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DELIVERED

November 13, 2006

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
New Brunswick Securities Commission
Securities Office, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Nunavut
Registrar of Securities, Yukon Territory

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RE: COMMENT LETTER ON PROPOSED NATIONAL INSTRUMENT 23-102 *USE OF CLIENT BROKERAGE COMMISSIONS AS PAYAMENT FOR ORDER EXECUTION SERVICES OR RESEARCH ("SOFT DOLLAR" ARRANGMENTS)* (PROPOSED INSTRUMENT) AND COMPANION POLICY 23-102 CP (PROPOSED POLICY)

Attached please find IGM Financial Inc.'s ("IGM") response to the Proposed Instrument and Proposed Policy. Our response consists of a summary of the key areas that we would ask the CSA to consider before finalizing the Proposed Instrument as well as an Appendix that includes detailed responses to the questions posed in the Proposed Instrument.

I. Introduction

We appreciate the opportunity to provide comments on the Proposed Instrument and the Proposed Policy. The use of soft dollar arrangements has been the subject of widespread debate for many years and is a complex issue. We believe that client brokerage commission arrangements can benefit investors and the securities markets. IGM is supportive of establishing a regulatory framework governing soft dollar practices that operates to protect the interests of investors.

Critics of soft dollars have raised a number of concerns ranging from the claim that dealers do not work as diligently on soft dollar trades since they are being paid a portion of their usual commission to the contention of dealers charging "mark-ups" on commissions that are used to pay for soft dollars. In response to these concerns we would note the following:

- While the dealer retains a portion of the commission where commissions are identified to be used for soft dollar expenses our experience is that this factor does not affect their diligence with respect to the execution of our orders. Traders and portfolio managers have an overriding consideration with each trade to achieve best execution and therefore if a dealer were not fulfilling this requirement then the consequence would be loss of business.

- In our experience, there is no difference or "mark-up" in the commission rate that dealers charge for trades that are used for soft dollar arrangements versus regular trades. We apply the same commission regardless of whether or not the trade is to be used for soft dollar services. Where trades are used for soft dollar arrangements the dealer retains a portion of the commission with the remainder being paid to the vendors providing the services that are paid through the soft dollar arrangement.

Another criticism of soft dollar arrangements, as noted in the initial Concept Paper 23-402 (Best Execution and Soft Dollar Arrangements), is the assertion that "it is difficult to measure whether best execution is obtained in the case of soft dollars as trading commissions at the base of the arrangement sometimes include services from dealers that are bundled and sometimes are for execution only". It should be emphasized that best execution cannot be assessed purely based on one number such as the commission rate. Although commission costs are easy to understand, they are not the primary driver of best execution. There are a number of factors that go into the evaluation of best execution including price, liquidity, timeliness, market impact etc. The quality of execution, the speed of execution, market intelligence, and service all combine to achieve better execution for a fund.

II. Summary

IGM is supportive of the Canadian Securities Administrators (the "CSA") efforts to provide additional guidance around the definition of research and order execution services that qualify under soft dollar arrangements as well as to provide clients with useful and meaningful disclosure. We have provided detailed responses to the questions posed in the Proposed Instrument in the attached Appendix and would ask that the CSA consider these comments before finalizing the Proposed Instrument.

Summary of key issues:

Prospective Treatment

We would suggest that the CSA provide for prospective treatment of the Proposed Instrument upon adoption and should allow an appropriate transition period for advisers to make the necessary changes to policies and procedures.

Consistent Approach for all Investment Vehicles

We would suggest that any proposal for regulatory change should be harmonized across other investment products such as segregated, hedge, index and pooled funds. It would be beneficial for the members of the Joint Forum of Financial Market Regulators to discuss this issue as part of their efforts to coordinate and harmonize regulation of financial products and services in Canada.

Consistent approach with SEC guidance

We would suggest that the CSA adopt a consistent approach with the interpretative guidance provided by the SEC on the areas of raw market data, order management systems, proxy voting services and specialized publications. Differences in treatment of these services would be problematic given the number of advisers operating in both markets. We have commented specifically on these services in the Appendix.

