IGM Financial

IGM Financial Inc. One Canada Centre, 447 Portage Ave., Winnipeg, Manitoba R3C 3B6

Charles R. Sims
Co-President and Chief Executive Officer

DELIVERED

April 9, 2008

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

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario M5H 3S8
Fax: (416) 593-2318
Email: jstevenson@osc.gov.on.ca

Madame Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal (Québec) H4Z 1G3
Fax: (514) 864-6381
Email: consultationcours@lautorite.qc.ca

Re: Comment Letter On Revised Proposed National Instrument 23-102
Use Of Client Brokerage Commissions As Payment For Order Execution Services Or Research ("Soft Dollar" Arrangements) **(Proposed Instrument) And Revised 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 Canadian Securities Administrators ("CSA") to consider before finalizing the Proposed Instrument.

I. Introduction

We appreciate the opportunity to provide comments on the Proposed Instrument and the Proposed Policy. As noted in our previous submission dated November 13, 2006, 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.

II. Summary

IGM acknowledges the CSA's efforts to address the comments provided in response to the previous version of the Instrument. The current version of the Proposed Instrument addresses a number of key concerns raised in our previous comment letter with respect to harmonization with SEC guidance and to disclosure obligations. However, we have noted that there are still a few areas of concern and we would ask the CSA to consider our comments before finalizing the Proposed Instrument. In addition to the issues summarized below, we have included an Appendix that includes responses to the questions posed in the Proposed Instrument.

Key issues:

i. Disclosure Obligations

We are concerned with the disclosure requirement under Subsection 4.1(g) for advisers to make a "reasonable estimate" of the portion of commissions that represents the amounts paid or accumulated to pay for goods and services other than order execution. Requiring a "reasonable estimate" of the soft dollar costs which are bundled in commission costs is problematic for a number reasons:

- Inconsistency of disclosure among advisers:

  Requiring an estimation of costs, other than order execution, that are bundled in commission costs will result in differing values being provided by each adviser. This inconsistency in estimation and disclosure of the bundled research/order execution costs will prevent meaningful comparative information among advisers.

  Dealers are currently not required to disclose the breakdown of commission costs. Without a regulatory requirement for dealers to disclose the research/order execution portion of bundled commission costs, advisers will be left to rely on the cooperation of dealers to provide the necessary information. This dependency on the relationship of the adviser with the dealer may result in differing levels of information on the cost breakdown depending on the level of business conducted with the dealer.

- Inconsistency with disclosure requirements of National Instrument 81-106 ("NI 1-106"):

  As noted by the CSA in the Proposed Instrument, requiring a "reasonable estimate" differs from the current disclosure under NI 81-106 which requires that, for investment funds, the portion of commission costs related to services other than order execution are to be disclosed "to the extent the amount is ascertainable".

As outlined above, we believe that the current disclosure requirement with respect to bundled commission costs would be difficult to estimate and would result in inconsistency among advisers which affects the comparability of information and dilutes the value of the disclosure. We believe that considerable resources would be required to determine the estimated costs of bundled research and do not feel that the benefit to be derived matches this cost.

Commission costs must be competitive or advisers will go elsewhere to transact their trades. If research is being provided at too high a cost relative to value then the adviser will search out alternatives.

Under NI 81-106, investment funds are required to provide investors with disclosure of soft dollar payments for goods and services other than order execution to the extent the soft dollar portion of commissions is ascertainable. Funds have built systems and developed reporting to comply with these requirements. We would ask the CSA to harmonize the requirements of the Proposed Instrument with NI 81-106, in order to achieve consistency.

ii. Independent Review Committees

Under Section 5.1 of the Proposed Policy, it is noted that in the case of an investment fund, where the adviser is the trustee and/or manager, or is an affiliate of the trustee and/or manager, that the adviser consider whether its relationship with the fund presents a conflict of interest matter under National Instrument 81-107 *Independent Review Committee and Investment Funds* ("NI 81-107") and therefore it would be appropriate for the Independent Review Committee to receive the disclosure information.

