June 20, 2007

To: British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission
Registrar of Securities, Prince Edward Island
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut
Registrar of Securities, Northwest Territories

Submitted by Email to:

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John Stevenson
Secretary
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Dear Sirs/Mesdames:

Subject: Comments on Proposed National Instrument 31-103 Registration Requirements, Proposed Companion Policy 31-103 and Proposed Amendments to Multilateral Instrument 33-109 Registration Information

Independent Financial Brokers of Canada (IFB) is pleased to submit our comments on the above-noted proposed National Instrument (the Rule), Companion Policy and amendments to Registration Information (the Forms).

Introduction

IFB is a professional, not for profit, association which represents the interests of approximately 4,000 licensed, financial services providers across Canada. The majority of our members provide advice and products to consumers that are related to insurance and mutual funds. A smaller number would be securities registrants, or licensed in other fields.

The advisors we represent are, for the most part, self-employed small business men and women who provide clients with access to a range of financial products from a variety of providers. Our organization is dedicated to supporting the continued viability of the independent channel of product distribution and advice. We believe, as do our members, that their independence – the ability to source the products most suitable to meet a client's financial needs, not promote the product of one provider – is a very effective form of consumer protection.

IFB supports the Canadian Securities Administrators (CSA) in their efforts to harmonize and streamline the current registration system and improve consumer protection. IFB and its members are committed to the fair and equitable treatment of consumers. Indeed, our members are bound by a code of ethics which governs how they conduct themselves in the financial marketplace, and imposes a fiduciary standard which is in addition to meeting the various regulatory requirements.

However, we are very concerned that the increasing regulatory burden imposed on smaller players in the financial services field may threaten their viability and ultimately reduce the choices consumers will have to access these services. This may be particularly detrimental to consumers in small or distant communities and consumers with smaller investment accounts. The reality is that the cost of regulation, and compliance with regulation, is passed along to all market participants - including the small advisor. If that cost becomes too high, these advisors will be forced out of the market, leaving consumers with less ability to access professional advice and to capital markets. In our opinion, regulation should not dictate, either directly or inadvertently, the business models that will survive.

With this context in mind, our comments will be primarily directed at the potential effects of the proposed registration requirements on individual advisors, like our members.

Co-ordination with Self-Regulatory Organizations

We note that a number of these registration proposals will allow for the MFDA or IDA to develop their own provisions, which will be applicable to their members. We are not sure why the CSA has adopted this approach and believe it may run counter to the overarching objective of this project, which is to promote a harmonized approach to registration requirements.

IFB believes that it will not be in the best interests of mutual fund or securities investors to have advisors or their member firms subject to a set of rules that is different from a non-SRO advisor/firm.

Business trigger for registration

The Rule is proposing a fundamental shift in what triggers the requirement to be registered – from a trade trigger to a business trigger. In addition, the CSA is proposing that the business trigger extend to both dealing and advising in securities, such that anyone who engages in either of these activities would be required to be registered. While the CSA suggests this will improve the registration system by making it more flexible and simpler than the existing system, there is no question that this shift will cast a much wider net of registrants.

IFB recognizes that securities regulators are concerned that unregistered market participants, who are not under their purview, may pose a risk for investors. However, it may well happen that individual advisors, who do not view themselves as requiring registration, may be deemed to be "in the business" of dealing or advising in securities under the new rules. The factors cited as determining whether registration is required are sufficiently broad that they may lead to uncertainty and confusion. It may be particularly unclear when an advisor is only occasionally involved in such activities or when s/he engages in related activities such as financial planning or referrals. In addition, the costs associated with registration may be prohibitive for the advisor who has only limited involvement

IFB suggests that further clarification and narrower definition is needed in this area.

Relationship Disclosure Document

The contents and procedures related to providing clients with the relationship disclosure document do not recognize the different levels of service a client may choose to have with an advisor or firm. While the suggested level of detail may be appropriate for a client who seeks to establish a full-service, managed account, that same level of detail may not be appropriate for a client who engages in occasional or infrequent transactions. For example, a client who wishes to invest $5,000 in a mutual fund to make a one-time contribution to his or her RRSP is likely to find this level of detail unnecessary and perhaps even objectionable as a privacy infringement. Furthermore, not all investors wish to place their investments with a single advisor or firm. Clients should not be forced to divulge detailed personal information related to their financial circumstances

when they find it to be inappropriate. A simple solution which would remedy these situations is to provide clients with an "opt-out" provision, which would clearly state that more detailed information is not being collected at the client's direction.

