



IGM Financial Inc. 180 Queen Street West, 16th Floor, Toronto, Ontario M5V 3K1

Charles R. Sims, FCA
Co-President and Chief Executive Officer

December 22, 2009

Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario
M4H 3S8

Attention: John Stevenson, Secretary

Dear Sirs/Mesdames:

**Re: Request for Comment (the "Notice")¹
Proposed Amendments to OSC Rule 13-502 (Fees)**

This letter is in response to the Ontario Securities Commission's (the "OSC") request for comments on the proposed Amendments to OSC Rule 13-502 (Fees) issued on October 2, 2009 (the "Proposal").

Information about IGM Financial Inc.

IGM Financial Inc. (IGM) is directly affected by any changes in the OSC fee rules since it is both a reporting issuer and has a number of capital market participants (registered dealers and advisors) and mutual fund registrants within its structure. The fees paid by IGM and its various subsidiaries (not including various activity fees such as prospectus renewal fees and relief applications) to the OSC in 2009 totalled approximately \$1.54 million, representing about 2.4% of the OSC's total fee income (excluding its late fee revenues) during its financial year ending March 31 2009². Under the Proposal, we project that our fees will increase to \$1.68 million during the first year of the revised fee schedule (assuming that the same tier levels apply), or about 2.5% of the OSC's total projected revenues of \$61.9 million (as estimated by the OSC in the Notice for its current fiscal year).

We estimate that our fees, cumulatively over the upcoming 3 year fee cycle, will increase by more than 19% as compared to the amount we otherwise would have had to pay pursuant to the current fee schedule, assuming that IGM and its subsidiary registrants remain within their current capital finance and capital market fee tiers (respectively). This increase far exceeds the current rate of inflation, as well as the OSC's anticipated increases in its own expenses of 3%, 4% and 5% over the next 3 years. It also exceeds the OSC's anticipated average 12.2% per year increase in total participation fees paid by market participants as stated in the Notice.³

Comments on the Proposal

We have reviewed the submission on behalf of the Investment Funds Institute of Canada ("IFIC"), and wish to take this opportunity to indicate our support of IFIC's submission. In particular we support extending the current fee freeze for 1 more year (as expressed in more detail below); however, we would summarize our other comments as follows:

¹ Request for Comments published (2009) 32 OSCB 7831.

² Actual OSC Participation Fee and Activity Fee revenue of \$63.8 million during fiscal 2009, as per page 66 of the OSC's 2009 Annual Report.

³ Notice, at Page 7832.

- Generally, we have no comments on the proposed increase in Activity Fees which the OSC indicates are required to offset its increased costs of resources to provide certain services, however, we do seek clarification that the proposed new \$800 fee for relief from section 3.9 of NI 31-103 -proficiency requirements for dealing representatives of Exempt Market Dealers ("EMDs") - will be charged at the 'dealer level' when substantially the same relief is requested for each dealing representative of the same EMD, and will not be charged separately for each dealing representative.
- We agree that the OSC should consider a fee model that is predictable and transparent. Therefore, after the one year extension of the fee freeze period, we recommend that the OSC move to a two year fee cycle commencing in fiscal 2011/12 so as to minimize the possibility of fees being set too high (or too low) as a result of market activity, and as a means to help ensure that the OSC will continue to work-down its accumulated surplus.
- Last year the OSC had proposed that reporting issuer and registrant participation fees for fiscal 2009/10 would be based with reference to the issuer's capitalization and specified Ontario revenues, respectively, during the last fiscal year ending prior to January 1, 2008 (referred to as the 'reference fiscal year'), rather than using forecasted data and the associated necessary post-payment adjustments. We submit for further consideration, that fees should be based on historical revenues rather than future estimates or projections.
- We reiterate IFIC's concern that the Proposal does nothing to correct the disproportionate fee burden charged to mutual fund industry participants. On this the OSC indicates:

"There is a differential between the fee increases proposed for issuers and registrants in order to better align revenues generated from market participant groups with their level of participation in the Ontario capital markets."⁴

Yet, given that participation fees are "a measure of the market participant's size, which is used as proxy for its proportionate participation in the Ontario capital markets"⁵, the OSC has provided no details to justify how it reached this conclusion despite that fact the capitalization of reporting issuers in Ontario far exceeds the size of the mutual fund industry.

- The Proposal appears to accentuate fluctuations between fee tiers when a registrant experiences only a marginal increase in its gross revenues that is enough to push it into a higher fee tier. For example, once the proposed fee increases are fully implemented, a registrant's annual capital markets participation fee will increase from \$202,000 (now \$156,000) to \$335,400 (now \$259,000), when its Specified Ontario Revenues reach \$100 million, an increase of \$133,400 (whereas currently the fee increase would be \$103,000). Absent a two year fee cycle and introduction of a 'reference fiscal year' methodology, the Proposal will exacerbate the budgeting problems for registrants, and especially impact smaller funds.

Extend fee freeze for 1 more year

We applaud the OSC's goal to align its fee structure to more accurately reflect the OSC's cost of providing services to market participants, as well as the OSC's stated desire to refund its substantial built-up surplus. In this regard we note that during the current one year fee freeze the OSC expects to reduce its accumulated surplus by approximately \$22 million, yet this represents the less than one-half of the OSC's \$46.8 million surplus at the beginning of the current freeze period.

⁴ Notice, at page 7832.

⁵ Notice, at page 7831.

We further point out that the OSC accumulated surplus is in addition to the amount already set aside of \$20 million as a reserve or 'operating contingency for revenue shortfalls or unexpected expenditures'⁷ which is separate and apart from a further account of \$35.2 million held in trust by the OSC to offset any shortfall in revenues from the operations of SEDAR, NRD and SEDI.⁸

Under the current circumstances, we submit that the OSC should not increase its fees at this time for a period of one more year, and then it should adopt a two year fee cycle thereafter (commencing in fiscal 2011/12) with fees based on actual revenues during each participant's prior reference year ending before December 31, 2010.

If you should have any questions with respect to this matter, we would be pleased to discuss them with you. Thank you for providing us with the opportunity to respond to your request for comments.

Sincerely,

IGM FINANCIAL INC.



Charles R. Sims
Co-President and Chief Executive Officer
H:\Doug\OSC Fees\ (December 18 2009).doc

⁷ Note 7(b) of the Financial Statements; page 83 of the OSC 2009 Annual Report.

⁸ Note 6 of the Financial Statements; page 83 of the OSC 2009 Annual Report.