IGM Financial

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Sent by Email:

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

In care of:

Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22^{e} étage
Montréal (Québec) H4Z 1G3

John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West
19th floor, Box 55
Toronto, Ontario
M5H 3S8

Dear Sir and Madam :

Re: Notice and Request for Comment on Proposed Regulation 31-103, Proposed Policy Statement to Regulation 31-103 and Proposed Consequential Amendments ("NI 31-103")

We are pleased to provide comments on behalf of IGM Financial Inc. and its subsidiaries in response to the request for comments by the Canadian Securities Administrators ("CSA") with respect to NI 31-103.

IGM Financial Inc.

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 $119 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.

Through its various subsidiaries, IGM is registered in several capacities with all members of the CSA, the Mutual Fund Dealers Association and the Investment Dealers Association, including the categories of investment counsel/portfolio manager, mutual fund dealer, investment dealer and limited market dealer.

IGM is therefore very interested in NI 31-103. To that end, IGM employees have participated in a number of policy initiatives and working committees both through the Investment Funds Institute of Canada (IFIC) and the CSA relating to NI 31-103 and related topics, including the Point of Sale project run by the Joint Forum and the Proposed Relationship Disclosure Information under the SRO component of the Client Relationship Model project. We appreciate the willingness of the CSA to meet with industry participants and be responsive to their views.

General Comments

We are generally pleased with the CSA's proposed changes in this newest version of NI 31-103. We appreciate the receptiveness of the CSA to the comments of the industry and believe that NI 31-103 is generally going in the right direction.

There are, however some elements that still cause concern on our part and we will address those here.

Specific Comments

a. Exempt Market Dealer ("EMD")

NI 31-103 seeks to implement a registration system for exempt market dealers, a new category of dealer similar to the current Limited Marker Dealer ("LMD") category that exists in Ontario and Newfoundland and Labrador, except that it will be subject to proficiency and additional fit and proper requirements for such dealers and their representatives, with some exceptions as described in NI 31-103. The CSA is of the view that the creation of this new category will bring more market participants under the registration umbrella, and thus will enhance the current system. While we support the policy reasons for the registration requirement, we have identified a major concern and a recommended solution.

At present the LMD category is perceived as a very "limited" category of registration used primarily for underwriting and the sale of prospectus-exempt products. The category is generally not used as a distribution channel for mutual funds as defined in NI 81-102 and sold to individual investors. This may have been a result of the lack of proficiency requirements for registration in this category in those two jurisdictions where registration is currently required. Discussions with other members of the industry indicate that NI 81-102 mutual funds are not generally offered to investors through an LMD.

We recommend that Exempt Market Dealers ("EMDs") be permitted to conduct business only in exempt products of the kind described in NI 45-106. Any EMDs that choose to deal in NI 81-102 mutual funds should be required to be members of the MFDA (or in the case of Quebec, comply with the regulations on mutual fund dealer requirements in that province), or if they carry on business in an IDA-related business they should be registered with the IDA.

- This approach provides the Canadian public with a consistent approach in terms of regulatory oversight, practice requirements and investor protection coverage when they purchase NI 81-102 mutual funds.

- This is the easiest time to implement the requirement to be registered with an SRO if there is a desire by EMDs to sell mutual funds because this registration requirement will rarely impact existing LMD business models, as there is today little or no practice of selling NI 81-102 mutual funds by these registrants.

- If current business models are affected at all, we recommend such EMDs be granted some form of grandfathering exemptive relief.

(ii) Educational Requirement

As stated in earlier submissions, we maintain our comment that the Canadian Securities Exam is not the appropriate educational prerequisite for many exempt securities. In the case of a dually registered Mutual Fund Dealer and EMD, SRO supervision coupled with the current educational background for Mutual Fund representatives should allow for sufficient safeguards that individual registrants are qualified to sell exempt securities. For example, Guaranteed Investment Certificates ("GIC") or Canadian Savings Bond should not require any additional educational requirement to be distributed by a mutual fund dealer's representative.

(iii) Dual Registration Obligations

It should be made clear that exemptions from certain requirements of NI 31-103 for SRO members should apply, even if the registrant is dually registered as an EMD. This would avoid the problem of having two different compliance structures and conflicting requirements applicable to the dealer for the same subject matter. This will also facilitate more efficient audits and reviews by the CSA or the SRO of the activities of the registrant.

b. Harmonization of legislation, rules and regulations.

We understand that some provinces may take different approaches to the adoption of NI 31-103. It is important to see a high level of harmonization amongst the various jurisdictions. Harmonization ensures for efficient business practices and a legal regime that is easy to follow for any corporations with operations in all Canadian provinces. This is particularly important when the harmonization relates to NI 31-103 which will be a fundamental piece of regulation for the securities industry.

We note that On April 24, 2008, the Government of Ontario has released for comments proposed amendments to the Ontario Securities that will result in substantive changes to NI 31-103. If adopted, those proposed amendments would result in Ontario being absent from some basic crucial elements of NI 31-103, such as categories of registration. This would also make NI 31-103 very complex to read and understand, and therefore more difficult to comply with for market participants. A similar comment on harmonization can be made for the Provinces of British Columbia, New-Brunswick and Manitoba that have decided to take a different approach to the business trigger, or not adopt it at all.

We urge all CSA members to adopt the same approach to NI 31-103 to avoid any provincial peculiarity that would create complexity in the registration system in Canada.

c. Carrying Dealers

We still have concerns that NI 31-103 does not address the issues faced by carrying dealers and, in particular, Part 5 Division 1 (appropriately named "Relationship with clients"), section 5.18(1)(h) (related issuer trade confirmation) and section 6.4 (Issuer disclosure statement).