We would ask the CSA to amend the language in this section to delete the reference to NI 81-107 and the Independent Review Committee and instead require that the adviser provide the disclosure information to the fund's oversight body. This amendment will allow the manager to determine which oversight body is appropriate to receive disclosure information and, as required under NI 81-107, whether the information should be provided to the fund's Independent Review Committee.

We would note that in formulating NI 81-107, the CSA adopted a principles-based approach and deliberately avoid prescribing what constitutes a conflict of interest. Rather, this was left to the manager to determine because whether something is a conflict of interest is context-specific to the manager. By including this language in the Proposed Policy, we are concerned that the CSA may be inadvertently setting the precedent of prescribing what constitutes a conflict of interest. As such, we believe that our proposal in this regard achieves the goal of the CSA in the Proposed Policy while still respecting the approach adopted by the CSA to NI 81-107.

iii. Sub-Advisers

Subsection 5.3(1) of the Proposed Policy, *Adequate Disclosure*, states that the disclosure requirements under Section 4.1 for advisers, would also include the use of client brokerage commissions by sub-advisers. We would note that where advisers engage a foreign sub-adviser there will be difficulties collecting required disclosure information where the requirements differ from the sub-adviser's home jurisdiction. The adviser will incur additional costs where the foreign sub-advisers are required to make adjustments to systems or engage resources to track information to comply with Canadian requirements. This may be particularly difficult in the US where there currently are no disclosure requirements.

iv. Concerns with Cost Benefit Analysis

We believe that the CSA has underestimated the costs of implementation of the rule at $2,800 per firm. Advisers would need to consider the impact on resources and the costs associated with systems to support the disclosure requirements. Additionally, the Proposed Instrument has not contemplated the financial costs for advisers who have engaged sub-advisers 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. We would ask the CSA to consider the concerns expressed around disclosure and foreign sub-advisers which would assist in addressing certain costs of implementation.

Conclusion

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

Yours truly,

IGM FINANCIAL INC.

Charles R. Sims
Co-President and Chief Executive Officer

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

What difficulties might be caused by a temporal standard for order execution services that might differ from the standard applied by the SEC, especially in the absence of any detailed disclosure requirements in the US?

Comment

Differences in the temporal standard between the SEC requirements and the Proposed Instrument will require advisers operating in both jurisdictions to develop systems to track order execution costs so that they can appropriately report costs falling within the Canadian definition versus costs that would not be permitted as order execution, but rather could be research costs under the US definition.

Question 2

What difficulties might be encountered by requiring the estimate of the aggregated commissions to be split between order execution and goods and services other than order execution? What difficulties might be encountered if instead the requirement was for the aggregate commissions to be split between research services and order execution services?

Comment

See comments in the "Summary" section above outlining concerns with respect to "Disclosure Obligations".

Question 3

As order execution services and research services are increasingly offered in a cross border environment, should the Proposed Instrument allow an adviser the flexibility to follow the disclosure requirements of another regulatory jurisdiction in place of the proposed disclosure requirements so long as the adviser can demonstrate that the requirements in that other jurisdiction are, at a minimum, similar to the requirements in the Proposed Instrument? If so, should this flexibility be solely limited to quantitative disclosure given that the issues associated with quantitative disclosure requirements between regulatory jurisdictions are likely greater than the problems associated with differences in narrative disclosure requirements? In addition, should there be limitations on which regulatory jurisdictions an adviser may look to for purposes of identifying suitable alternative disclosure requirements and, if so, which jurisdictions should be considered eligible and why?

Comment

We support the position that an adviser be permitted to follow the disclosure requirements of other jurisdictions where the requirements are similar to the Proposed Instrument. However, we would suggest that the CSA determine which jurisdictions are acceptable and include the list of jurisdictions in the Companion Policy to the Proposed Instrument.

Question 4

Should a separate and longer transition period be applied to the disclosure requirements to allow time for implementation and consideration of any future developments in the U.S.? If so, how long should this separate transition period be?

Comment

We are supportive of a separate transition period being applied to the disclosure requirements to allow time for implementation and consideration of U.S. developments. We do not have a specific timeframe but would suggest that the CSA determine the appropriate timeline based on discussion with the SEC.