Disclosure Obligations

General comment

We are concerned that the level of detail required by the proposed disclosure requirements will overwhelm an average investor and will not provide meaningful information for investment decisions.

Clarification of Definition of Client and Description of Accounts

We would suggest that the CSA provide guidance on the definition of 'client' within the disclosure obligations under Part 4 of the Proposed Instrument. It is currently unclear how the Proposed Instrument interprets the meaning of client for mutual funds, private managed accounts or sub-advised accounts. Clarity with respect to this reporting obligation is critical to the adviser's ability to comply. Without further guidance on the nature of the client relationship it is difficult to comment on some of the challenges that an adviser may face when complying with the proposed disclosure obligations. With respect to mutual funds, we would suggest that the CSA consider whether the Independent Review Committee, as required pursuant to National Instrument 81-107, would be the appropriate governance body to receive any disclosure materials required under the Proposed Instrument.

- We request that the CSA clarify the scope of the reference to "all accounts" under Part 4.1(b) requiring disclosure of "the total brokerage commissions paid during the period reported upon for each class of security, by all accounts or portfolios, and by the particular client's account or portfolio". As noted above, where an adviser provides investment advice to different types of accounts (i.e. mutual funds, sub-advised accounts, private managed accounts) the Proposed Instrument is not clear on the level of aggregation that should be provided to a client.

Concerns with Extensive Disclosure of Research Services

We would recommend that the CSA consider modifying the requirements as set out in Part 4.1(2) where an adviser must "maintain details of each good or service received for which payment was made with brokerage commissions, and make this information available on request to its clients". The disclosure requirements under this section are extremely onerous when understood to include all good or services including those received from full service brokers and would include phone calls, emails and written reports. Additional resources and systems would need to be committed to tracking this information in the detail requested. The number of items that would need to be reported over a five-year period would be extensive and would be overwhelming to a client.

Concerns with Cost Benefit Analysis

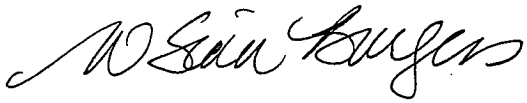
We believe that the CSA has underestimated the costs of implementation for the disclosure requirements. Advisers would need to consider the impact on resources and the extent of system development required to track the commission costs required under section 4.1 (1) as well as the goods and services outlined in section 4.1(2). Additionally, the Proposed Instrument has not contemplated the financial costs for advisers who have engaged sub-advisors located in international jurisdictions outside of Canada. Canadian advisers would need to request sub-advisers to develop systems to track the information needed

to comply with the Canadian disclosure requirements. These costs would need to be considered in an overall cost benefit analysis.

Conclusion

We thank you again for the opportunity to provide comments on the Proposed Instrument. Please feel free to contact me if you wish to discuss any of these comments.

IGM FINANCIAL INC.



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APPENDIX

I. Response to Questions Posed in the Proposed Instrument – Research and Order Execution

We have provided responses to the questions posed in the Proposed Instrument below:

Question 1

Should the application of the Proposed Instrument be restricted to transactions where there is an independent pricing mechanism (e.g. exchange-traded securities) or should it extend to principal trading in OTC markets? If it should be extended, how would the dollar amount for services in addition to order execution be calculated?

Comment

The application of the Proposed Instrument should be restricted to transactions where there is an independent pricing mechanism and brokerage commissions are transparent. Without transparency of a commission charge it is difficult to assess the allocation of the dollar amount of services. We would ask the CSA to consider removing fixed income securities from the scope of the Proposed Instrument which is consistent with the approach taken by the Securities and Exchange Commission ("SEC") and the Financial Services Authority ("FSA"). However, if fixed income commissions were to become transparent then it would be appropriate, at that time, to assess their inclusion within the scope of the Proposed Instrument.

Question 2

What circumstances, if any, make it difficult for an adviser to determine that the amount of commissions paid is reasonable in relation to the value of goods and services received?

Comment

Advisers/portfolio managers make assessments of value relative to the overall relationship that is maintained with each brokerage house. Rather than focusing on the individual trades and whether the commissions paid were reasonable in relation to the value of the goods and services received, the relationship over a period of time must be examined. Where brokerage commissions include bundled research and order execution services the adviser/portfolio manager interprets the allocation of these goods and services and assesses a value. Each brokerage house will offer a different depth and breadth of order execution and research expertise. Therefore, depending on the value that the adviser/portfolio manager places on each of these services, the valuations will differ.

