



THE INVESTMENT FUNDS INSTITUTE OF CANADA  
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

**BY EMAIL: [rday@osc.gov.on.ca](mailto:rday@osc.gov.on.ca)**

June 1, 2009

Robert Day  
Manager, Business Planning  
Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario M5H 3S8

**Dear Mr. Day:**

**Re: OSC Notice 11-762 (Revised) - Request for Comments Regarding Statement of Priorities**

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We are writing to provide the comments of The Investment Funds Institute of Canada ("IFIC") with respect to the proposed Statement of Priorities for the fiscal year ending March 31, 2010 that was published by the Ontario Securities Commission (OSC) on May 1, 2009.

IFIC is the national association of the Canadian investment funds industry. Our membership comprises mutual fund management companies, retail distributors and affiliates from the legal, accounting and other professions from across Canada.

We were pleased to note that as in past years, we share a number of common objectives. Many items to which you refer form key priorities for our industry. We would like to take this opportunity to highlight these areas and encourage their progress in the coming year.

**Point of Sale**

IFIC supports the objective of providing, on a harmonized basis, meaningful disclosure documents for the sale of mutual funds and segregated funds.

Given that separate processes are underway both in the securities sector for the development of the disclosure requirements for mutual funds and in the insurance sector for the development of rules relating to segregated funds disclosure, yet the common objective is a consistent investor experience, it is critical that the two separate rule development processes conclude with similar requirements for market participants, along

with a coordinated implementation schedule. The OSC's priorities should reflect that these different development processes must result in regulations that do not foster disparate client experiences with the two products, and do not create conditions that could promote product and regulatory arbitrage across the segregated and mutual fund sectors.

IFIC is looking forward to constructive consultations with the OSC and their CSA colleagues in developing workable solutions for achieving the delivery principles as laid out in the Joint Forum's Point of Sale Framework.

We also continue to support promoting a level playing field for the various financial products that meet Canadians' investing needs, and encourage reviews that extend beyond mutual fund and segregated fund products to reduce the possibility of regulatory arbitrage among investment products.

### **National Instrument 31-103, *Registration Requirements***

We support the efforts of the OSC to strengthen the registration regime by finalizing the proposals of NI 31-103 and would like to reiterate our concerns about the proposed registration requirement for Exempt Market Dealers ("EMDs"). As outlined in our May 2008 submission, we are concerned that the creation of the EMD as a new national category will legitimize it as a viable distribution channel for NI 81-102 mutual funds to accredited investors and result in a deterioration of SRO regulation.

We recommend that EMDs be permitted to conduct business only in exempt products of the kind described in NI 45-106. Otherwise, EMDs that choose to deal in NI 81-102 mutual funds should 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 IIROC-related business, they should be registered with the IIROC.

### **National Instrument 81-102**

As recognized in the Statement of Priorities, the modernization of this framework to reflect today's market realities, while also providing flexibility for the future, is a priority for our industry. IFIC has been active in promoting engagement between industry leaders and regulators to assess how fund investment rules (NI 81-102, Part 2) could be updated to provide flexibility to asset managers to modernize their products, while also ensuring that investor protection is maintained. We have submitted comments for consideration by the OSC on technical proposals that could be implemented in the OSC's current limited review of NI 81-102.

Related to this, we also have initiated a project on disclosure reform, with the objective of providing future recommendations to rationalize fund disclosure requirements. This would refocus the provision of information with primary consideration of how beneficiaries currently, and in the future might expect to, use and access that information. IFIC supports the principle that disclosure should inform the audience, whether that comprises retail investors, fund analysts, distributors or regulators.

### **Asset Backed Commercial Paper (ABCP)**

The draft Statement of Priorities advises that the OSC will continue to address issues related to ABCP and will develop proposals for a regulatory regime for credit rating agencies.

As we noted in our submission on this issue, we support reliable ratings of the credit quality of issuers that enhance the integrity of the capital markets, but also caution that any measures taken in response to the breakdown in the third-party ABCP market should not inadvertently hinder the functioning of the current credit market.

As credit rating agencies operate globally, the OSC should consider a balanced regulatory approach that is consistent with and that does not unnecessarily duplicate proposals put in place in other major jurisdictions, thereby maintaining the efficient functioning of Canada's capital markets.

### **International Financial Reporting Standards (IFRS)**

Due to the comprehensive impact that the new IFRS accounting environment will bring to business in Canada, it will likely be necessary to modify some regulations and we look forward to working with regulators to ensure the transition can proceed as seamlessly as possible.

### **Investor Secretariat**

The draft Statement of Priorities notes the establishment of an Investor Secretariat as an OSC initiative. We would be pleased to assist the Investor Secretariat by providing any required industry information and expertise. Further, we believe the credibility of efforts by this new Secretariat will depend on their objective and statistically sound data gathering. For three years now, IFIC has sponsored an independent survey of mutual fund clients through a professional and confidential process. We would be happy to review this approach with you as a source of information and/or as a process you may want to emulate.

### **Harmonizing Securities Laws**

We support the OSC's goal of further harmonizing, streamlining and modernizing securities laws to ease the regulatory burden on market participants and urge the Commission to work with their colleagues at the Ministry of Finance to ensure that all National Instruments are enacted in Ontario in a consistent manner with other CSA jurisdictions. Carving out National Instrument provisions and enshrining them in legislation results in the regulatory regime in Ontario unnecessarily differing from other jurisdictions, at a time when standardization for the industry is critical – and such actions erode the benefits of the CSA harmonization effort at a potential cost to the competitiveness of Ontario's capital markets.

Ontario Securities Commission  
Statement of Priorities  
June 1, 2009

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The industry depends on the Ontario Securities Commission to be as responsive and effective as other securities regulators in Canada, who are able to utilize their corresponding rule-making powers to the fullest extent permissible in order to implement proposed National Instruments as well as to modify and update them in a timely and consistent manner.

Thank you for providing us with an opportunity to comment. If you have any questions regarding this submission, please contact me directly by phone at 416-309-2300 or by email at [jdelautentiis@ific.ca](mailto:jdelautentiis@ific.ca) or Jon Cockerline, Director, Policy – Dealer Issues by phone at 416-309-2327 or by email at [jcockerline@ific.ca](mailto:jcockerline@ific.ca).

Yours truly,

**THE INVESTMENT FUNDS INSTITUTE OF CANADA**



By: Joanne De Laurentiis  
President & Chief Executive Officer