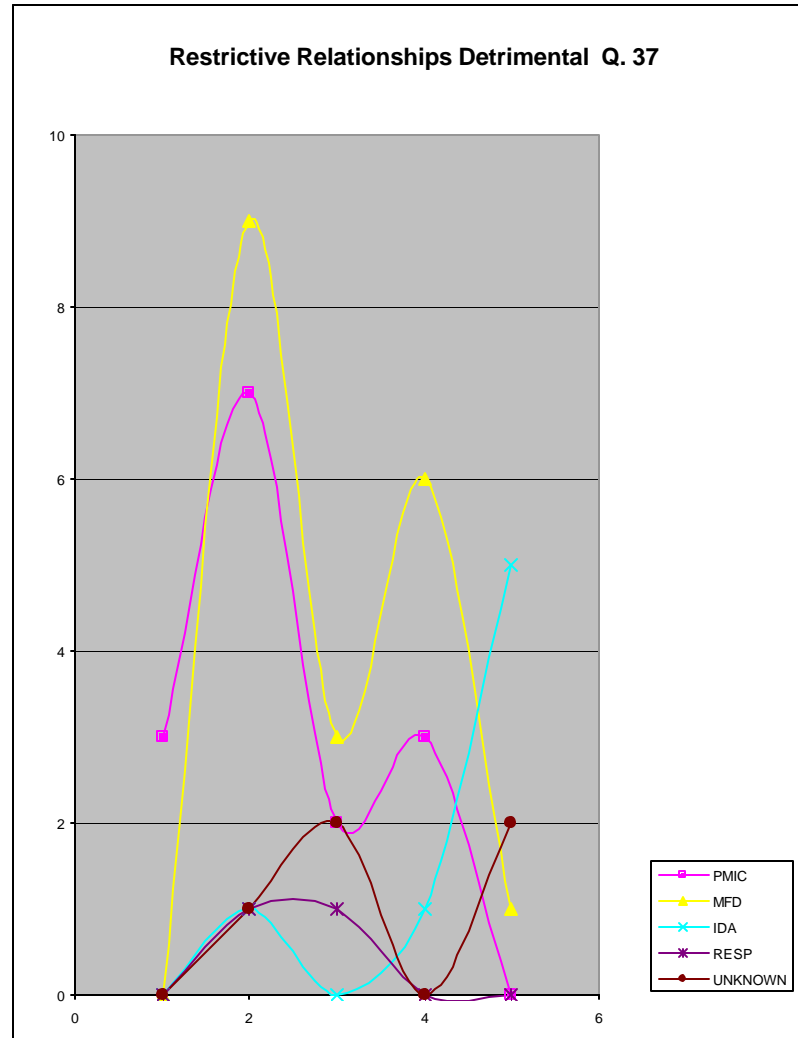
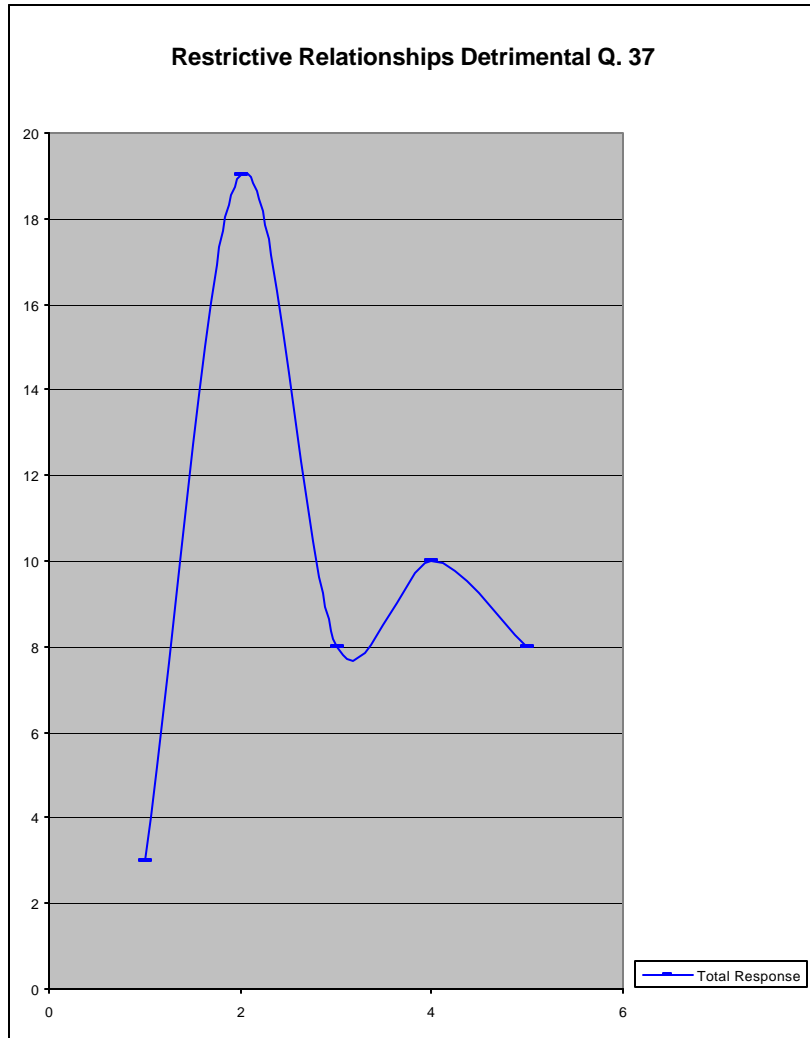
Having a variety of media available to educate clients about the FDM is a small cost consideration for our operation.



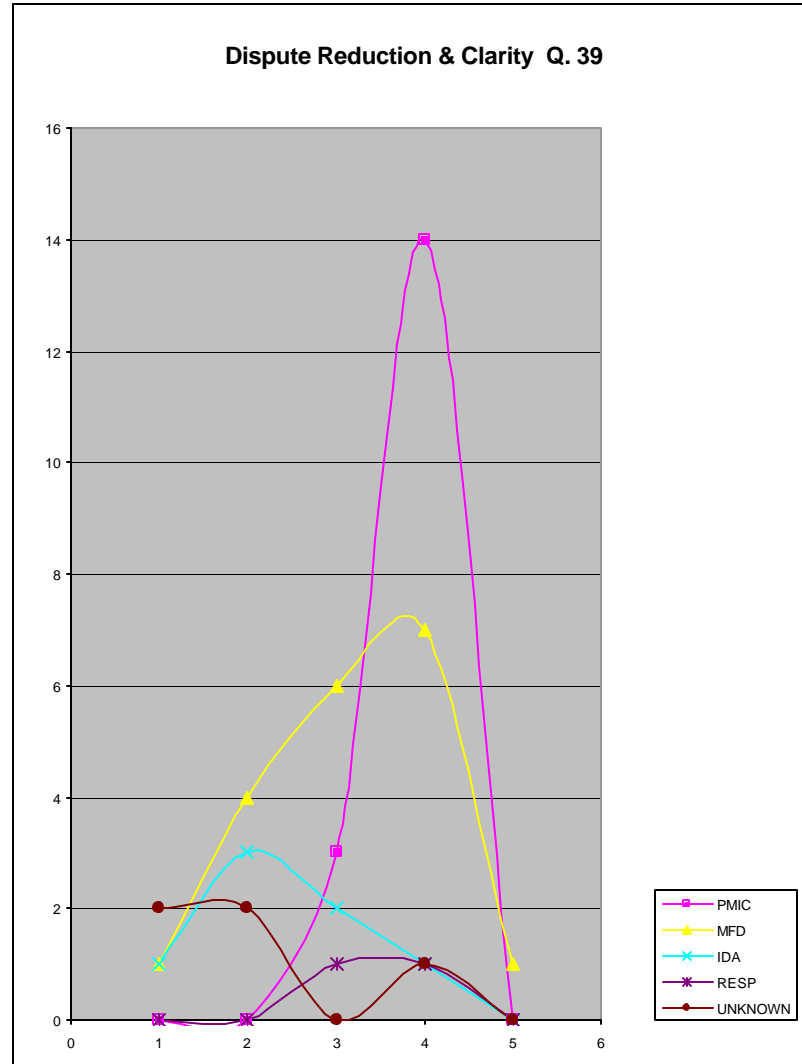
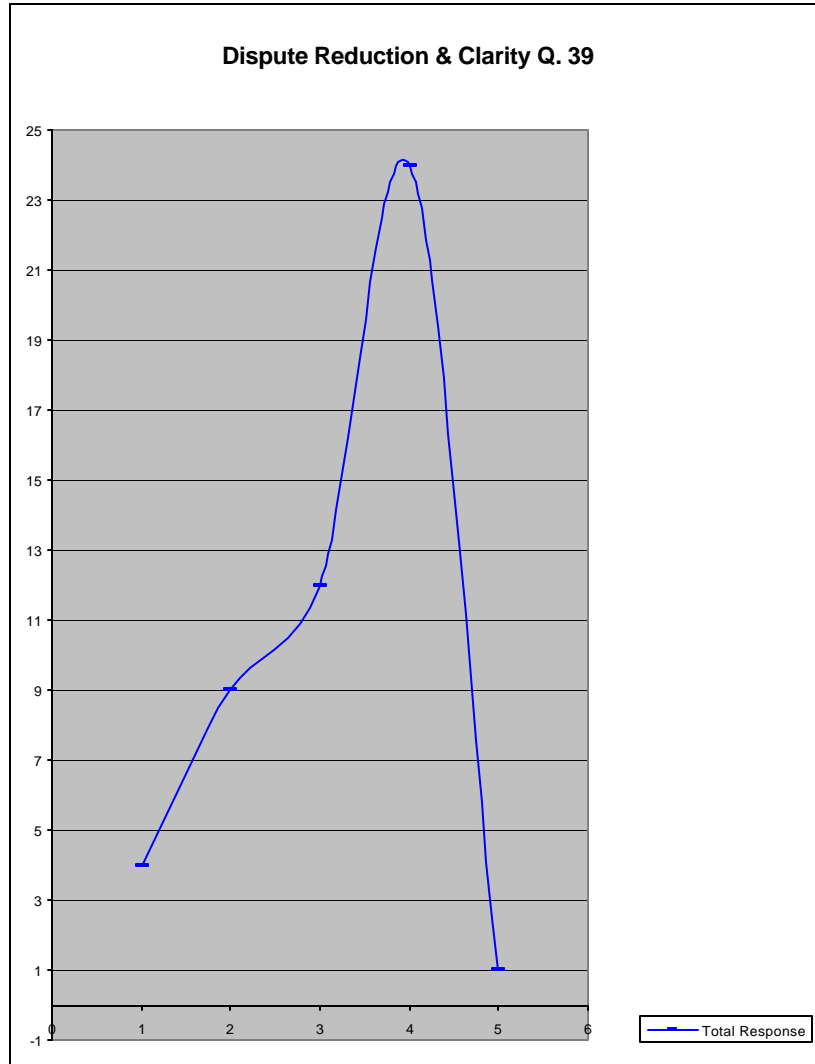
Prescribing relationship types and added documentation requirements leaves enough flexibility for a firm to change in a dynamic environment.