Question 3

What are the current uses of order management systems? Do they offer functions that could be considered to be order execution services? If so, please describe these functions and explain why they should, or should not, be considered "order execution services".

Comment

Order management systems ("OMSs") contain components such as compliance and order management as well as research reports or software that assists with research. In addition, OMSs contain functions that assist with the order execution process including software used to transmit orders to brokers or to devise algorithmic trading strategies. Traders use order management systems to monitor market quotes and trading volumes, search for liquidity and interest, route orders to interested brokers for execution and receive fill information. Under the temporal standard where the starting point for order execution begins with the portfolio manager making an investment decision, certain functions performed by the portfolio manager including order entry and building a trade to include all eligible accounts would be considered part of, or incidental to the execution process. Therefore, we would recommend that the CSA permit advisers to make a reasonable allocation of client brokerage commissions to pay for components of OMSs that meet the criteria for order execution services in addition to research services.

Question 4

Should post-trade analytics be considered order execution services? If so, why?

Comment

Post-trade analytics can assist with the trade placement process by providing information that is used in the assessment of the effectiveness of a dealer versus the commissions paid. We would recommend that this use of post-trade analytics be considered an order execution service.

Question 5

What difficulties, if any, would Canadian market participants face in the event of differential treatment of goods and services such as market data in Canada versus the U.S. or the U.K.?

Comment

Differential treatment of goods and services as well as different disclosure requirements will result in additional costs for those advisers who engage sub-advisors in either the US or the UK. These foreign sub-advisors will be required

to incur additional costs for system development or resourcing required to track and report the information to be provided for their Canadian mandates.

Question 6

Should raw market data be considered research under the Proposed Instrument? If so, what characteristics and uses of raw market data would support this conclusion?

Comment

Raw market data should be considered research under the Proposed Instrument. Some advisers rely on market or economic data to create their own research, and therefore to exclude it from the research category would favor those advisers who purchase finished research into which the data has already been incorporated. This view is consistent with the position taken by the SEC in their 2006 Release where data services such as stock quotes, last sales prices and trading volumes are included within the types of data or economic services that may be considered eligible research within the Section 28(e) safe harbour.

Question 7

Do advisers currently use client brokerage commissions to pay for proxy-voting services? If so, what characteristics or functions of proxy-voting services could be considered research? Is further guidance needed in this area?

Comment

We recommend that the CSA adopt a consistent approach with the SEC's position in the Interpretive Release on "Soft Dollars" Safe Harbour (the "2006 Release") and that further guidance be provided to outline the types of services that would be considered eligible. The SEC concluded that proxy services may be treated as a mixed-use item and provided guidance on which types of proxy services would fit within the section 28(e) safe harbour. In the 2006 Release, the SEC concluded that where an adviser determines that certain research reports and analyses provided by proxy services assist in their investment decision-making then these services may be considered eligible research.

Question 8

To what extent do advisers currently use brokerage commissions as partial payment for mixed-use goods and services? When mixed-use goods and services are received, what circumstances, if any, make it difficult for an adviser to make reasonable allocations between the portion of mixed-use goods and services that are permissible and non-permissible (for example, for post-trade analytics, order management systems, or proxy-voting services)?

Comment

We are supportive of the approach taken by the CSA in the Proposed Policy with respect to the record keeping and the allocation methodology of the cost of services for mixed-use goods and services. Assessing the allocation between permissible and non-permissible uses becomes more challenging when a vendor's invoicing is bundled and the cost of specific services is not broken out. Bloomberg is an example of a mixed use service where invoicing is bundled. In the case of mixed-use items such as Bloomberg, advisers are required to develop methodologies for allocations based on other means such as usage etc.

Question 9

Should mass-marketed or publicly available information or publications be considered research? If so, what is the rationale?

