



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

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

February 15, 2010

VIA EMAIL to: rday@osc.gov.on.ca

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

Dear Mr. Day:

**Re: Ontario Securities Commission Notice 11-753 (Revised) – Request for  
Comments Regarding Statement of Priorities for Fiscal Year Ending  
March 31, 2011**

We are pleased to provide comments on behalf of IGM Financial Inc. and its subsidiaries in response to the request for comments by the Ontario Securities Commission (“OSC”) with respect to its Statement of Priorities for 2010/2011.

**IGM Financial Inc.**

IGM Financial Inc. (“IGM”) is one of Canada’s premier personal financial services companies, and one of the country’s largest managers and distributors of mutual funds and other managed asset products, with over \$118 billion in total assets under management as at January 31, 2010. Its activities are carried out principally through Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc. IGM is a member of the Power Financial Corporation group of companies. IGM’s common shares are publicly traded on the TSX, with a current market capitalization of over \$10 billion. In its capacity as an asset manager on behalf of its clients, IGM, through its subsidiaries, is an investor in virtually all major Canadian reporting issuers.

The following summarizes our comments on specific aspects of the Statement of Priorities:

**Goal 1 – Identify the important issues and deal with them in a timely way**

## Consultation Process

We support the OSC's goal to deal with today's concerns while anticipating the challenges of tomorrow. In order to effectively meet this goal and be a strategic leader in fulfilling its mandate to Ontario investors and Ontario capital markets, we encourage the OSC to continue to develop a more efficient and comprehensive consultation process.

One of the objectives outlined in the Statement of Priorities, as it was last year, is to consult and collaborate with investors, issuers, intermediaries, other industry participants and professionals. We believe this is an important process in developing policies, to ensure that the industry's input and/or concerns are taken into consideration prior to implementation. In our view, collaboration and consultation are important processes in achieving meaningful policies and procedures. In order to create a more efficient and comprehensive consultation process, we suggest that the OSC implement a consultation process with a standard 90 or 120-day comment period.

## Balanced Regulatory Approach and Best Regulatory Practices

### i. Harmonized, Modernized Rules

We would encourage efforts by the OSC to harmonize, streamline and modernize securities laws and to ease the regulatory burden on market participants, with particular emphasis on the modernization and harmonization of mutual fund rules to eliminate redundancy in the types of disclosure of information required under different rules. In our view, this is necessary to reflect today's market realities, while also providing flexibility for the future. In particular, updated rules should provide flexibility to asset managers to modernize their products, and to be nimble in response to market or product developments, while ensuring that investor protection is maintained.

### ii. Level Playing Field

We have a significant concern that regulation and actions taken by regulators need to be more effectively harmonized to create a level playing field for the various market participants and provide clarity for investors in the markets. We believe there is a great challenge under any regulatory system to establish and maintain regulation that is compatible with the manufacturing and distribution of mutual funds. An effective regulatory approach requires that many parties work together including: securities regulators, distribution regulators (MFDA and IIROC SROs), as well as those that regulate mutual fund substitutes such as OSFI and provincial insurance regulators. The OSC expresses similar concern in noting that differing regulatory approaches to essentially similar products (such as investment funds and other managed investment products) or to similar activities conducted by different types of registrants can unintentionally reduce market competitiveness or undermines investor protection.

### iii. Hedge Funds

In the same vein, we also support enhanced regulation of hedge fund managers and their related products. As recent market events demonstrated, the investment practices of hedge funds, wielding significant economic clout in a largely unregulated sector, amplified the credit crisis and the disruptive un-levering which accompanied it. In this regard, we are encouraged that the OSC has adopted, as one of its priorities, the need to address the adequacy of regulatory coverage in specific areas including risks related to products and the distribution of securities in

exempt markets and the regulatory requirements applicable to non-conventional investment funds.

iv. ETFs

In its discussion of the current market environment, the OSC acknowledges that investors may not sufficiently appreciate the risks associated with novel investment options or new technologies. A good example of a novel investment options would be leveraged exchange traded funds, for which certain existing disclosure rules are ill-suited. More broadly, the OSC's overall objective of closing regulatory gaps and achieving more even regulatory coverage, would be well-served by examining disclosure (particularly of all related costs) and performance reporting in relation to ETFs.