It is our understanding that the SROs are drafting rules to implement these principles relative to account opening requirements for their members. We reiterate the concern previously mentioned that separately drafted materials should not be an opportunity to impose greater, or different, restrictions on SRO member firms and advisors.

Furthermore, the Joint Forum of Market Regulators already has an industry consultation well underway on point-of-sale disclosure requirements for mutual funds and segregated funds, which IFB is participating in. It is unclear to us how the point-of-sale initiative will be integrated with the relationship disclosure document and how the regulators will ensure there are not conflicting requirements.

Plain Language

We would be concerned if the responsibility for adjudicating what constitutes 'plain language' falls to individual advisors to incorporate into their client relationship disclosure documents. This is an industry characterized by a wide range of financial products and complex documentation to comply with securities regulations. To expect individual advisors to draft and reduce such information to simple terms is unrealistic. The responsibility for this might better rest with the regulators who can simplify the documentation to promote investor understanding and to ensure a consistent approach.

Permanent Registration

IFB is pleased that a system of permanent registration is being proposed. This will reduce the inefficiencies presented by an annual renewal system, although we note advisors will continue to be subject to payment of an annual fee in each jurisdiction. We encourage the CSA members to look for more cost-effective solutions for advisors who require registration in multiple jurisdictions.

Automatic Reinstatement

IFB is pleased that the Rule will permit advisors who transfer from an existing firm to another firm within 90 days will be automatically reinstated without incurring the time delay of waiting for regulatory approval. This will be of great benefit not only to the advisor but his or her clients, as these delays have led to lengthy periods where clients are unable to receive advice, initiate transactions or have their accounts transferred.

However, it is not unusual for our members to experience difficulty with the timely transfer of their accounts from their previous dealer/firm. It must be remembered that this is a highly competitive market where it is not always in the best interests of the firm to initiate such transfers in a timely manner. Our members have experienced delays up to 6 months – well outside of the proposed 90 days. To protect these advisors *and their clients*, there must be clear timelines for a firm to process a transfer and significant penalties for superfluous delays.

Mobility exemption – registered individual

Many of our members are dual-licensed in insurance and mutual funds, as well as in multiple jurisdictions. They welcome any reduction in the cost and regulatory burden associated with conducting business with clients who reside in different provinces – provinces which often have different regulatory requirements.

We note that while the Rule generally seeks to reduce some of this fragmentation, through a more harmonized registration system, it does not deal with the actual cost associated with the requirement to register in various jurisdictions, which can be significant and a deterrent for some advisors.

The proposed mobility exemption offers some relief in circumstances where a client and family relocate by removing the requirement for their advisor to become registered in that jurisdiction in order for them to continue to do business. However, we note that the exemption applies in very limited circumstances and its application is restricted to a maximum of five individuals. More importantly, however, is that it will not apply in Ontario, because Ontario has not signed onto the passport system. This leaves a large number of registrants unable to take advantage of this relief.

IFB supports the proposed mobility exemption but encourages the CSA members to work toward a more cost effective solution to multiple registrations, so that all clients can receive the advice they want, from the advisor they choose to do business with.

Tied selling

We support the continued prohibition on tied-selling, which is often an odious practice through which an advisory relationship is used to sell other products at a higher than market cost or to deny access to another product.

Outstanding Issues:

Incorporated Salespersons

IFB is disappointed that the CSA has not dealt with the payment of commissions to a registrant's corporation in this Rule. Under current rules, the IDA does not permit commissions to be paid to a sales representative's personal corporation and, while some provinces have suspended MFDA Rule 2.4.1, there has not been a co-ordinated national response to this issue. Further confusion arises because some provinces, like British Columbia, specifically allow such payments, while other provinces do not recognize the MFDA and therefore cannot suspend the Rule. Even in those provinces where the Rule has been suspended, we hear of situations where a dealer firm has a policy of not paying commissions to a salesperson's corporation and will not until the Rule is removed.

Many of our members have set up a personal corporation to run their business affairs. This is a legitimate, well-recognized business structure, which does not compromise investor protection. It is important that the CSA develop a means to resolve this issue so that mutual fund advisors, regardless of their province of residency, can manage their businesses in the most effective and efficient manner possible. In addition, it would be helpful if securities regulators could develop a policy in co-ordination with the Canada

Revenue Agency so that it is clear what structure needs to exist to avoid potential tax challenges by CRA. IFB would be pleased to assist in the development of a consistent approach.

In conclusion, IFB appreciates the opportunity to participate in this consultation and trusts you will find our comments useful. We look forward to continuing to participate as this process evolves. Should you have questions on any of the above, please contact the undersigned.

Yours truly,

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