Comment

We support the position that mass-marketed publications should not be considered research. Typically these types of publications are circulated to a wide audience, without a specific focus and are low cost. The broad distribution of these types of publications and the general nature of their focus would not meet the criteria for research. However, we would suggest that the CSA clarify the definition of "publicly available information or publications" and consider the approach taken by the SEC in its 2006 Release where the criteria distinguishing specialized publications from "mass market" are detailed (i.e. directed to readers with specialized interests etc.). We would note that the SEC has indicated that how a publication is marketed (i.e. a specialized trade journal targeted to a specific audience), rather than the form of distribution (i.e. Internet) is the determinant factor when assessing whether the publication is eligible research.

Question 10

Should other goods and services be included in the definitions of order execution services and research? Should any of those currently included be excluded?

Comment

We would suggest that the CSA consider permitting legal expenses to qualify as research where an adviser acquires legal advice or analyses or reports that relate to permitted subject matters such as research.

Litigation Services

Additionally, we would suggest that the CSA consider permitting soft dollars to be used to pay for litigation or other advocacy service which are part of a litigation or enforcement proceeding to enhance shareholder value of portfolio securities of a managed account to improve the fairness and efficiency of capital markets in Canada or to advocate regulatory or other legislative and administrative charges

which have the potential to benefit mutual fund investors. Litigation or other advocacy services would include fees of legal counsel or other advocates as well as fees of valuators, appraisers or other expert witnesses.

II. Response to Questions Posed in the Proposed Instrument – Disclosure Obligations

Question 11

Should the form of disclosure be prescribed? If prescribed, which form would be most appropriate?

Comment

Our overriding concern is that any form of disclosure be useful to the client and not be overly complicated. We feel that it would be helpful to prescribe the form of disclosure. The CSA should contemplate whether the form should differ depending on the type of client (i.e. mutual fund versus private account). In particular, it would be beneficial to incorporate any proposed disclosure requirements into existing documents that are provided to investors. For example, under *National Instrument 81-106, Part 3.6*, investment funds are required to disclose in the notes to the financial statements for each fund the total commissions paid during the year as well as, where ascertainable, soft dollar payments for goods and services other than for order execution.

Question 12

Are the proposed disclosure requirements adequate and do they help ensure that meaningful information is provided to an adviser's clients? Is there any other additional disclosure that may be useful for clients?

Comment

We are concerned that the proposed disclosure requirements will overwhelm an average investor and will not be meaningful to investment decision making. In addition, we have requested that the CSA clarify the definition of "client" with respect to mutual funds. This definition is the determinant factor for fulfilling the disclosure obligations. We have provided suggestions within our response as to who should receive these reports.

Question 13

Should periodic disclosure be required on a more frequent basis than annually?

Comment

We would consider that a prescribed annual disclosure requirement is an appropriate timeframe and as noted above would recommend that the CSA consider existing forms of disclosure.

Question 14

What difficulties, if any, would an adviser face in making the disclosure under Part 4 of the Proposed Instrument?

Comment

Outlined below is a summary of the issues that we have identified with respect to the disclosure requirements detailed in Part 4 of the Proposed Instrument:

Part 4

The CSA should provide guidance on the definition of 'client' within the disclosure obligations under Part 4 of the Proposed Instrument. It is currently unclear how the Proposed Instrument interprets the meaning of client for mutual funds, private managed accounts or sub-advised accounts. Clarity with respect to this reporting obligation is critical to the adviser's ability to comply. Without further guidance on the nature of the client relationship it is difficult to comment on some of the challenges that an adviser may face when complying with the proposed disclosure obligations.

Part 4.1(b)

The CSA should clarify the scope of the reference to "all accounts" under Part 4.1(b) requiring disclosure of "the total brokerage commissions paid during the period reported upon for each class of security, by all accounts or portfolios, and by the particular client's account or portfolio". As noted above, where an adviser provides investment advice to different types of accounts (i.e. mutual funds, sub-advised accounts, private managed accounts) the Proposed Instrument is not clear on the level of aggregation that should be provided to a client. That is, would an advisor provide a private managed account with the amount of total brokerage commission paid on all accounts including mutual funds or just an aggregation of the commissions paid on private managed accounts? In addition, providing a breakdown by account for each client will not reflect the nature of how these services are utilized by the adviser. All accounts will benefit from the goods and services that are acquired. Reporting by account does not reflect the nature of these services and that they are not distinguishable on an account-by-account basis.