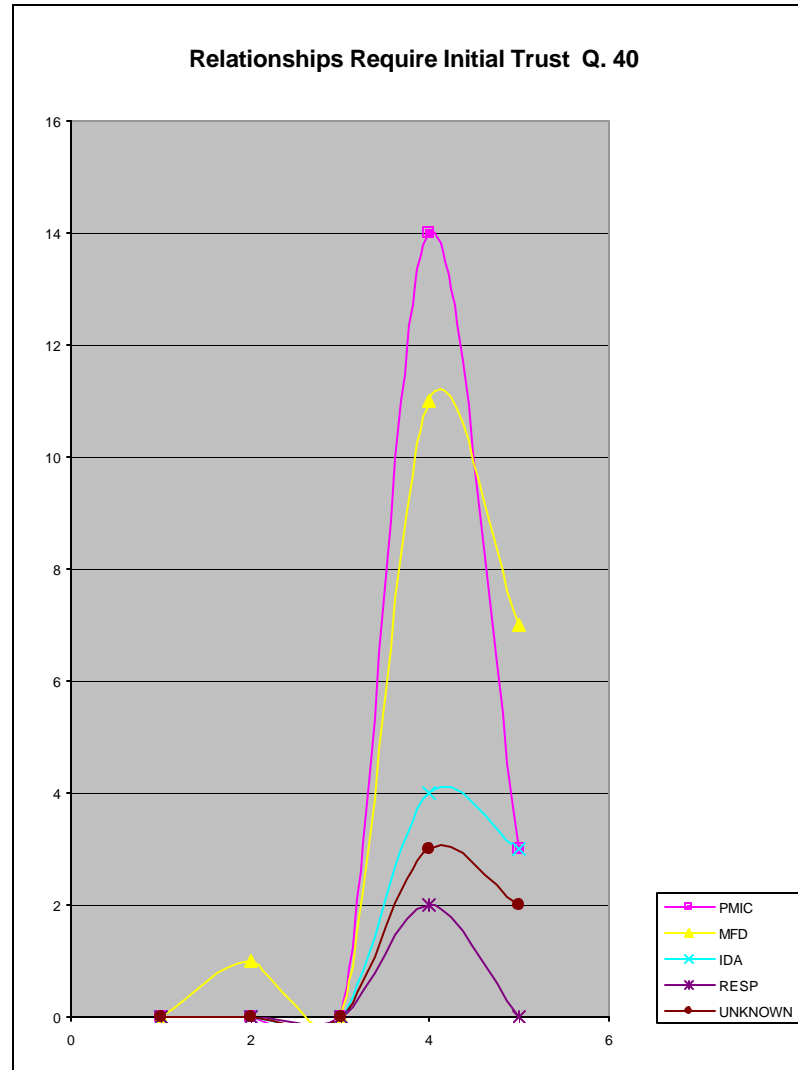
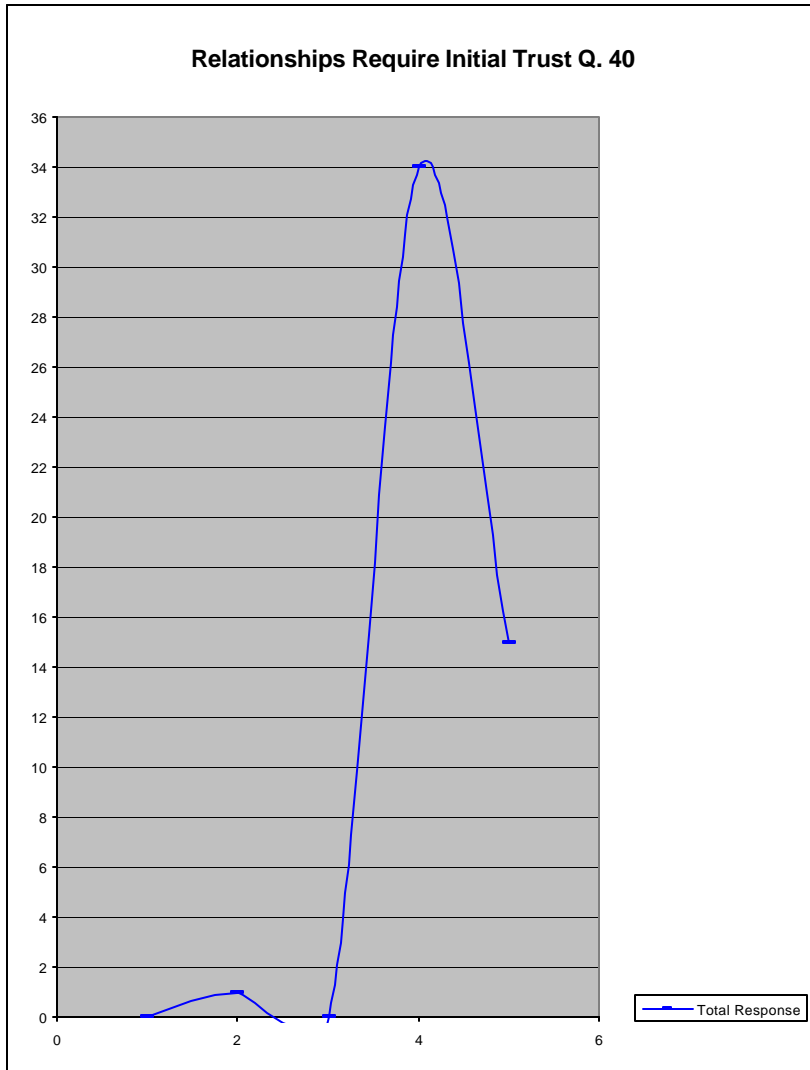
Restricting clients to one of three relationship types will require a dismantling of existing client relationships and will be detrimental to the existing clients in your firm.



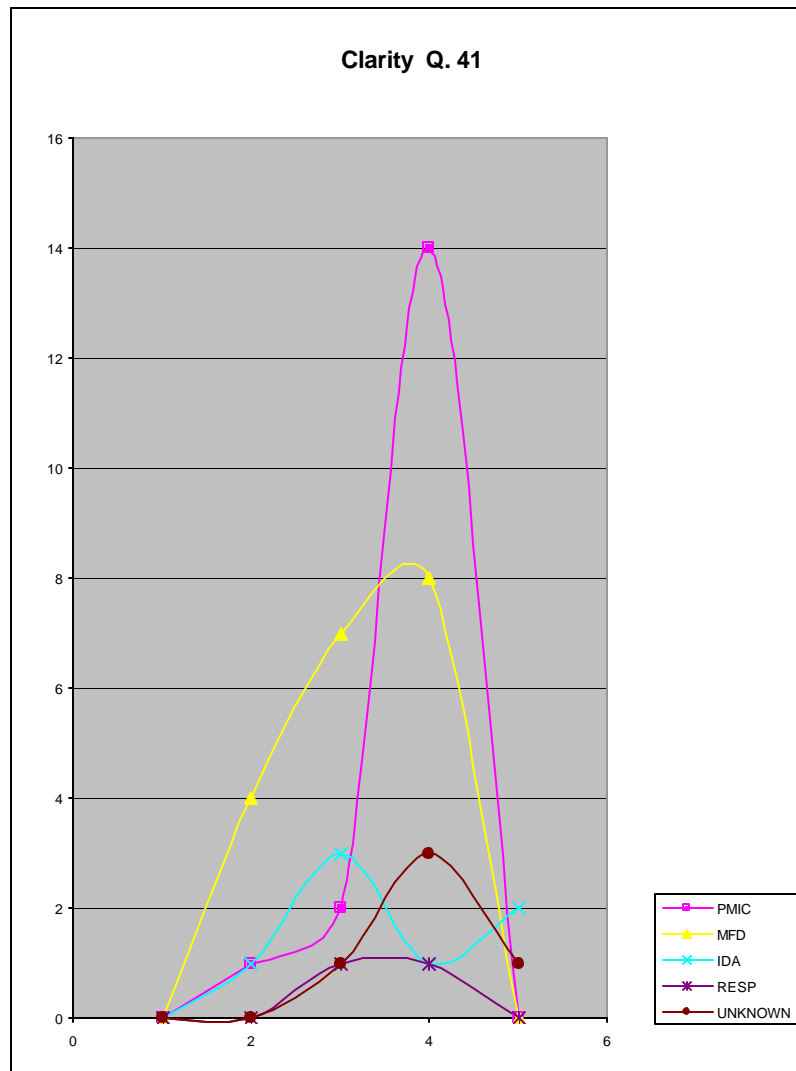
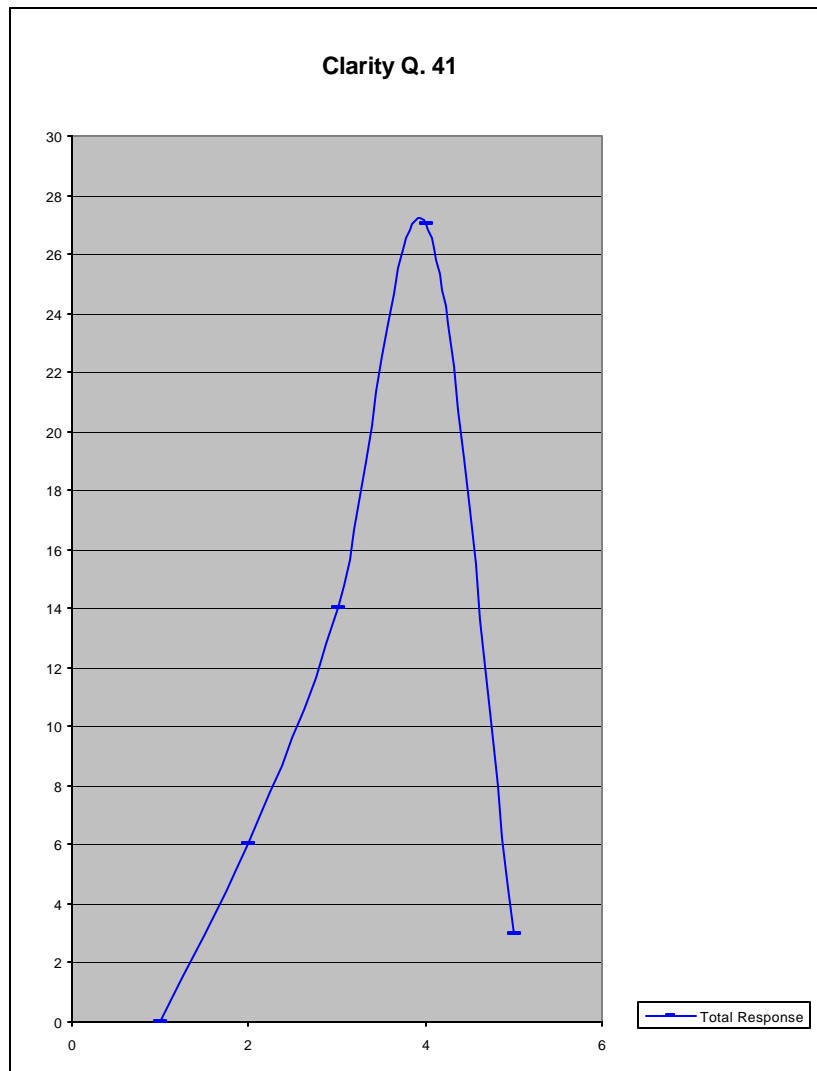
A common understanding of roles and responsibilities should help reduce the number of client disputes.



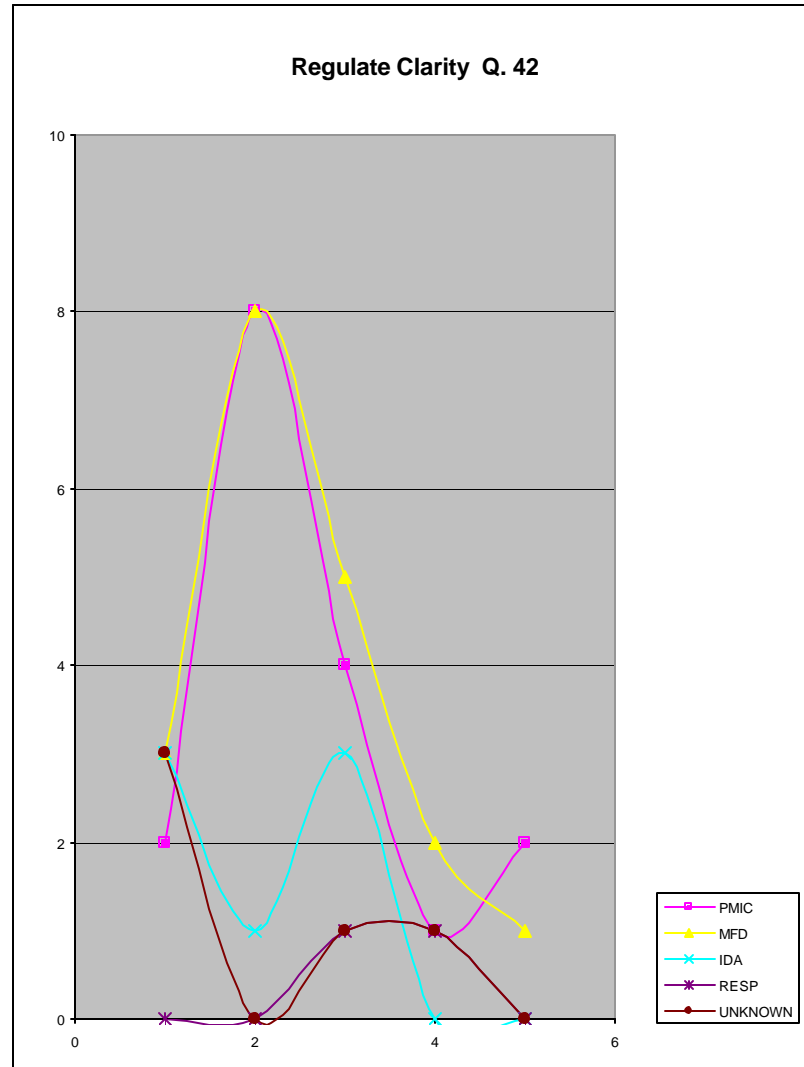
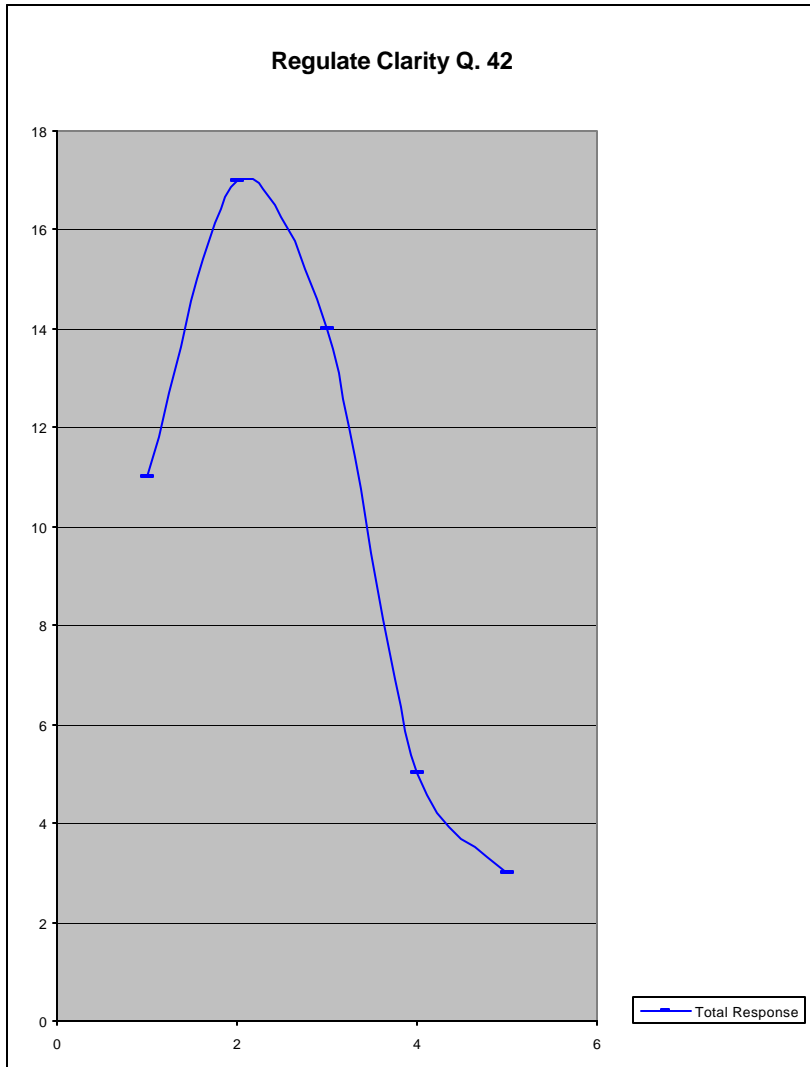
Client-advisor relationships are based on initial trust amongst the parties.



