



BY ELECTRONIC MAIL: jointforum@fSCO.gov.on.ca

October 15, 2007

Mr. Neil Mohindra
Acting Policy Manager
Joint Forum Project Office
5160 Yonge St.
Box 85, 17th Floor
North York, ON M2N 6L9

Dear Sir:

Re: Joint Forum Proposed Framework 81-406, IFIC Comments

We are pleased to provide comments on behalf of Investment Planning Counsel Inc. and its subsidiaries in response to the request for comments by the Joint Forum of Financial Market Regulators (“Joint Forum”) with respect to the *Proposed framework 81-406, Point of sale disclosure for mutual funds and segregated funds* (“Proposal”) released for comments on June 15, 2007.

Investment Planning Counsel Inc.

Investment Planning Counsel Inc. (“IPC”) is a Canadian full service integrated wealth management company offering a wide array of products and services under the MFDA, IDA, insurance, banking and private money management platforms. Our objective is to create an entrepreneurial focused company of partners dedicated to bringing the best client experience in the wealth management industry by providing the tools, products and support to help our advisors build a better business. We attain this objective through 600+ independent advisors located in offices across Canada.

IPC has asset under administration of over \$13 billion dollars as of September 30, 2007.

IGM Financial Inc.

IPC is a member of the IGM Financial Inc. group of companies. IGM Financial Inc. (“IGM”) is one of Canada's major financial services companies, and the country's largest manager and distributor of mutual funds and other managed asset products, with over

\$124 billion in total assets under management. Its activities are carried out principally through Investors Group Inc., Mackenzie Financial Corporation (including MRS Inc.) and Investment Planning Counsel Inc. and their subsidiaries. IGM is a member of the Power Financial Corporation group of companies.

The Proposal in the IPC World

IPC is a member of the Investment Fund Institute of Canada (“IFIC”), and we support the conclusions presented in the IFIC comment letter filed with the Joint Forum on October 2, 2007.

IPC is more directly affected by issues relating to independent dealers and advisors that deal with multiple manufacturers, our comments will reflect that. It is also important to mention that IPCs IDA platform holds in excess of 70% of its assets under administration within mutual fund investments. Clients of advisors operating on our IDA platform expect to transact in very efficient means, electronically and instantly through accounts held in nominee form.

We wish to begin by saying that we fully support a regulatory framework that will provide for more meaningful and timely disclosures to clients. As it currently stands however, the Proposal could have serious impact on our operations, advisor/client relationships and on the cost of carrying on those operations.

First of all, IPC distributes the mutual fund products of numerous manufacturers. As at September 30, 2007, IPC holds assets under administration with 168 mutual fund manufacturers through 5637 individual mutual funds on behalf of some 175,000 Canadians. Our advisors seek to find the product that is the best suited to the needs of individual clients. If the Proposal is adopted, we can expect to limit the number of products offered in order to control the costs associated with ordering, storing, maintaining and controlling the ever increasing amount of documentation required by regulation.

We strongly support the creation of a fund family type of document, as suggested by IFIC, a document that would be provided to clients at the account opening stage. We also believe it is critical that the work done by the MFDA and IDA as part of the Client Relationship Model of the Registration Reform Project be integrated to the work done by the Joint Forum on the Proposal in order to ensure that the requirements are consistent and non-duplicative. The information of the Fund family document should include a discussion on fees and compensation. Account opening is an appropriate time to disclose information that relates to the relationship with a family of fund since that information will not vary from fund to fund in the same family. This is also important for deferred sales charge as the diminishing schedule of fees applies at the fund family level not at the individual fund level, discussing it at the latter would create confusion for clients since switches between funds of the same family would have no impact on the deferred sales charge.