**International Financial Reporting Standards (“IFRS”)**

We continue to believe that the current timetable for the implementation in Canada of IFRS is unfortunate in light of the timetable for implementation in the United States, and given the other significant challenges facing reporting issuers in the current market environment. However, we are encouraged by the OSC's resolve to continue to review and analyze market developments including the implementation of IFRS, particularly in light of the significant impact this change will have on issuers and investors as the new process is implemented.

**Goal 2 – Deliver fair, vigorous and timely enforcement and compliance programs**

**Enforcement and Compliance**

We are pleased to see the linking of compliance programs with enforcement in this goal and the OSC's recognition that these components are integral to fostering confidence in capital markets and preventing harm to investors. To this end, in the Investment Funds area, we believe that the enforcement function needs to be strongly supported by an effective compliance function. We believe that a strong compliance program should be the foundation of a strong regulatory system supported by enforcement activities where necessary.

We also support the OSC's risk-based approach to determining regulatory action. In addition, we note that the OSC's compliance professionals continue to work jointly with the Investment Funds group on industry audits and we applaud that effort. We encourage the OSC to continue this cross-functional approach to compliance reviews. We find that, by bringing experts in our area to the compliance reviews, a more effective review is conducted.

**Goal 3 – Champion investor protection, especially for retail investors**

**Point of Sale**

We support the OSC's plan to better understand the information investors need, as well as how and when they need this information, and to promote clear and informative disclosure in order to help prospective investors make informed investment decisions. This recognition of the need for greater insight as to what information investors need, and when, should inform the process for development of point of sale disclosure delivery rules.

It is obviously desirable that investors have necessary information prior to completion of a sale, and we support this initiative. However, we continue to have significant concerns that ill-considered delivery requirements for point of sale disclosure for mutual funds and segregated

funds could create a strong regulatory arbitrage, driving advisors away from these inherently diversified products into other investments of indeterminate risk and diversification but not subject to delivery requirements. We submit that it would be inconsistent with the OSC's desire to respond to the needs of retail investors, to create the sort of regulatory arbitrage we foresee if point of sale delivery requirements are imposed without regard for this environment.

We are struck by the dissonance between the OSC's stated focus on the needs of investors, and the CSA's proposal to exempt discount brokers ("order execution-only services") from point of sale pre-delivery requirements. Discount brokers do not have suitability obligations, and the investor is left on his or her own without the benefit of any professional advice. To suggest that investors need *less* protection in this context implicitly dismisses and demeans the value of advice, and advisors, and the importance of attention to an investor's overall portfolio design.

We also note that the insurance industry continues to develop rules for segregated funds. It is critical that the two separate rule development processes conclude with similar requirements for market participants, along with a coordinated implementation schedule. In this regard, we continue to support the commitment to achieving consistency in the regulatory approaches to similar products and activities.

### **Shareholder Rights and Corporate Governance**

As part of its deepening focus on investor protection, we note the OSC's intention to review protections for shareholders' rights and corporate governance. In this regard, we would encourage the OSC to press forward with the refinement of definition of "independence" in the context of directors, as proposed by the CSA in its proposed (but now withdrawn) reform of National Instruments 52-110 and 58-101. We submit that the determination of director independence should be based upon whether or not the director is independent of the *management* of the corporation in question, rather than independent from a controlling shareholder. We note that this involves a limited and discrete amendment to definitions in NI 52-110, and could be effected regardless of any wider overhaul of governance rules.

### **Passport Filing System**

We note the OSC's support of a national securities regulator. However, we submit that such support should not preclude the OSC from joining the passport filing system. This would serve to streamline the filing process for industry members who do not have the OSC as their primary regulator and eliminate duplicative filings.

### **Goal 4 – Support and promote a more flexible, efficient and accountable organization**

We would expect that the OSC run as efficiently as possible. The OSC is a key participant in the ever-changing capital markets and must be flexible to address developments promptly, so that the public and our capital markets can be properly served, and remain globally competitive.

**2010-2011 Financial Outlook**

In response to the OSC's proposed revised fee rules, please note that we provided a comment letter dated December 22, 2009.

Thank you for the opportunity to comment on the OSC's Statement of Priorities. If you have any questions regarding the foregoing, please do not hesitate to contact us. We look forward to working with the OSC as we go forward into fiscal 2010-2011.

Yours truly,

**IGM Financial Inc.**

A handwritten signature in black ink, appearing to read 'C. Sims', with a long horizontal flourish extending to the right.

Charles R. Sims  
Co-President and Chief Executive Officer

Copy to: Murray Taylor, Co-President and Chief Executive Officer  
IGM Financial Inc.