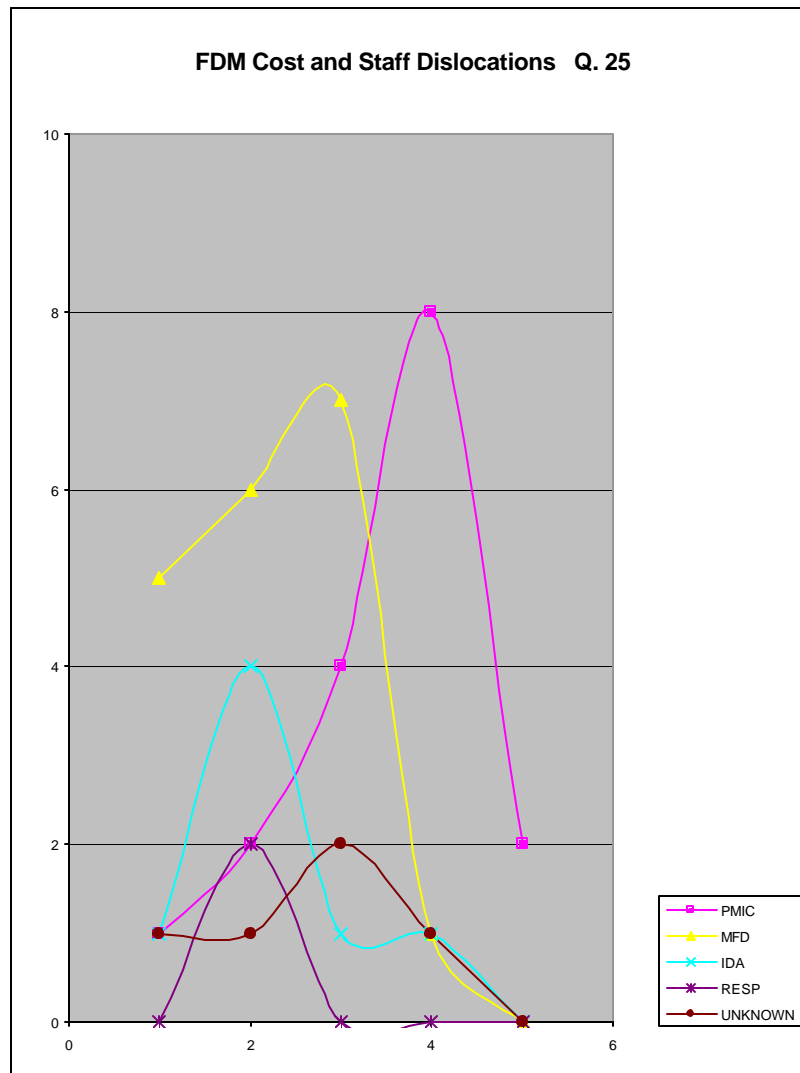
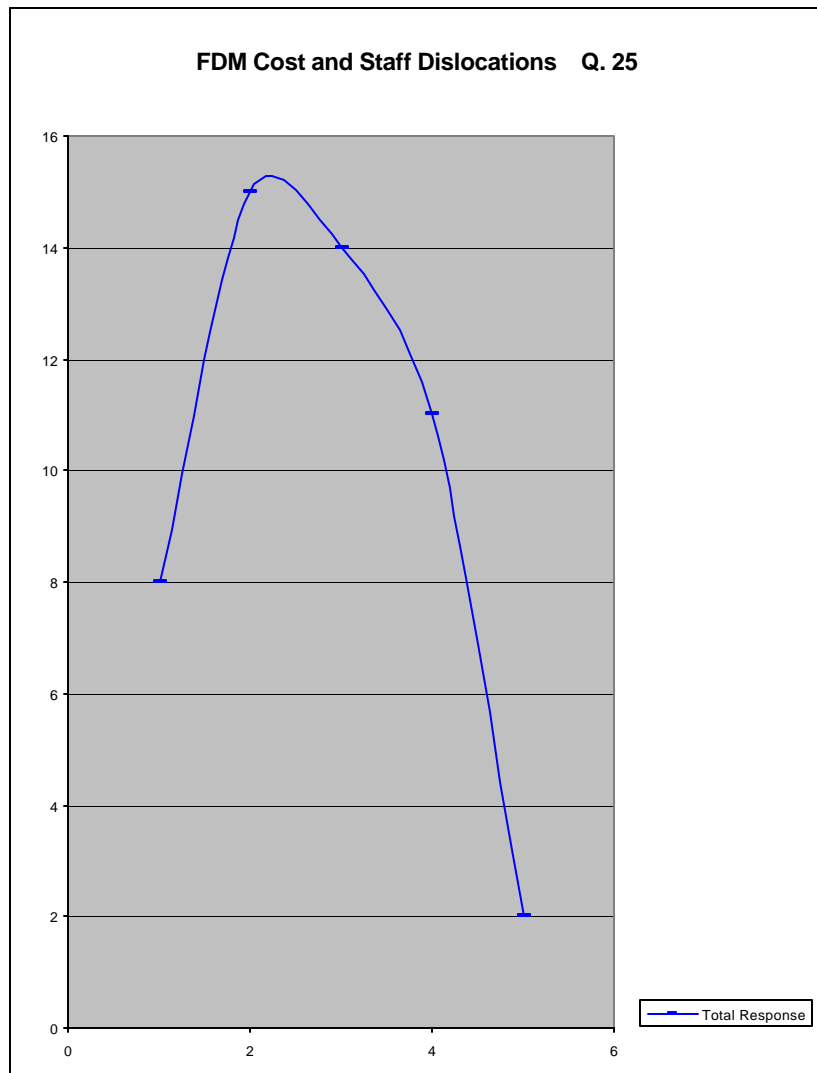
Client relationship problems are a result of unclear expectations.



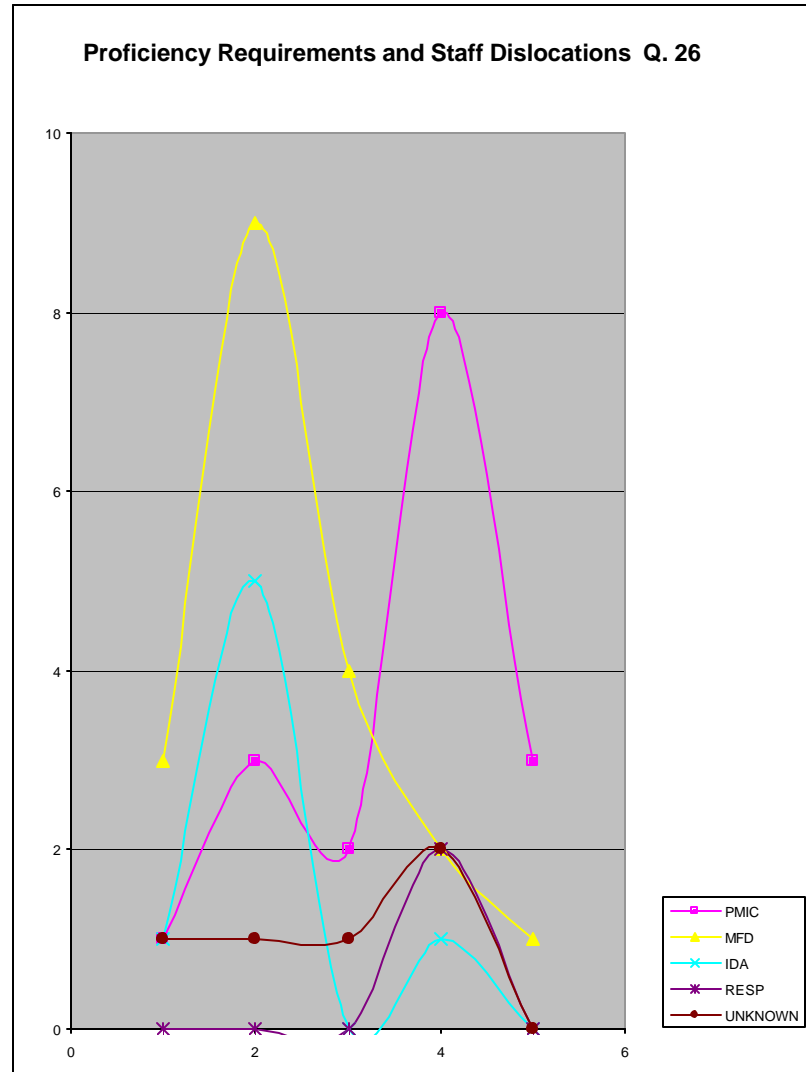
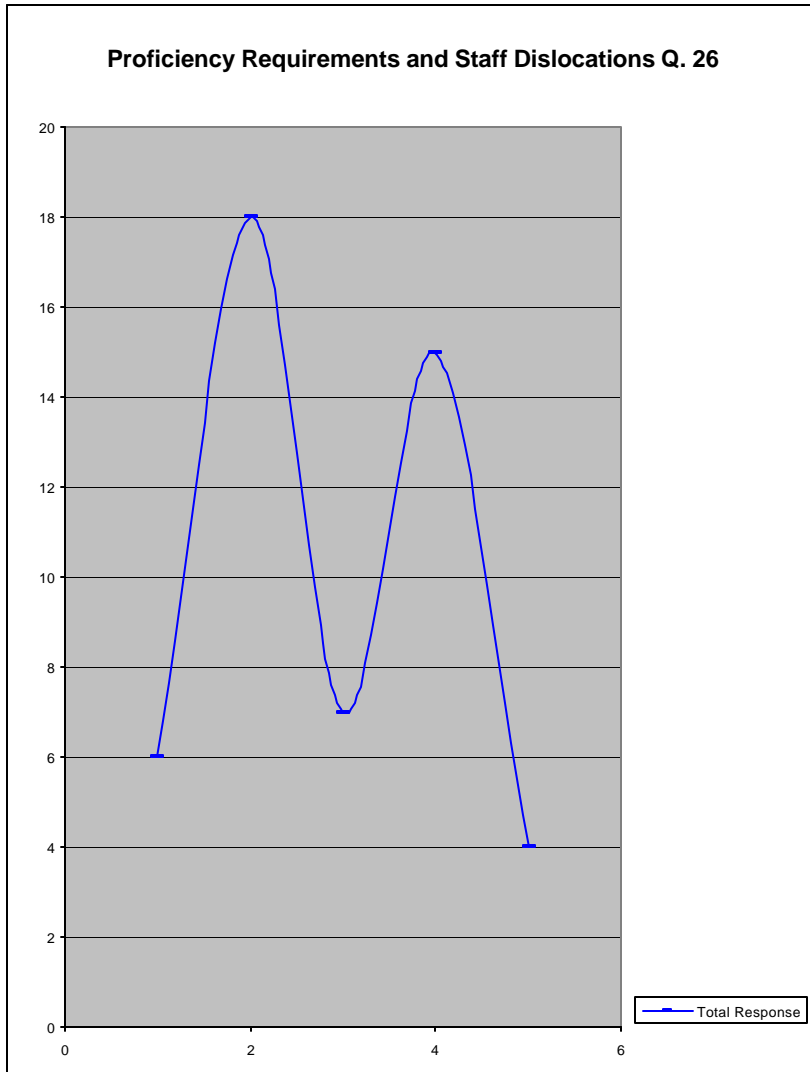
Client relationship problems are a result of unclear regulations.