Part 4.1 (1) (c)(iii)

Under this section an adviser is required to report *"trades where a portion of the commission is set aside for payment to third parties, including a breakdown of the fraction of this percentage that represents the amount for third party research, the amount for other third party services and the amount retained by the dealer(s)".*

This disclosure requirement is premised on the assumption that the research and order execution bills are paid in the same period as the actual commission is paid. In many cases this does not happen. Typically, as commissions are paid, a portion of the commission dollars spent is set aside in an account to be available for payment of research or order execution services. In any given period, there may be a timing difference between when the commissions are generated and when the actual expenditure is made for research services. This timing difference will result in a balance being carried forward from one month to the next to be used for payment of research services. Under this scenario a per unit amount, for the portion of the commissions spent on research, cannot be calculated as the payment of the research services is not linked to the commission generation. As well, the percentages calculated for the research services paid during the period could exceed 100% in periods (i.e. months) where the third-party research payments exceed the amount of commissions generated as a result using carry-forward balances.

Another issue to consider is the scenario where an adviser uses different dealers to pay different invoices. The proposed disclosure requirements are based on an adviser directing a dealer to pay specific invoices on a regular basis. However, a second scenario exists where an adviser uses more than one dealer to pay third-party services and also requests these dealers to pay different invoices each month. While the reporting can be tracked under this scenario, as noted previously, it will be more difficult and the percentage and per unit calculations will not be meaningful.

Part 4.1 (1) (d)

Part 4.1(1) (d) requires that the adviser disclose "a reasonable estimate of the weighted average brokerage commission per unit of security that corresponds to each of the percentages disclosed in subsections 4.1(c) (i) through (iii)". This disclosure will be problematic where the commission structure is not based on a per unit pricing mechanism. Where an adviser holds securities in non-North American markets and commissions are calculated as a basis point amount of the trade value, a per unit commission value will not be relevant. It would be more appropriate to provide a calculation of the weighted average commission based on trading activity that would provide a more accurate and meaningful value.

Part 4.1(2)

Part 4.1 (2) states that " *an adviser must maintain details of each good or service received for which payment was made with brokerage commissions and make this information available upon request to its clients"*

These disclosure requirements are extremely onerous when understood to include all good or services including those received from full service brokers and would encompass phone calls, emails and written reports. Additional resources and systems would need to be committed to tracking this information in the detail requested. The number of items that would need to be reported over a five-year period would be extensive and would be overwhelming to a client. We request that the CSA consider modifying this requirement to incorporate some element of materiality.

Cost/Benefit

We are concerned that the CSA has underestimated the costs of implementation for the disclosure requirements. Mutual fund companies would need to consider resourcing implications as well as system development to track the commission costs required under section 4.1 (1) as well as the receipt of goods and services outlined in section 4.1(2). Additionally, the Proposed Instrument has not contemplated the financial costs for funds that are advised by sub-advisors who are located in international jurisdictions outside of Canada. These sub-advisers would be required to track and report information that would differ from the requirements of their own jurisdiction. These costs would need to be considered in an overall cost benefit analysis.

Question 15

Should there be specific disclosure for trades done on a "net" basis? If so, should the disclosure be limited to the percentage of total trading conducted on this basis (similar to the IMA's approach)? Alternatively, should the transaction fees embedded in the price be allocated to the disclosure categories set out in sub-section 4.1(c) of the Proposed Instrument, to the extent they can be reasonably estimated?

Comment

We would suggest that the disclosure be restricted to trades where a commission charge is identifiable and not include net trades. If the CSA is contemplating alternatives then one option may be the UK disclosure requirements for net trades where it is limited to the percentage of total trading conducted on this basis. We would not suggest that the imbedded transaction fees be allocated to the disclosure categories. Attempting to split out order execution or research goods and services that may have been paid for with these imbedded transaction fees cannot be reasonably estimated and would be inconsistent among advisers. In addition, this information is currently not tracked systematically and therefore would require additional system development.