



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

Murray J. Taylor
Co-President and Chief Executive Officer

VIA E-MAIL: gsmith@bcsc.bc.ca; consultation-en-cours@lautorite.qc.ca

February 29, 2012

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

Gordon Smith
British Columbia Securities Commission
PO Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec
H4Z 1G3

Re: CSA Staff Consultation Note 45-401 – Review of Minimum Amount and Accredited Investor Exemptions – Public Consultation

We are writing to provide comments on CSA Staff Consultation Note 45-401 *Review of Minimum Amount and Accredited Investor Exemptions* (the “Consultation Note”).

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 \$122 billion in total assets under management as of January 31, 2012. 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 Corporation of Canada group of companies. IGM's common shares are publicly traded on the TSX, with a current market capitalization of over \$11.5 billion. In its capacity as an asset manager on behalf of its clients, IGM, through its subsidiaries, has a strong interest in the application of the "accredited investor" and "minimum amount" exemptions (the "Exemptions"), as well as other provisions of National Instrument 45-106, on the distribution of investment funds and the registered firms through which they are distributed.

We welcome the opportunity to provide comments on the Consultation Note, however we are concerned that it does not explicitly acknowledge, nor specifically request comments on, the widespread use of the Exemptions to distribute securities of investment funds. Funds are frequently distributed on a prospectus-exempt basis as a means of delivering discretionary investment management services to investors and, in our view, the use of the Exemptions in that context raises very different issues than their use by industrial or commercial issuers for true "capital raising" purposes. We would urge the CSA to consider the two situations separately.

Our comments will focus solely on the use of the Exemptions in connection with the distribution of investment funds.

General

Although monetary thresholds are not perfect proxies for any of the premises identified on page 2 of the Consultation Note, appropriate thresholds likely do bear some relationship to investors' sophistication, ability to withstand loss, etc. and therefore provide a degree of protection to investors. They also have the benefit of being relatively easy to confirm, and are, therefore, easy conditions around which registrants and regulators can design compliance and monitoring programs.

We would support maintaining the Exemptions for use in connection with the distribution of investment funds, subject to the following adjustments:

- (a) No threshold amounts should apply in respect of a distribution of investment funds to accounts that are managed by a portfolio manager on a fully-discretionary basis. That is currently the situation in all provinces, other than Ontario, as a result of the application of paragraph (p) of the definition of "accredited investor" set out in NI 45-106. We feel strongly that this should be made consistent across Canada by having subparagraph (p)(ii) repealed in Ontario.
- (b) In respect of distributions of investment funds through dealers, the threshold amounts should be at least doubled in respect of each Exemption, i.e.:
 - in respect of the minimum amount exemption, the threshold should be raised to at least \$300,000; and
 - in respect of paragraph (k) of the "accredited investor" definition, the income test should be raised to at least \$400, 000 for an individual or, together with a spouse, \$600,000.

While these amounts do not reflect the full effect of inflation since the thresholds were first introduced, we feel they represent an appropriate increase. We would also urge the CSA to review the thresholds periodically and increase them to keep pace with inflation.

Investment Objectives and Strategies

Many investment funds distributed in reliance on the Exemptions have relatively conventional investment objectives and strategies. Generally, these types of funds are used to achieve appropriate portfolio diversification, better trading efficiencies and economies of scale for investors who meet the thresholds under the Exemptions, but whose accounts with a particular firm are not large enough to be managed efficiently on a separate account basis. Some fully-prospectus qualified, NI 81-102-compliant mutual funds also rely on the Exemptions to distribute certain classes or series of their securities to “high-net worth” investors.

On the other hand, there are funds which employ highly opaque, highly concentrated or highly complex investment objectives and strategies which are either difficult for the average investor to understand or which entail a higher than average risk/return ratio. A number of funds of this type have been implicated in high profile enforcement actions in recent years (eg. Portus, Norshield, Sextant). We would support higher thresholds than those suggested above, or the elimination altogether of the ability to rely on the Exemptions, where funds of this type are distributed through a dealer.

Presence or Absence of Disclosure Documents

It is rare for investment funds to be distributed pursuant to either of the Exemptions without the prior or concurrent delivery of either an offering memorandum or, as describe above in respect of NI 81-102 compliant mutual funds, a prospectus. In general, delivery of disclosure documents is a commercial necessity, rather than a legal requirement. Both documents provide investors with a significant level of protection.

In unusual cases where no disclosure documents have been prepared or delivered, we would support higher thresholds than those suggested above, or the elimination altogether of the ability to rely on the Exemptions, where the distribution is made through a dealer.

We appreciate the opportunity to comment on the Consultation Note and would be very happy to discuss these matters further with you.

Yours truly,



Murray J. Taylor
Co-Chief Executive Officer
IGM Financial Inc.

Cc: Charlie Sims