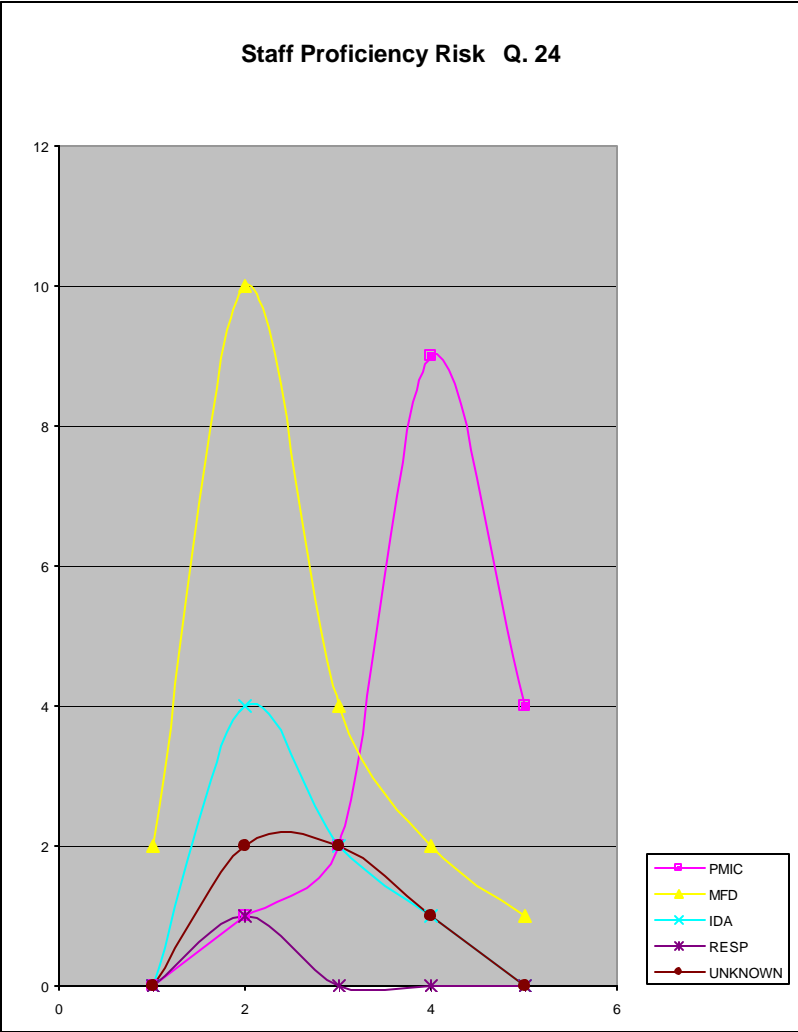
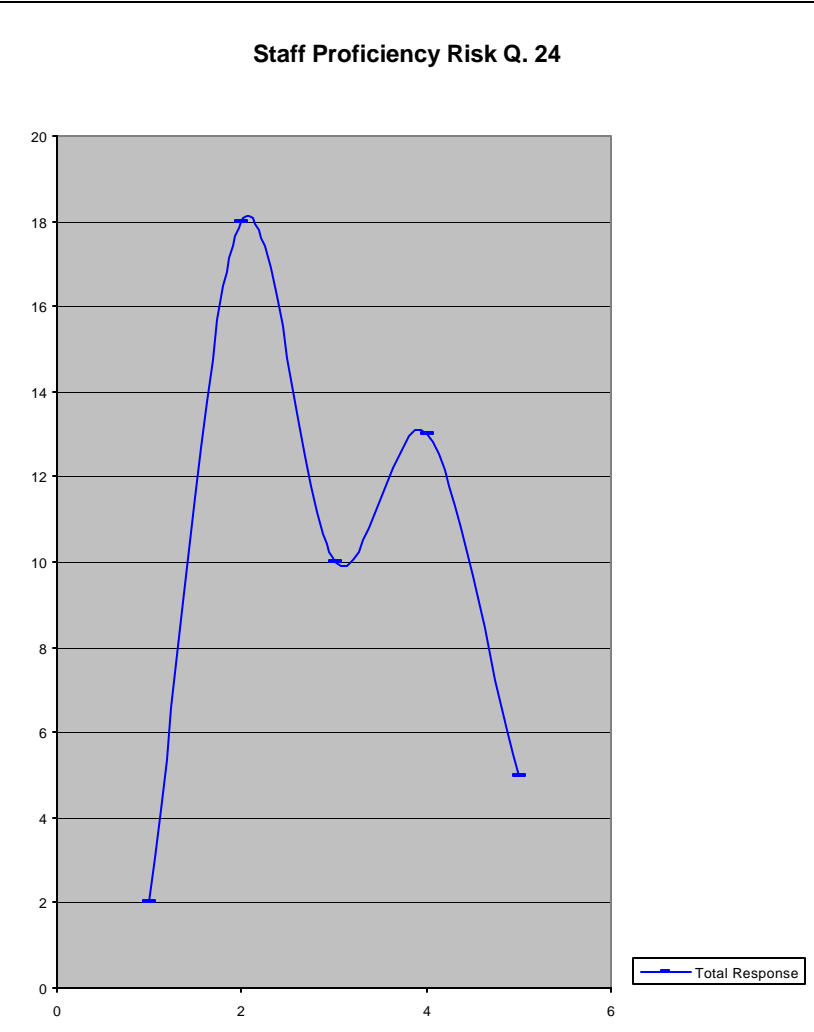
Costs of implementing the FDM would not cause any staff dislocations in our company.



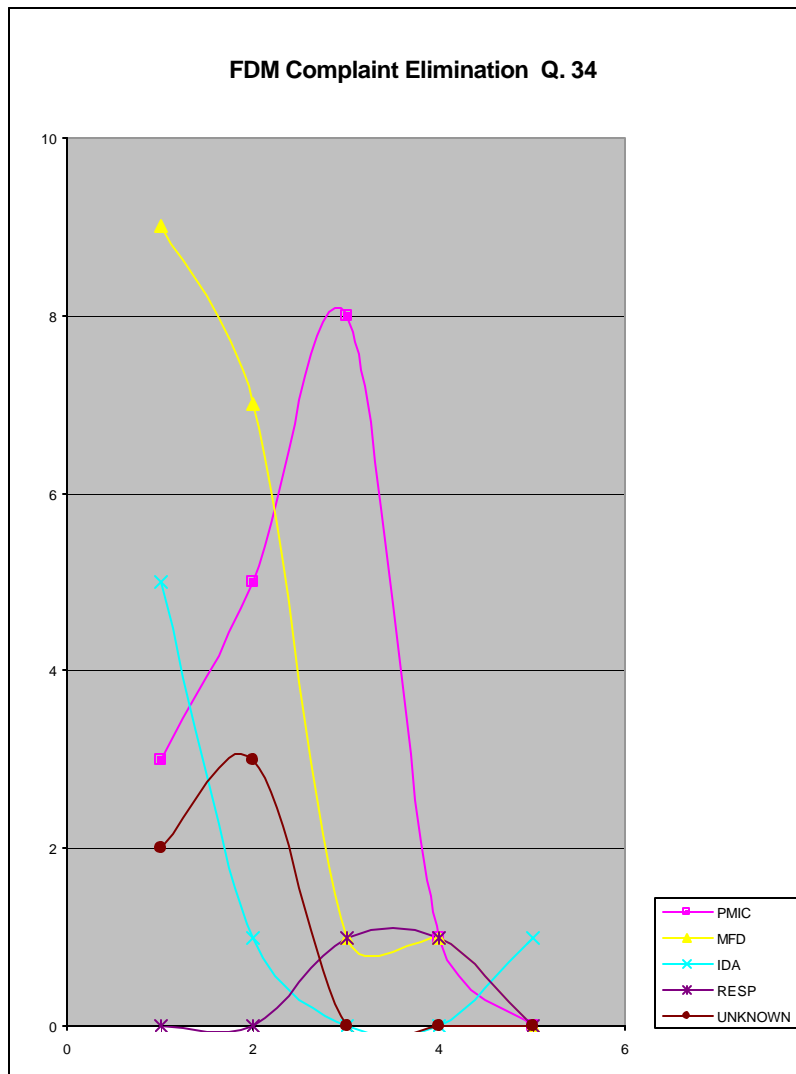
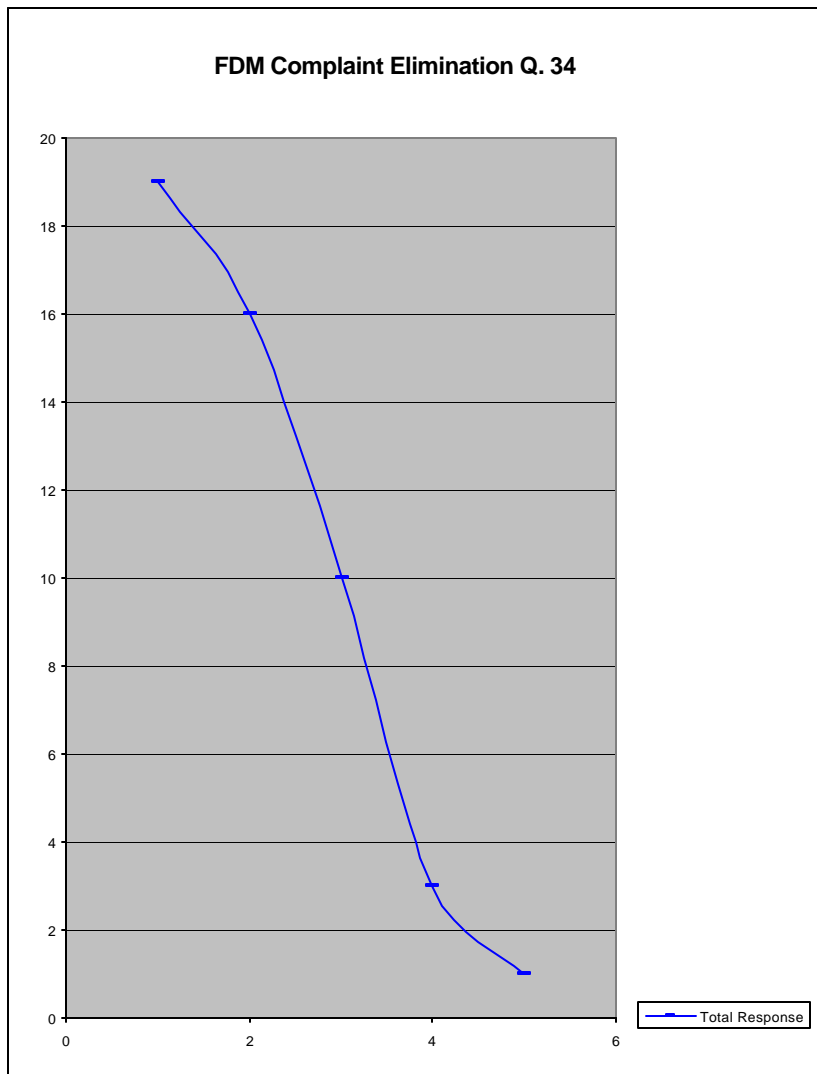
Our company would not expect any staff dislocations as a result of the increased proficiency requirements contemplated in the FDM.



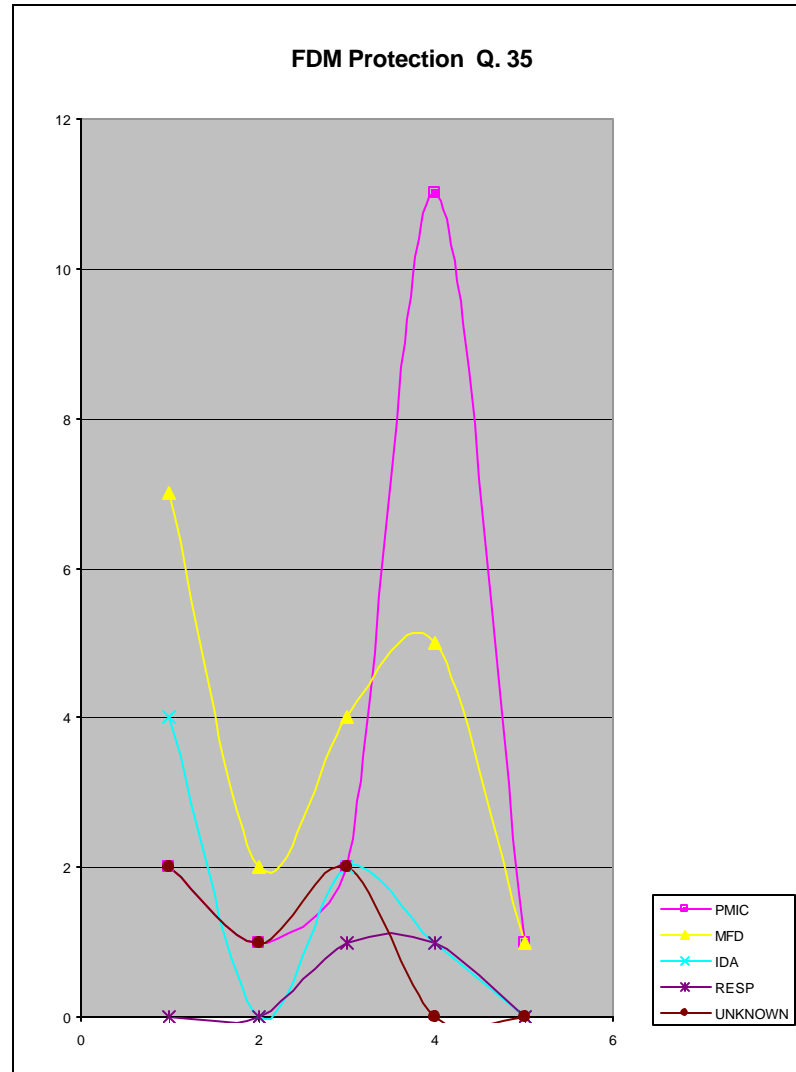
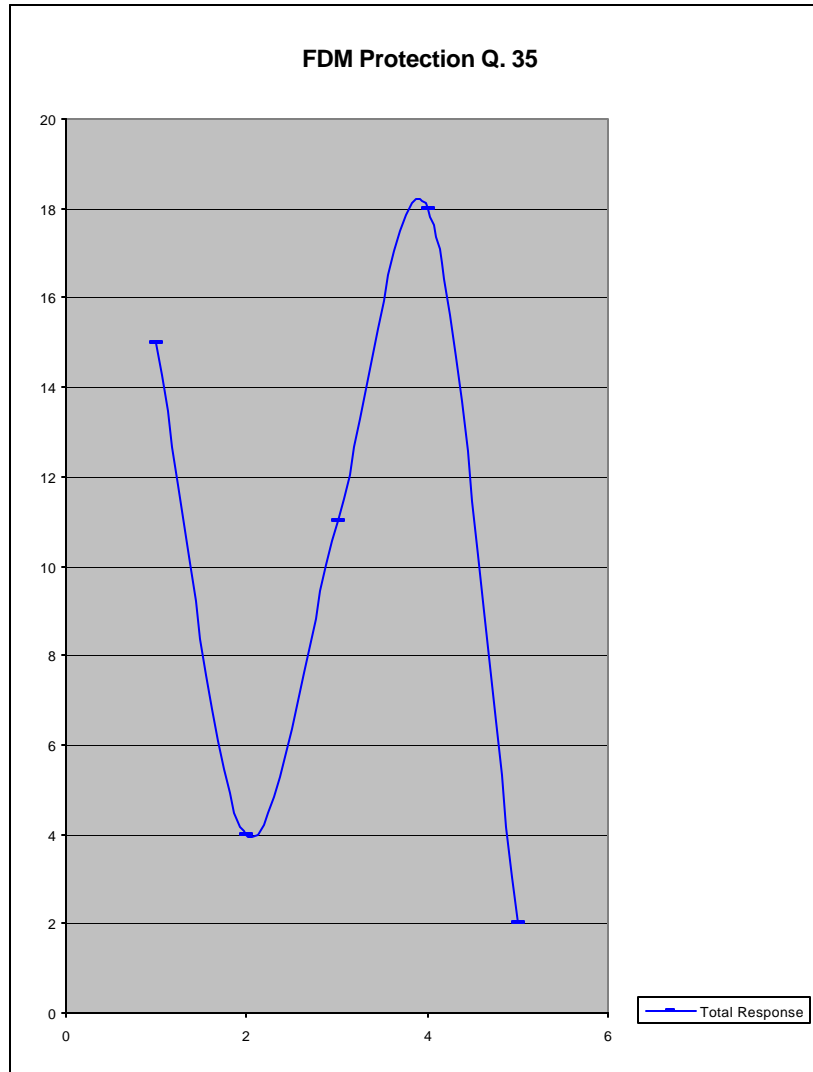
Our representatives have the proficiency to explain risk measures such as variance, standard deviation, Traynor measure, beta etc., used by investment experts.