Carrying dealers have no direct contact with clients. We think it would be more appropriate for Introducing dealers to carry on any obligations that require a contact with the client. It is unrealistic for a carrying dealer to be responsible for those obligations. The CSA's answers to our original comment on the topic fail to provide assurance that the carrying dealer would be absolved from complying with those obligations. To further comment on the CSA's answer, the Client Relationship Model of the SROs, that we have been able to consult to date, do not address the concerns of carrying dealers in this regard.

Interestingly, the CSA would not be the first regulator to adopt a different approach with introducing and carrying dealers. The Federal government recognized the difference between carrying and introducing dealer by exempting the former from some of the regulations to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. The IDA has also imposed some client identification obligations only on the introducing dealer.

We believe the CSA should follow the path taken by those regulators and impose the obligations mentioned previously solely on the Introducing dealer that knows and deals with the client.

d. Incorporation of Registered Individuals

We suggested in our comment letter of June 2007 that the CSA consider allowing individual registrants to incorporate their practice as many other professionals are entitled to do. The CSA deferred to the SRO for resolution of this matter.

From various discussions with CSA members, we understand that the CSA does not feel the need to get involved in the taxation strategies of registrants. Although we understand CSA's position on this issue, we believe that failure to address the issue as part of NI 31-103 might actually have an adverse effect by preventing the use of those corporations. This would be an unintended consequence of the business trigger for registration as those corporations would require registration under NI 31-103.

In order to remain neutral in regards to the taxation strategies of registrants, the CSA should include in NI 31-103 an exemption from registration for those corporations. We believe that exemption should be clear that it intends to protect the public, not shielding the individual registrant from their professional liability.

e. Information Sharing

We commend the CSA for removing Part 8 as drafted in the first version of NI 31-103. We believe the new process outlined in NI 31-109 adequately balances the privacy of the individual registrant with the need for sponsoring firms to have adequate information about potential representatives.

We are, however, still concerned about the required disclosures under Form 33-109 F1. More specifically, question 10 of Form 33-109 F1 relies a great deal on subjectivity, and

we believe that it should be removed from the form. We believe inclusion of question 10 as a mandatory requirement will put terminating firms in a difficult position and open the firms to potential litigation from terminated representatives. The previous nine questions of the form allow for sufficient objective information to the new sponsoring firm to decide if they want to retain the services of the individual.

f. Investment Fund Manager

(i) Registration

We suggest that a clear exemption from the requirement to register as an Investment Fund Manager should be included in NI 31-103 for persons, such as mutual fund trustees or general partners, if such person has retained a registered investment fund manager to provide investment manager services. In addition, it should be clarified that holding companies through their ownership of an investment fund manager do not also need to register as such by their legal power to elect directors of the investment fund manager.

We also require some clarification as to the meaning of "direct" in the definition of Investment Fund Manager as it will impact in some cases the jurisdiction in which the investment fund manager needs registration.

(ii) Reporting

It is unclear what the CSA would consider to be included in the requirement to report "a description of any net asset value adjustment during the year". We suggest the CSA provide guidance on this, and it would be appropriate to have a reference to materiality added to avoid unnecessary reporting of minor adjustments made in the normal course of business.

g) Solvency – Capital Requirements

For the reasons mentioned in our June 20, 2007 letter, we maintain that unsubordinated long term related party debt should not be treated without exception as an adjustment to the capital calculation as currently proposed in Form 31-103F1 (for example where the debt was used to acquire a long term asset retained by the registrant).

h. Referral Arrangements

We support the CSA attempt to supervise referral arrangements. NI 31-103 imposes a due diligence obligation on the registrant providing a reference. We suggest that the CSA clarify that the due diligence obligation set out in section 6.14 of NI 31-103 extends only to referrals made under a "referral arrangement". We also suggest that the CSA harmonize the referral arrangements rules with the referral arrangement requirements of the SROs.

We reiterate that the appropriate transition period for referral arrangements should be a year, in order for all parties to be able to address current arrangements that may need to be renegotiated or implement amendments to account opening forms.

i. Global Financial Institution Bond

We have concerns with section 4.24. It is important that the regulations not require duplicative insurance coverage. A corporate group with members registered in more than one registration category should be required to comply only with the highest applicable insurance requirement. Although section 4.24 (b) (ii) as proposed recognizes this, its language is not broad enough and it only avoids duplication of coverage for the registered firm and subsidiaries of the registered firm. This does not avoid duplicative coverage for affiliates of the registered firm. To avoid duplicative coverage requirements, we submit that section 4.24 (b) (ii) should be modified to read:

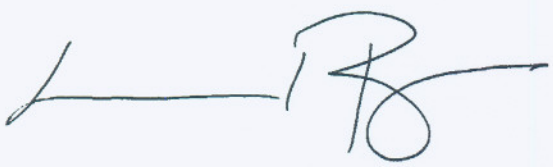
"(ii) affiliates of the registered firm whose results are consolidated.".

Conclusion

Thank you again for the opportunity to comment on the Notice and on the proposed National Instrument 31-103, its Policy Statement and the amendment to 33-109. If you have any questions on our position, please do not hesitate to contact me.

Yours truly,

IGM FINANCIAL INC.



Murray J. Taylor

cc: Charles R. Sims, Co-President and Chief Executive Officer
IGM Financial, Inc.

Joanne De Laurentiis, President and Chief Executive Officer
The Investment Fund Institute of Canada