In addition to the handling of those documents, the Proposal creates very challenging compliance workflow logistics for dealers that need to ensure that the Fund Facts has actually been provided to the client prior to, or at time of, a transaction. This becomes even more difficult when multiple transactions can occur in the same mutual fund over the course of a short to medium period of time. The Fund family document would also serve to simplify the compliance aspect of the Proposal. A Fund family document would be provided to our clients each and every time a client accesses a new Fund family, creating a simple and unique auditable trace in the client file. The abridged Fund Facts document would then be made accessible to clients at all time, and an auditable trail of providing it with the confirmation slip would tie all loose ends to ensure clients can't abuse the rescission right provided for in the Proposal.

Regulatory burden on independent distributors

In recent years, the distribution of mutual funds in the independent advisor channel has been regressing. One of the main reasons for the decreasing number of independent advisors is the ever increasing regulatory responsibilities, the costs of operations created by the enhanced technology and compliance obligations. The Proposal will furthermore reduce the possibility for the existence of those independent advisors who have been offering excellent personalized services to their clients for decades.

We don't believe that creating a regulatory environment that will push the reduction of the number of independent advisors serves the interests of clients. To the contrary, a regulatory environment that will only be suitable for larger dealers will restrict the availability of financial products and services in the smaller areas of the Canadian market where larger dealers would not even consider opening offices. Creating regulatory obligations that can be applied by advisors of all sizes should not be an option, it should be a goal. Mutual funds are paramount in the product offering of advisors as they are one of the most, if not the most, democratic financial product. In 2006, Mutual Funds represented 32% of the total portfolio of Canadian investors¹.

Delivery of the Fund Facts

The delivery of a Fund Facts document can generally be met with ease on account opening or for initial transactions in a family of fund. The fact remains that instructions relating to subsequent transactions in a fund already held by an investor or a switch to a fund of the same family occur quite often over the phone. Delivery of a document at the point of sale in those circumstances can be problematic for the investors, no matter what technology we use to deliver it. We believe IFIC's recommendations creating an alternative disclosure system is manageable in all situations, while still providing as much disclosure to clients.

In some cases, transactions may have an urgency component to them, be it a time constraint such as the RRSP season contribution deadline, or a volatile market that investors may want to get out of. This last situation is even more so problematic in a

¹ Investors Economics, 2007

MFDA environment that doesn't allow for cash positions as an IDA environment would. In those situations, advisors in order to satisfy clients that do not wish to be provided with Point of sale information (various reasons may explain the investors lack of Point of sale information need, whether personal research of online information or simply relying on advisor), advisors will look for products that can satisfy the needs of their clients. Since other products, such as Principal Protected Notes, are not subject to Point of sale information requirements, product arbitrage can take place possibly to the client detriment as the advisor will use the path of least resistance to meet the client's demands. At a minimum, Joint Forum should permit clients to waive their right to receive regulatory disclosure.

The possibility of product arbitrage is even more prominent in the IDA platform, simply due to the fact that there are numerous other products that can be offered to investors. An exchange traded fund is a good example. Those other products don't generally have any Point of sale information to be provided before an individual can invest in them.

We believe that the ongoing availability of the information on an easily accessible website, as mentioned previously, could also limit the arbitrage between products. That could take place if the Joint Forum would modify the Proposal to include IFIC's recommendations.

Summary

The creation of a Fund family document and ongoing disclosure to clients are simple ways to enhance client information while maintaining a thriving industry. Let's not create a regulatory model that would focus on compliance and administrative obligations for dealers while limiting the products offered to clients.

We urge the Joint Forum to reconsider the Proposal to address some of the points that were raised herein. Let's not forget that the industry supports enhanced disclosure to clients and that the current Proposal could have the exact opposite effect on the amount of information provided to investors. We encourage the Joint Forum to create the Implementation Steering Committee recommended by IFIC, to which we would gladly participate.

Thank you again for allowing us the opportunity to provide comments on the *Proposed framework 81-406, Point of sale disclosure for mutual funds and segregated funds*. If you have any questions on our position or comments, please do not hesitate to contact me.

Yours truly,



Steve Meehan
Chief Executive Officer
Investment Planning Counsel