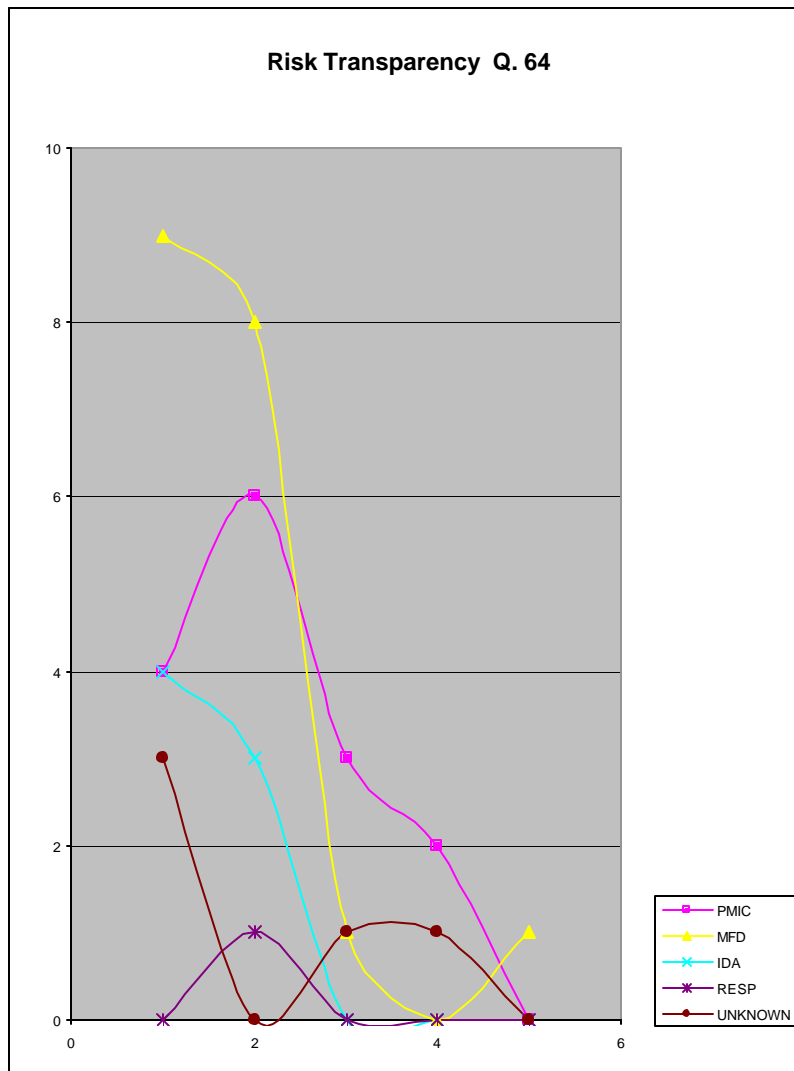
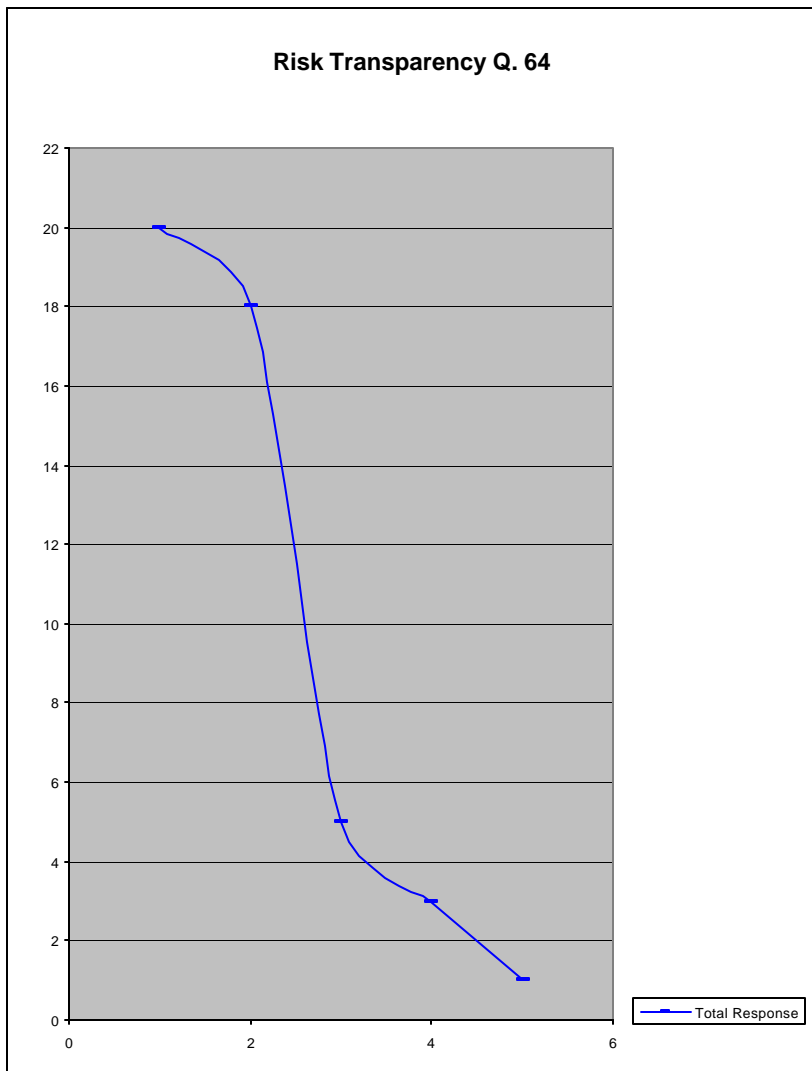
Creation of a Fair Dealing Document will eliminate most client complaints.



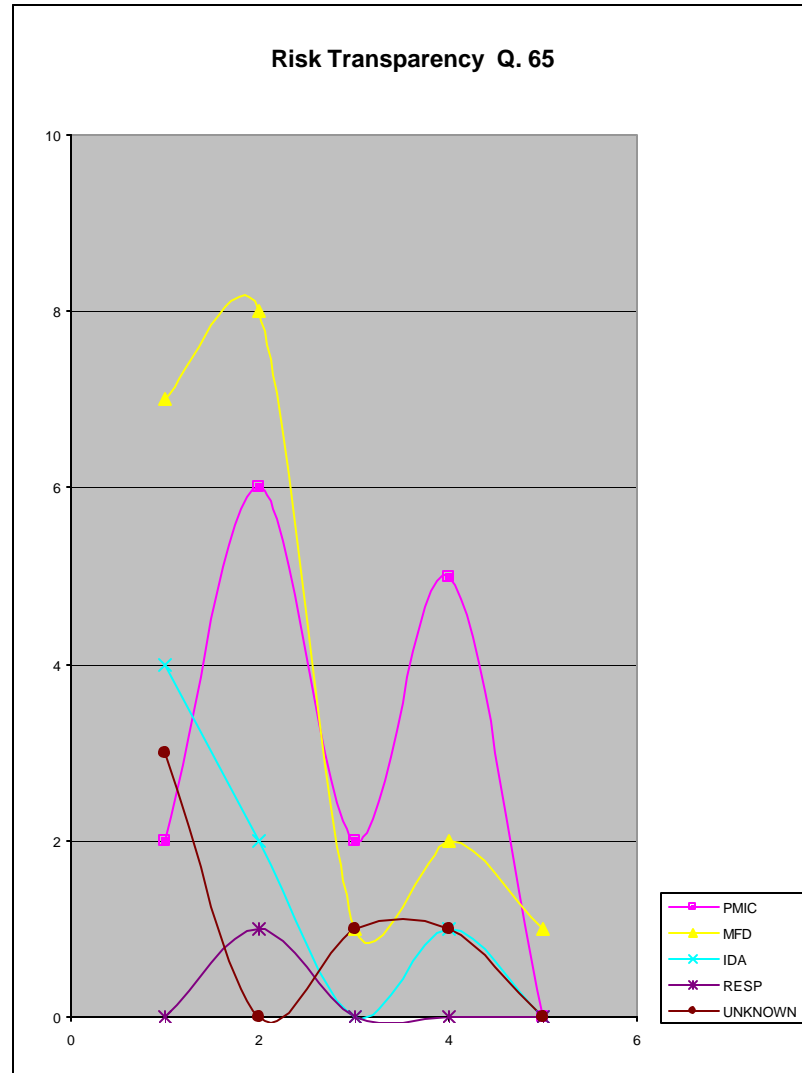
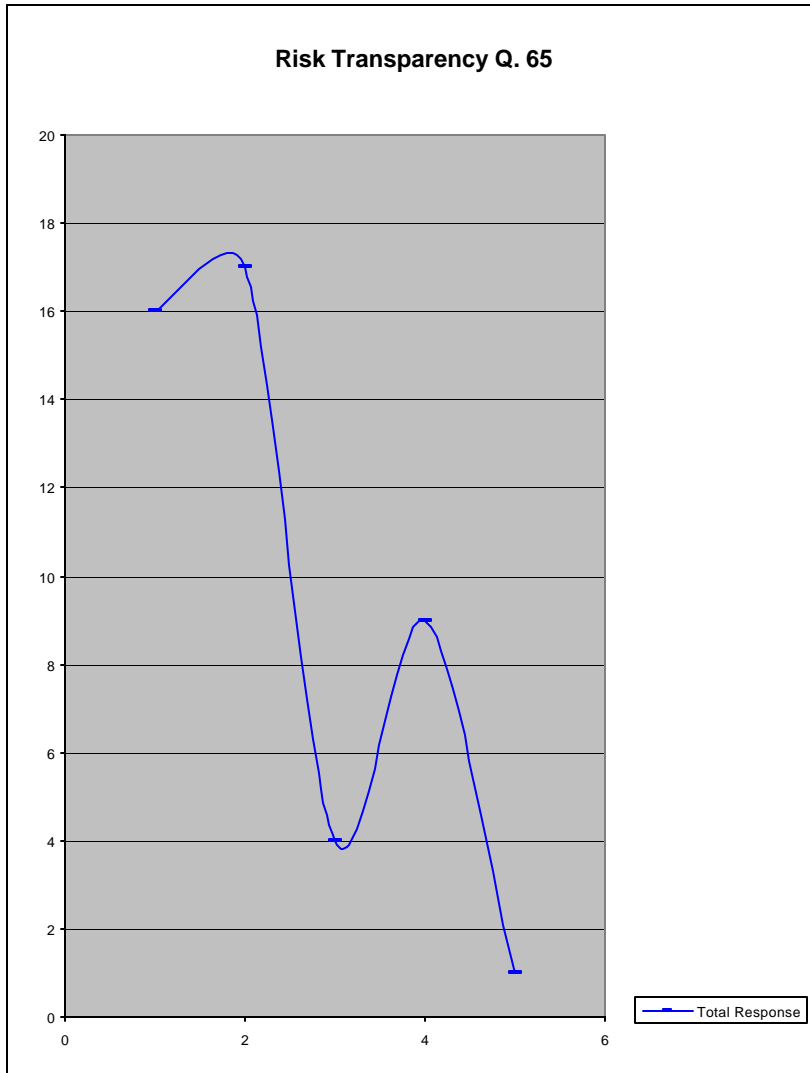
Firms and their representatives are better protected from client complaints with a Fair Dealing Document signed and in place.



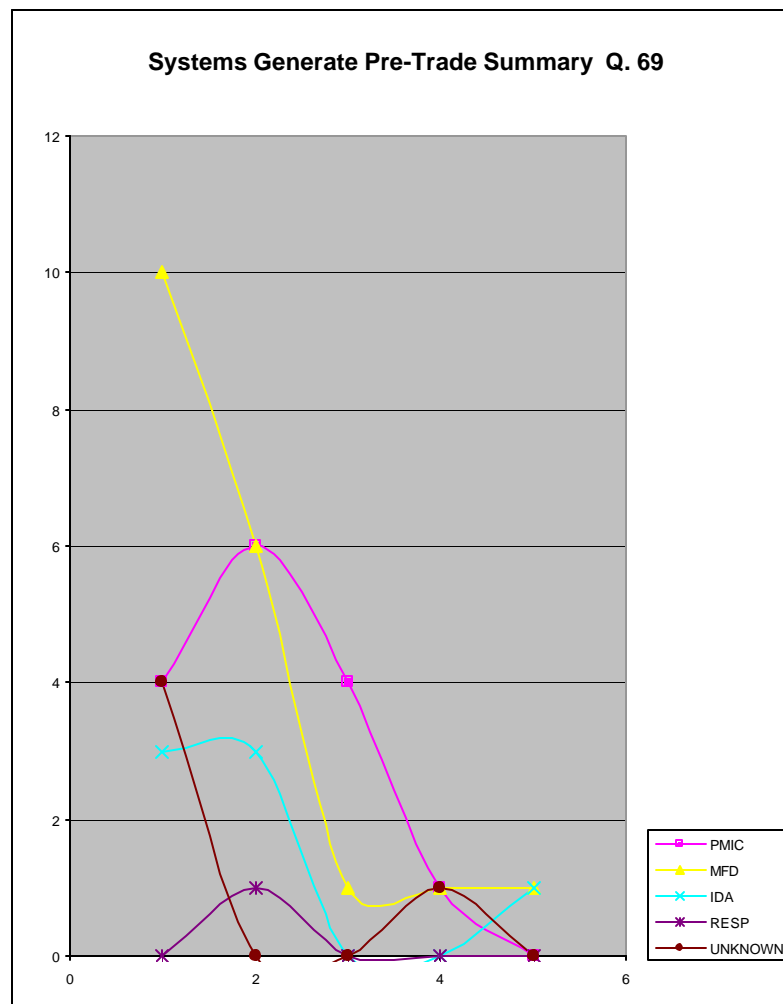
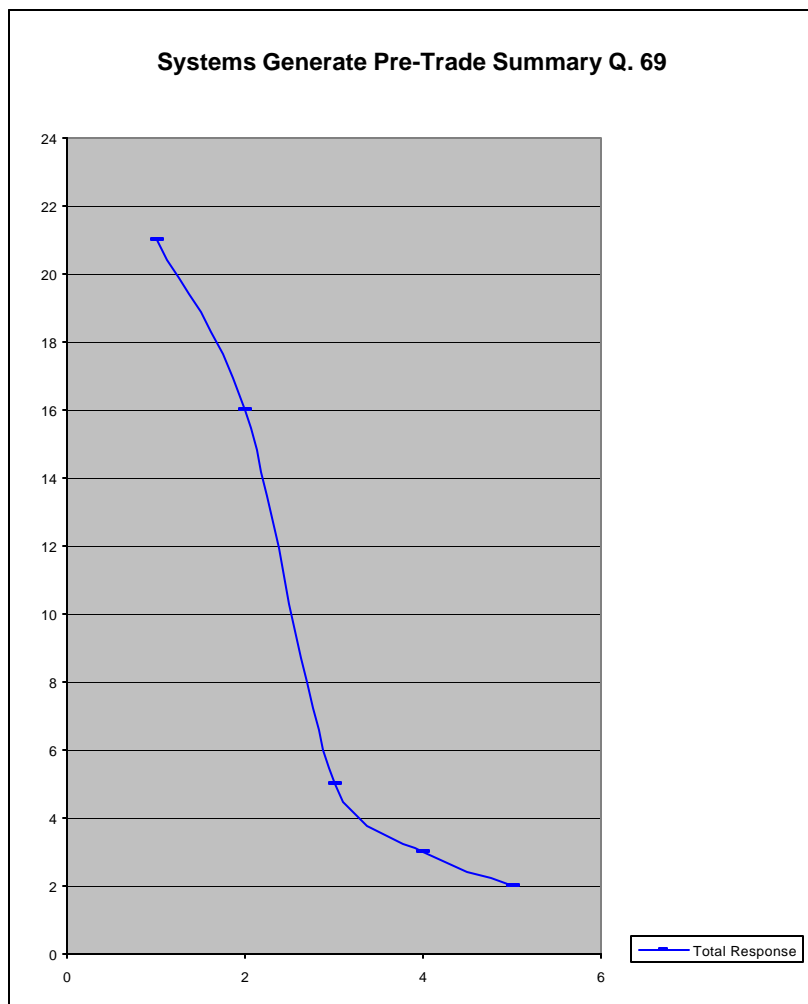
Our current systems can generate a client statement with the risk profile for each security in the portfolio.



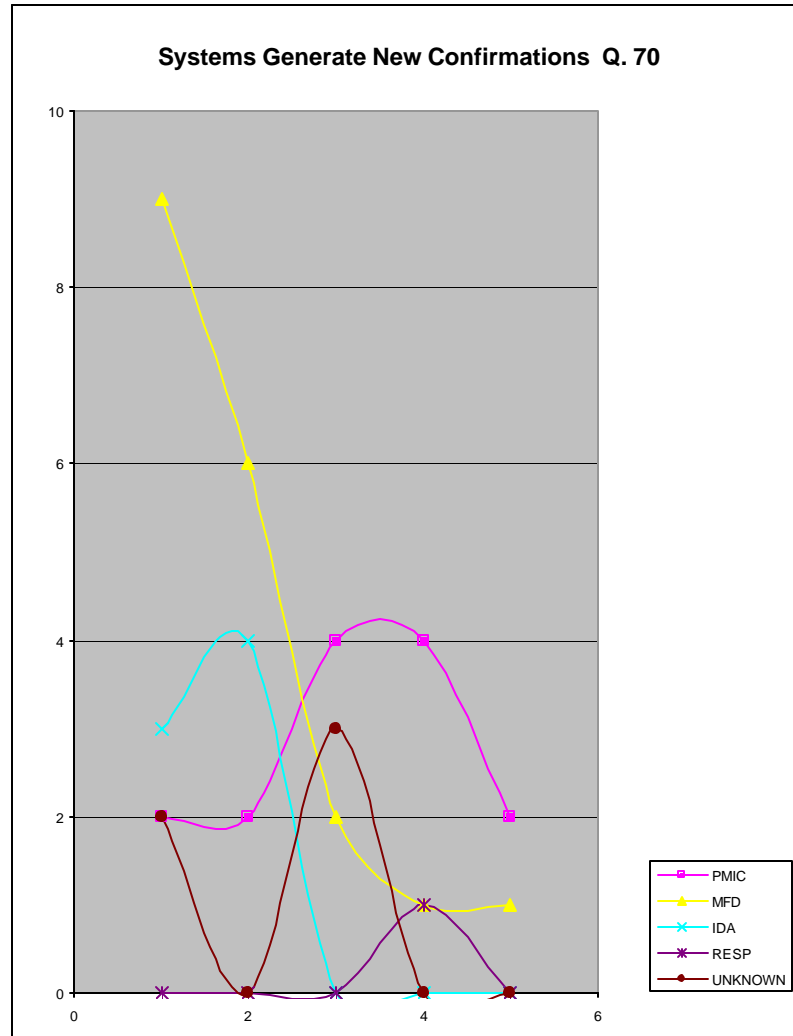
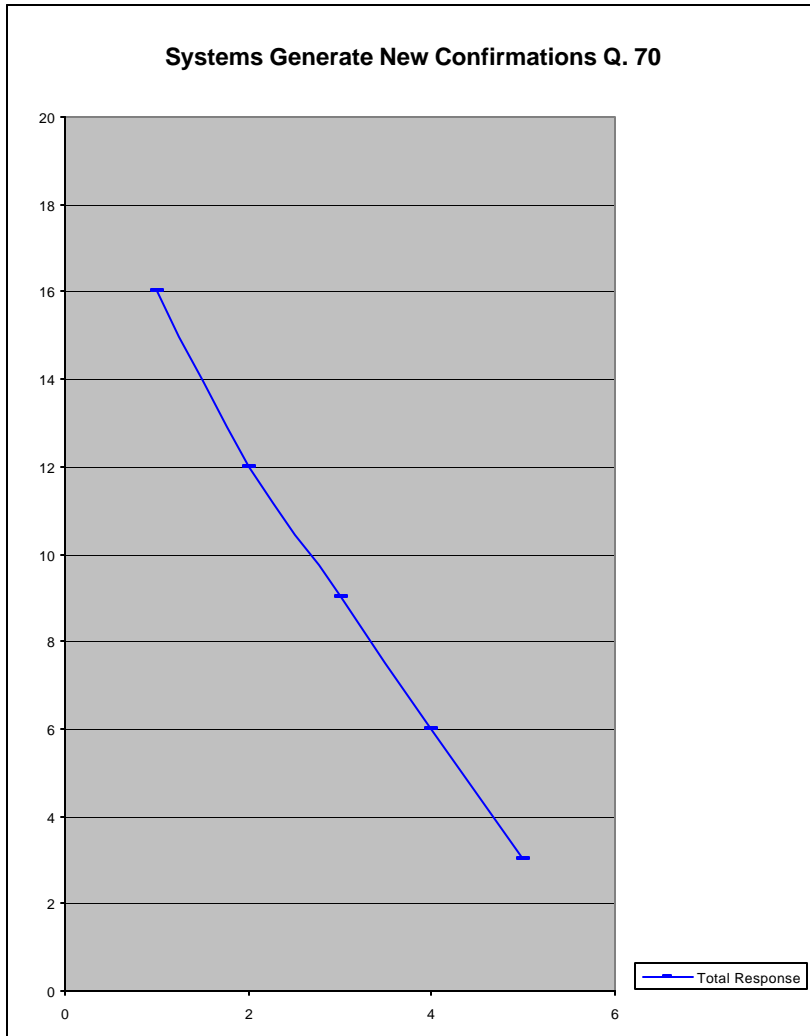
Our current systems can generate a client statement with a risk profile of the entire portfolio.



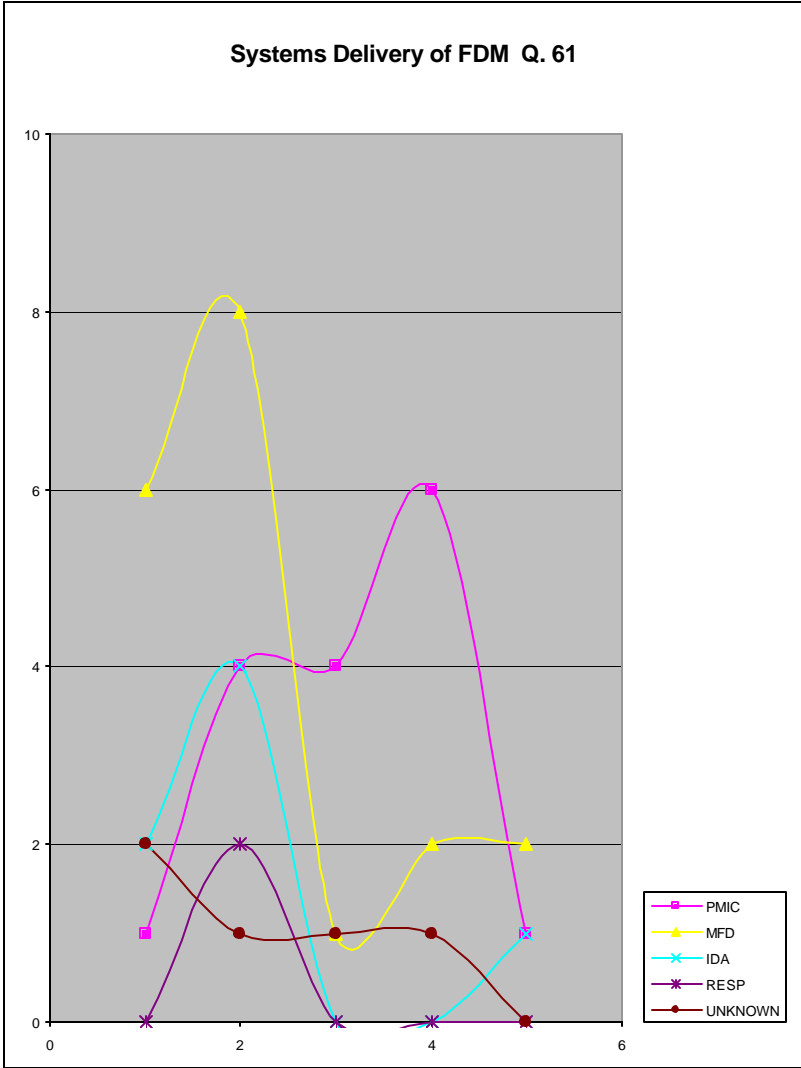
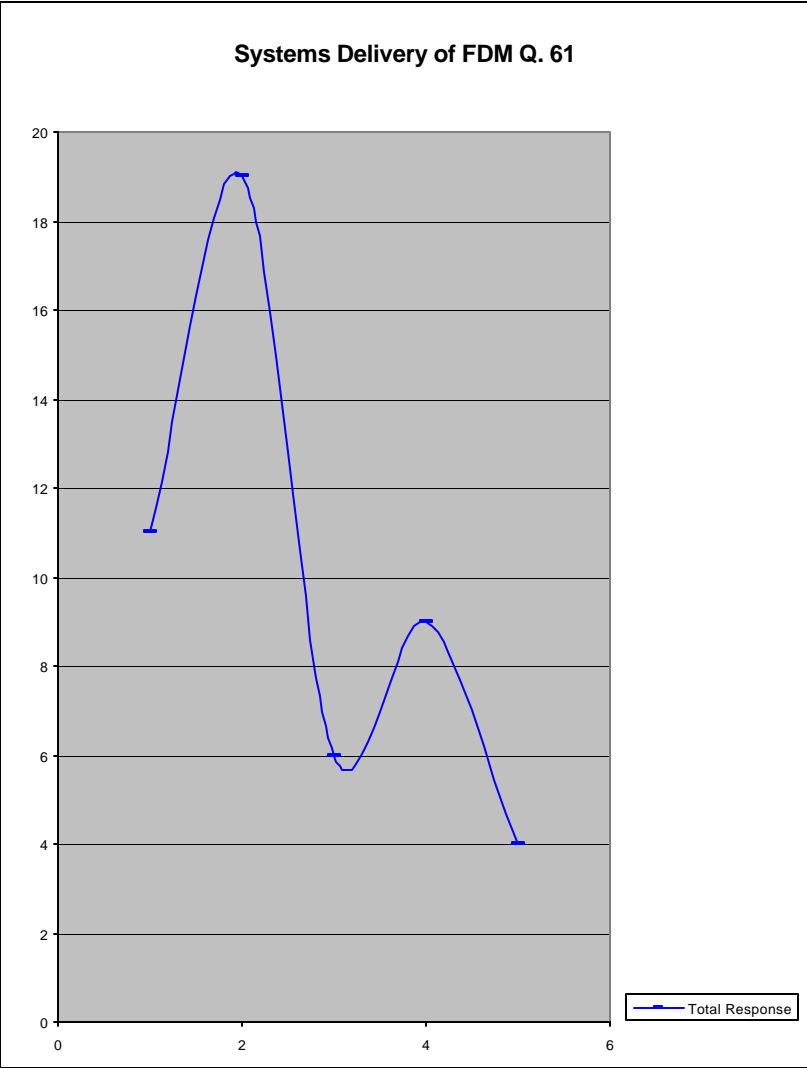
Our current systems can generate a pre-trade summary which includes security identification; price and quantity estimates; all fees, compensation and service charges; detailed fee calculations; the risk level of the security and why the transaction was advised by your representative.



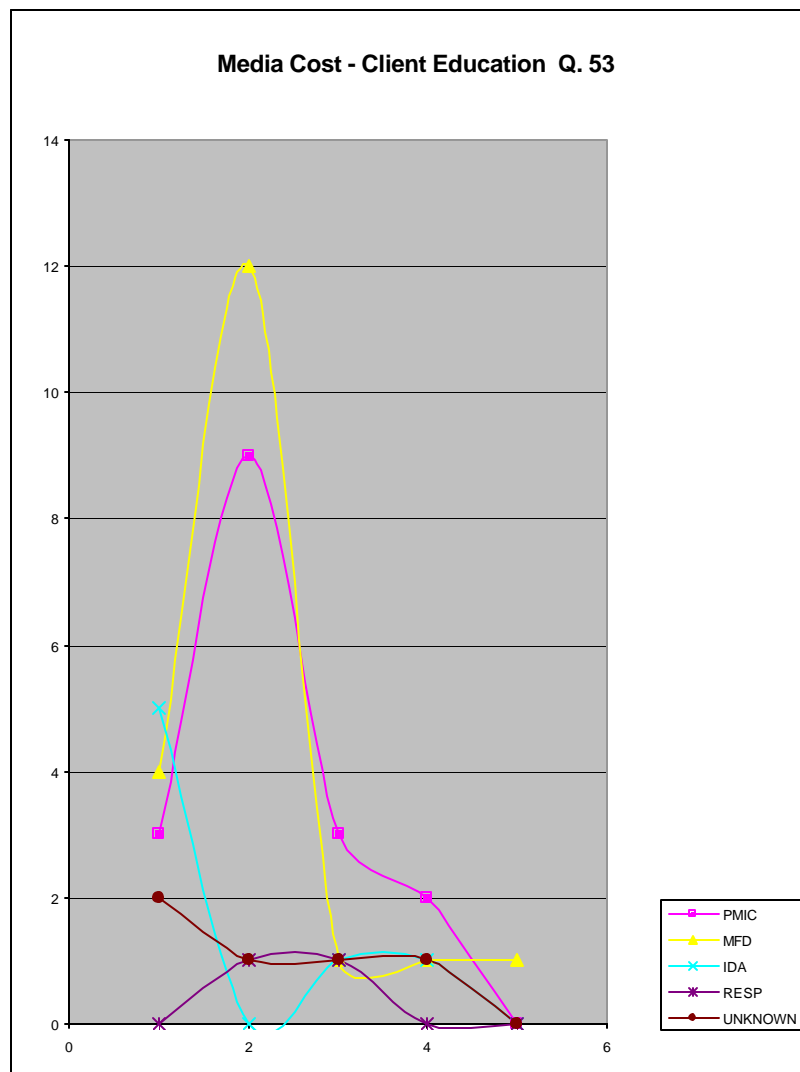
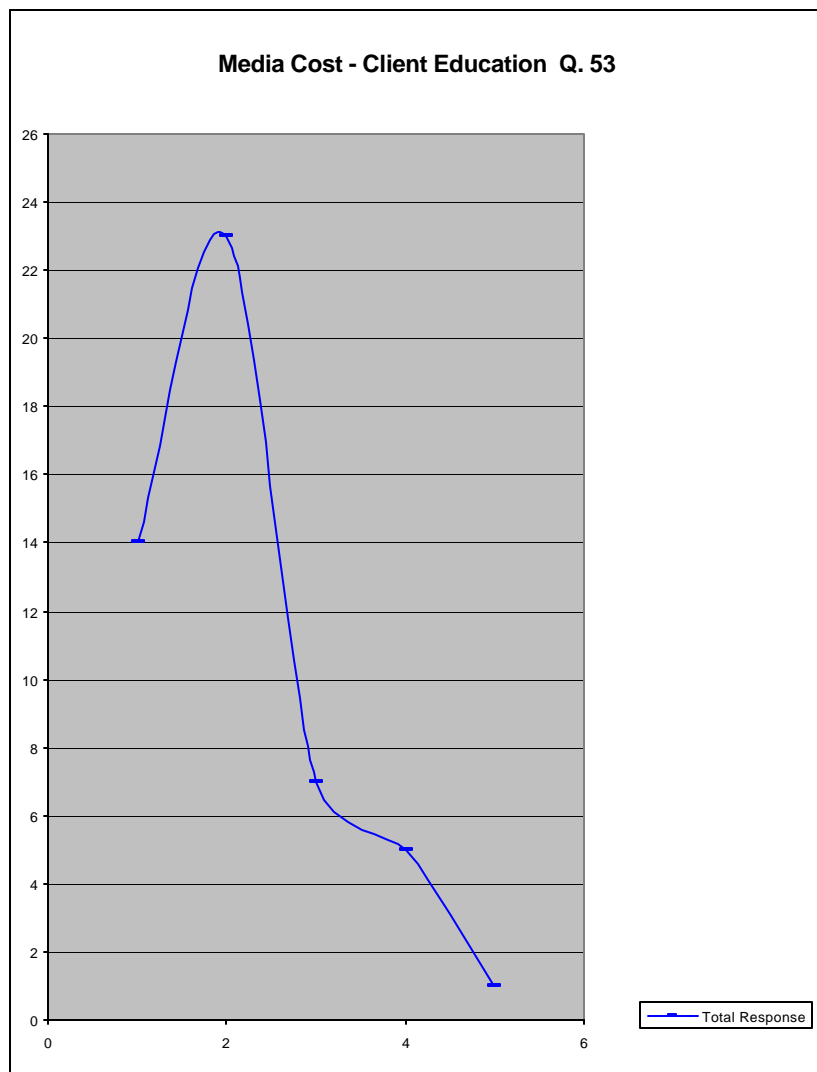
Our current systems can generate a confirmation for fund purchases showing the total compensation the investor has paid or is potentially committed to pay (direct, indirect, trailers etc.).



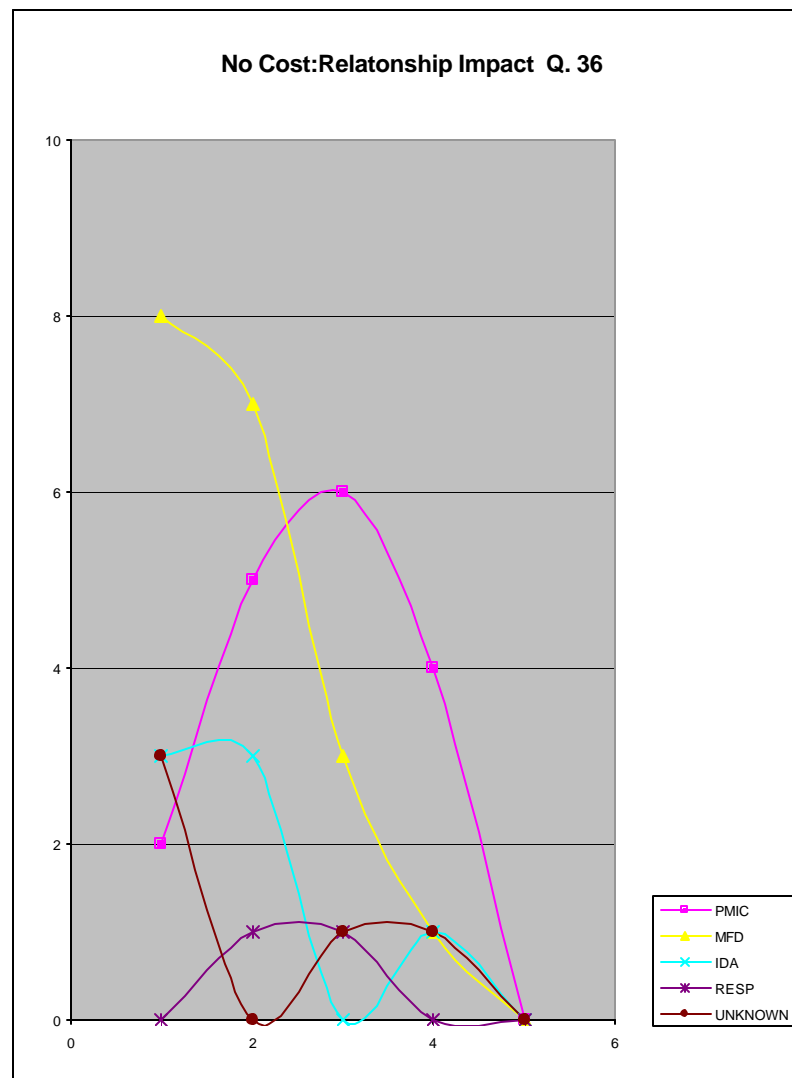
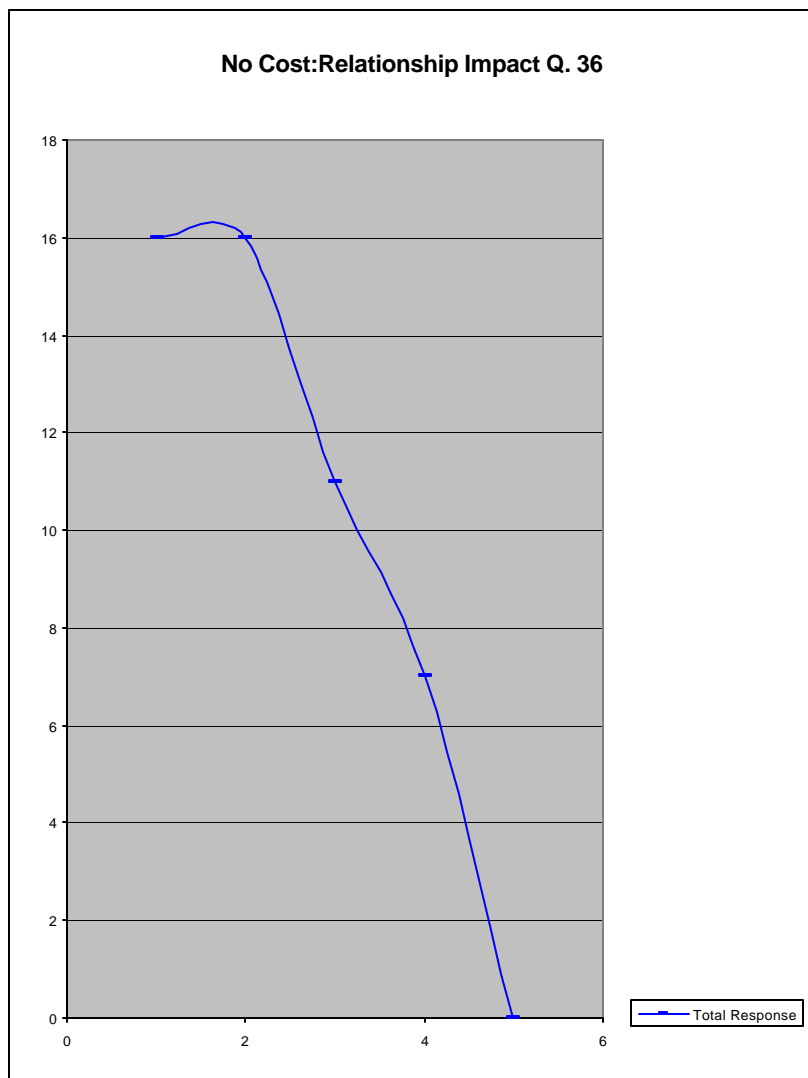
Our current systems can deliver a customized Fair Dealing Document to each of our current and future clients.



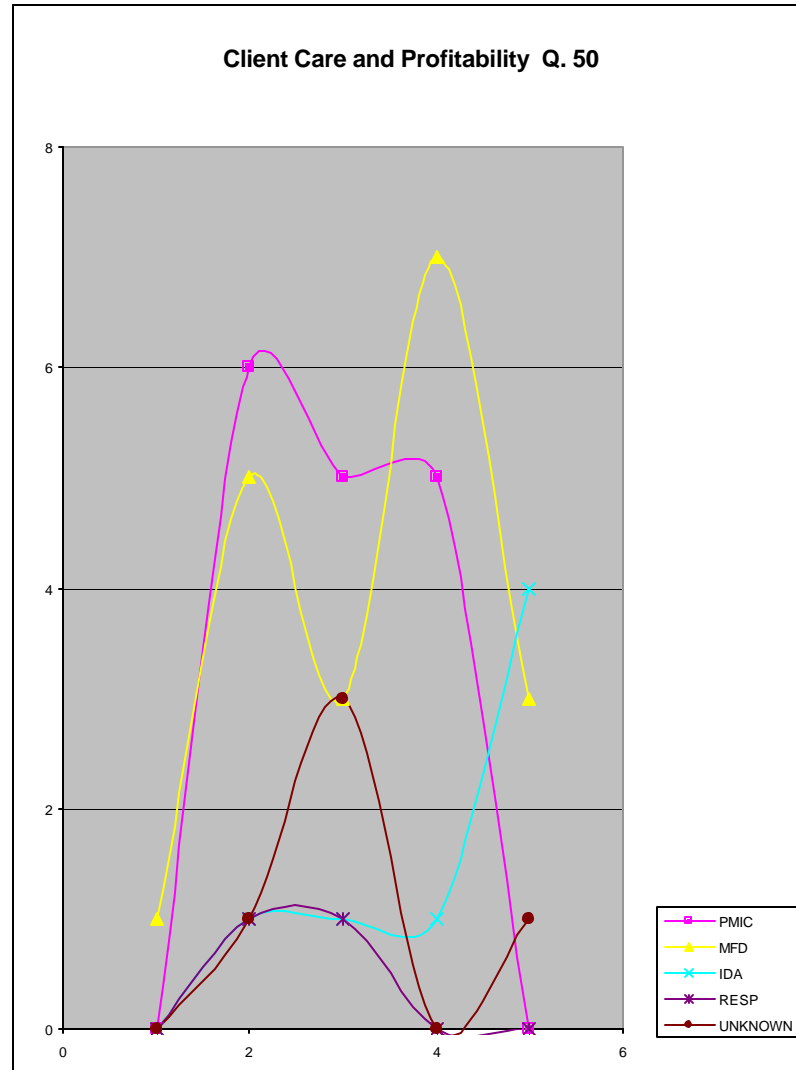
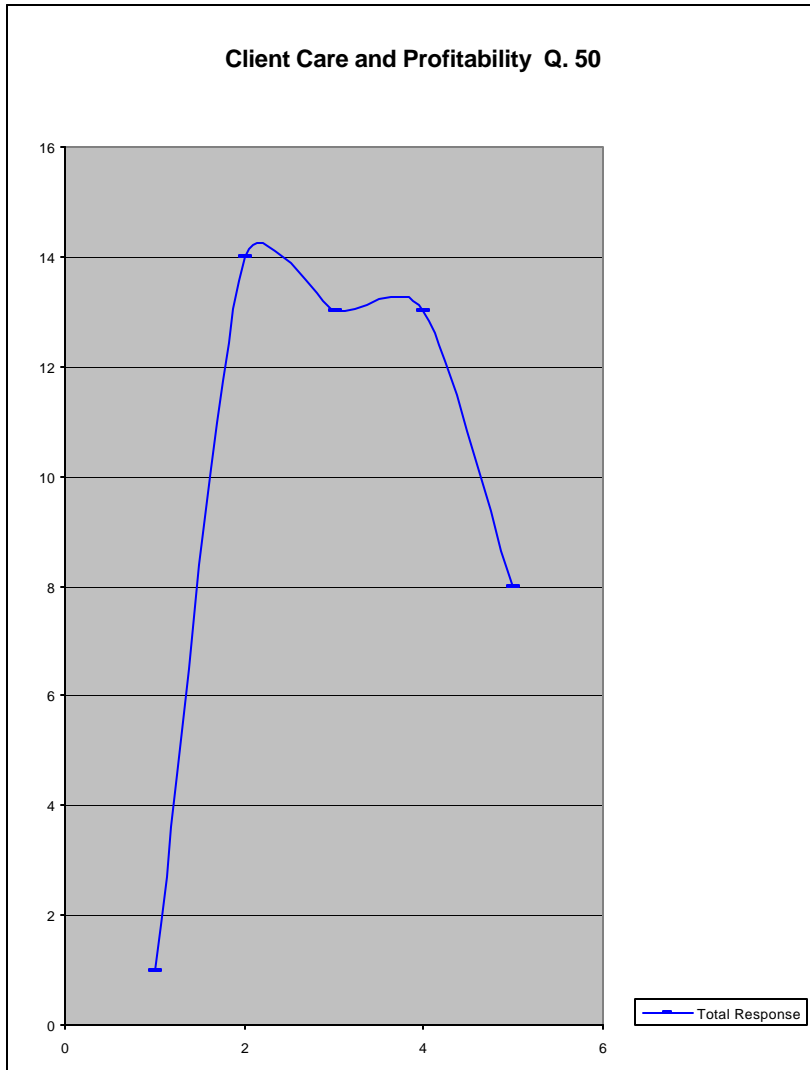
Having a wide variety of media available to educate clients about the FDM is a small dollar cost for our operation.



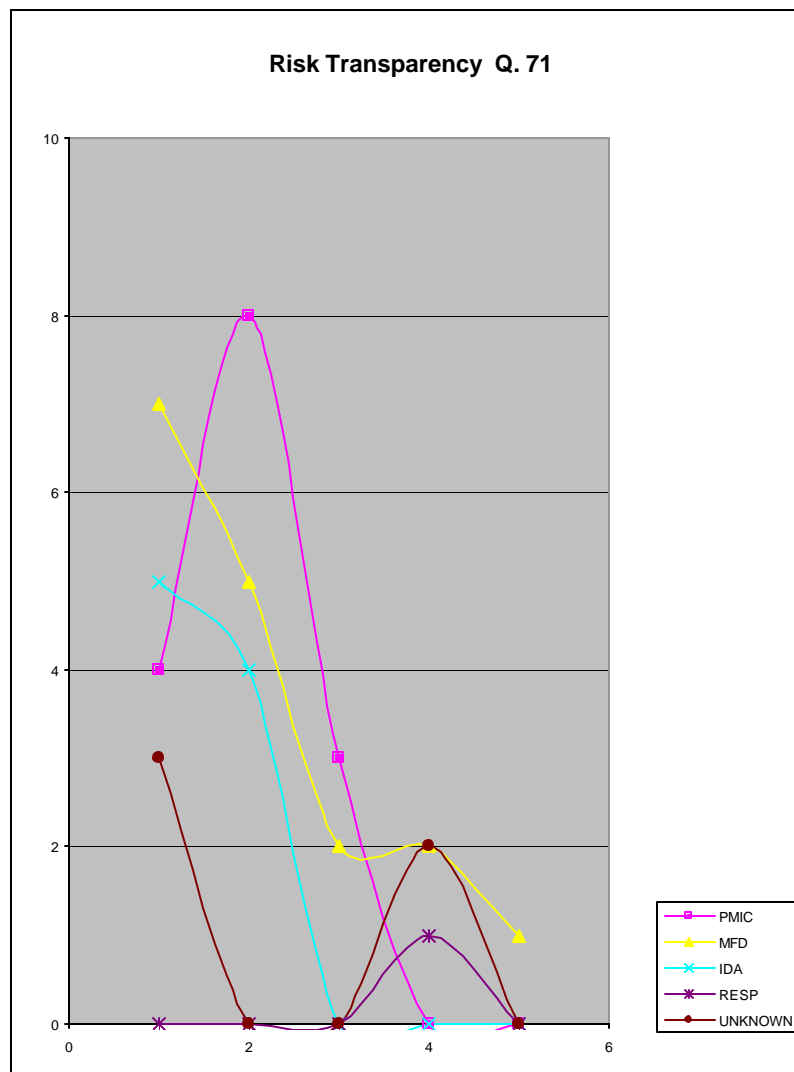
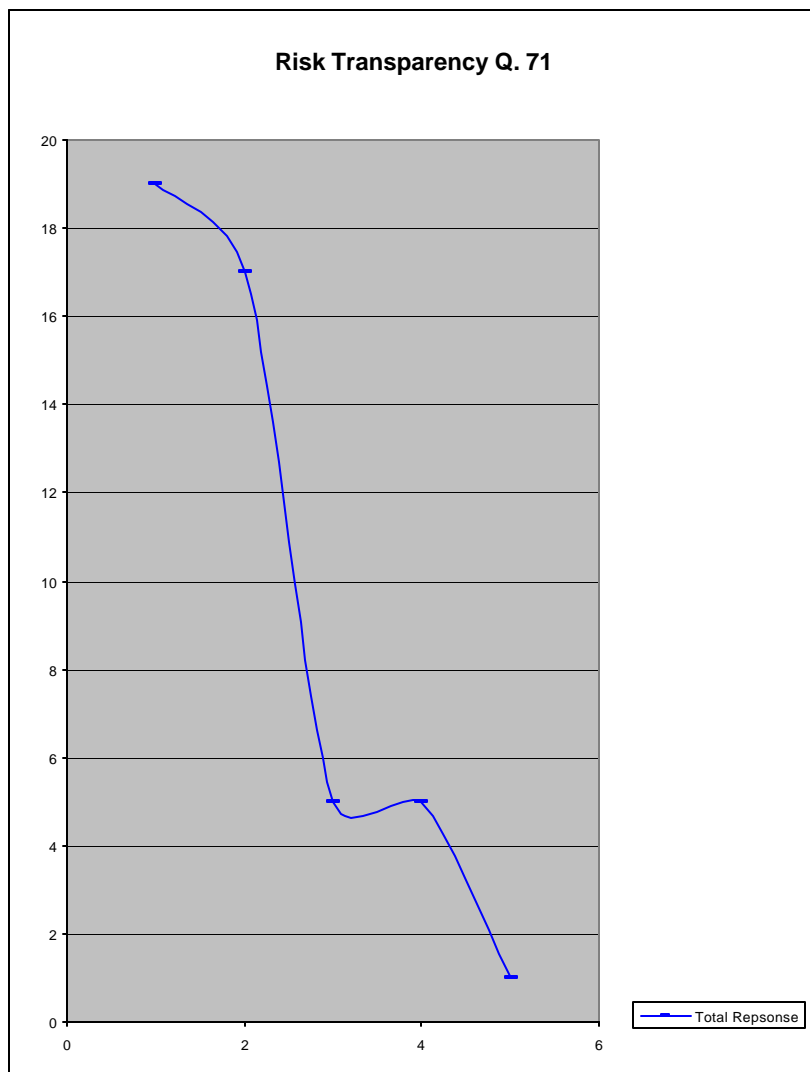
The introduction of new monetary and time costs will not impact the functioning of existing client relationships.



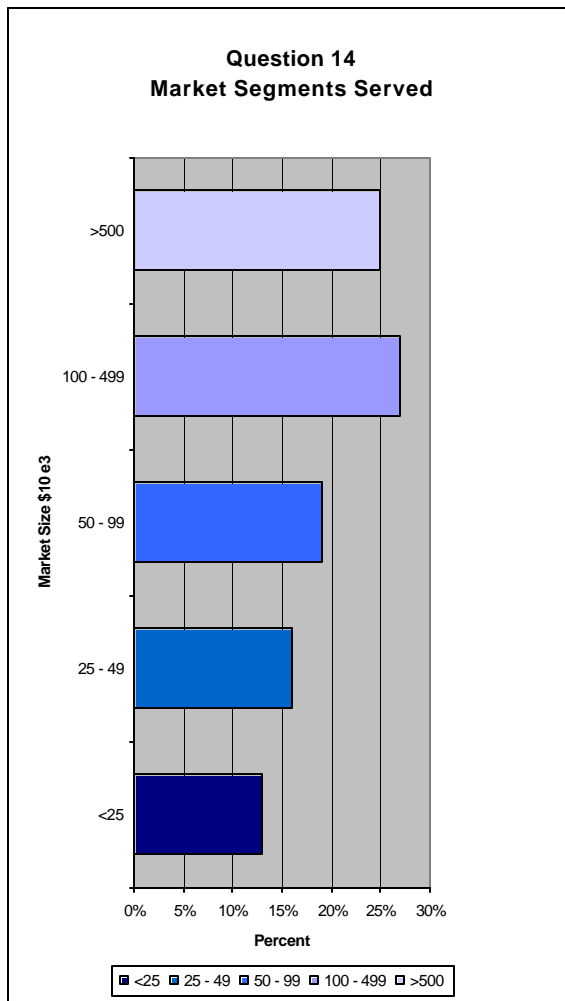
An enforced higher standard of client care will increase the firm's risk to trading losses, and therefore increased costs of administration.



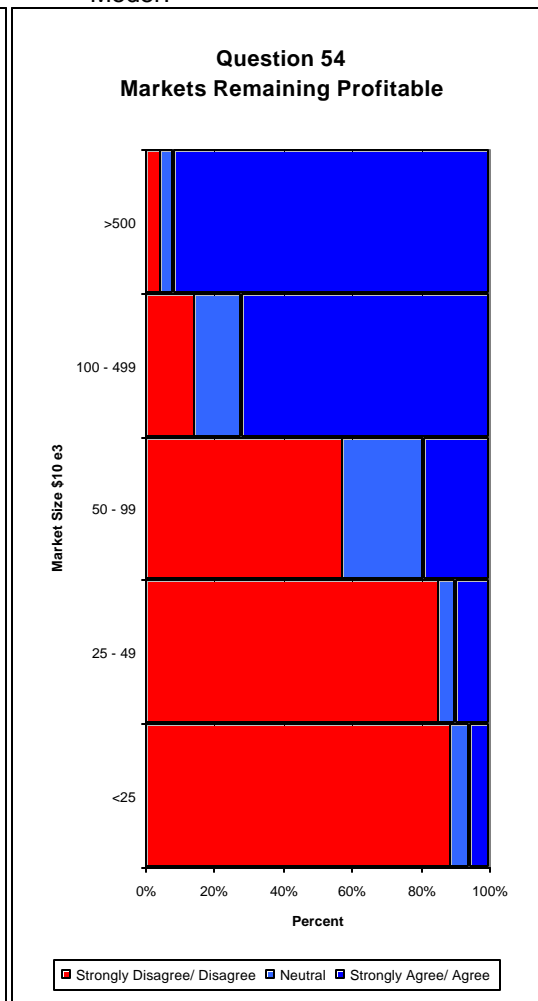
Generating a statement with risk information on individual securities and on each client portfolio is feasible with the firm's systems.



What market segment does your company serve?



What average size client accounts will remain profitable under the Fair Dealing Model?



Will the firm's ability to profitably advise clients change due to the adoption of the Fair Dealing Model?

