INDEPENDENT™
PLANNING GROUP INC.

VIA E-MAIL: comments@osc.gov.on.ca

September 5, 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 Superintendent of Securities,
Newfoundland and Labrador Superintendent of Securities,
Northwest Territories Superintendent of Securities,
Yukon Territory Superintendent of Securities, Nunavut

Secretary, Ontario Securities Commission
20 Queen Street West, 19th Floor
Box 55
Toronto, ON M5H 3S8

Re: Proposed Amendments to National Instrument 31-103: Cost Disclosure, Performance Reporting and Client Statements

We are writing to provide comments to the proposed amendments to *National Instrument 31-103 Cost Disclosure, Performance Reporting and Client Statements* (the "Proposals"), published on June 14, 2012.

We appreciate the opportunity to provide additional comments, having commented on these proposals a year ago. We hope that the various commissions will seriously consider our comments and all others, prior to finalizing these amendments. We agree and support the comments made by the Federation of Mutual Fund Dealers, and we are pleased to provide our point of view on this important topic that will affect all industry participants.

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Bus: (613) 738-3388 ◆ Fax: (613) 738-2904 ◆ Toll Free: 1-800-565-9219 ◆ www.joinipg.com
Mutual Fund Dealer
Insurance Products Offered Through IPG Insurance Inc.

Corporate Overview

Independent Planning Group Inc. is an independently owned Canadian level four mutual fund dealer. We sponsor mutual fund licenses for approximately two hundred financial advisors and manage $2.5 Billion of assets. Our firm has representation on the Federation of Mutual Fund Dealers, the Association of Compliance Professionals and we are a member of IFIC and Advocis.

Our affiliated company, IPG Insurance Inc., is a managing general agency (MGA) for life insurance and living benefit products such as disability insurance. The majority of our 200 financial advisors are dually licensed for mutual funds and life insurance. They are permitted to place their insurance business through several MGA's.

Cost Disclosure to Mutual Fund Investors – Done via Fund Facts

While we agree that clients may benefit from more meaningful cost disclosure, we do not agree that this disclosure should be done through reporting on a client statement. Rather, clear disclosure will be made available to all mutual fund investors within the new Fund Facts Document (yet to launch on a wide scale), and is already available through the required Client Referral Disclosure Document, Transaction Fees or Charges Disclosure (re-MFDA MR-0078), and from having received the NI 31-103 required Relationship Disclosure Information (RDI). Furthermore, in addition to the above, all registered Certified Financial Planners (CFP's) are mandated to provide all prospects with a Compensation Disclosure document that details the forms of compensation that they may earn.

We question why the CSA would propose new and additional cost disclosure requirements at a time when they have not yet analyzed whether or not an investors' understanding of associated costs will improve as a result of now receiving the Relationship Disclosure Information upon account opening and the change from prospectus to Fund Facts cost (and fund performance) disclosure at the time of a recommendation or investment purchase.

We suggest that any potential proposal for changing cost disclosure be postponed for at least 5 years, until such time that the CSA has conducted a cost/benefit analysis as prescribed in the Securities Act.

We also wonder why the CSA seems particularly concerned with trailing commissions and the requirement that all dollar amounts earned per account must be reported. System changes and requirements for reporting this alone would be extremely costly, considering the average investor has 7-10 funds in each plan. Does the CSA believe that investors are not able to figure out for example, what ½% or 1% of AUA would equal?

With respect to Referral Fees, referred clients are provided with a disclosure at the time of the referral. MFDA MR-0030 and MR-0071 requires that the disclosure document must include an explanation or an example of how the referral fee is calculated in addition to the name of the parties receiving and paying the fee. It should be noted that referral fees are based on "off-book" assets, which in most cases would not be added to client holdings on the dealer database.

To provide referral fee disclosure would therefore require manual inputting of data, which would not be cost effective. We therefore, do not agree that a 2nd disclosure of referral fees paid to the dealer should be required annually.

Overlap of Cost Disclosure

We have serious concerns that these proposed amendments will ultimately require an overlap of existing cost disclosure requirements. Investors are already provided with cost and commission disclosure at the time of sale (prospectus/fund facts), and at the time of a transaction (MFDA MR-0078 Transaction Fees or Charges). This is in addition to disclosure provided to all new clients through the Relationship Disclosure Information document. Again, the RDI is a new disclosure requirement, which the CSA apparently is not considering whatsoever.

MFDA dealers have already invested a great deal of resources into these disclosures, and it is our belief that providing clients with yet another disclosure will inadvertently give investors the impression that mutual fund investments are more expensive than other similar but unregulated products. We are also not aware of any other group of professionals (i.e. accountants, doctors, lawyers) with these types of disclosure requirements; which further creates an uneven playing field for people in the financial services profession.

We sincerely hope that the CSA is considering other existing and new disclosure requirements, to ensure that clients are being provided with relevant information, which begs the question; are they then not relevant or necessary?

Performance Disclosure to Mutual Fund Investors

The majority of MFDA registered Mutual Fund Dealers operate their business under the "client name" format rather than nominee held accounts. For many years, the mutual fund industry has struggled to develop standard data requirements in order to ensure dealers can upload and track (with 100% accuracy) the numerous types of trades that occur. This results in dealers receiving inconsistent and sometimes inaccurate data through the FundServ network. Until consistent universal standards are mandated, it will be extremely difficult for dealers to ensure that all transaction data is reliable enough to report performance calculations accurately.

Furthermore, manufacturers already send an annual account statement with performance reporting to all unit-holders. We strongly suggest that any performance disclosure should continue to be the sole responsibility of the mutual fund companies, who own the client assets and who are able to maintain the most accurate book of record for the clients. We would like to emphasize the disparity in performance calculation results between manufacturer's calculations and dealer back office calculations, causing more confusion for investors.

RoR Calculation: RoR is simply described as the performance of an investment over a defined period, described as a percentage. Where it becomes more complicated is in the methodology used to compare the invested amount to its current value.
Most back office systems use the transactions to determine the invested amount, not the cash activity. The reason for this is because not all dealers manage a trust account and therefore not all invested amounts flow through the dealer (especially for client name/non-nominee plans). The impact of this is that the system cannot precisely determine which transactions are a result of "new money" and which are a result of a reinvestment following a redemption transaction. Rate of Return calculations could therefore be influenced by the excess transaction activity, even when the sell and re-buys cancel each other out.

If the CSA determines performance data on client name accounts must be provided by mutual fund dealers, we request consideration that the investment performance should not be required to include 3yr, 5yr, 10yr and since inception data. This reporting would not be possible since a dealer may not have the full history of an account, whereas the manufacturer would.

Obtaining 3yr, 5yr and 10yr historical data could ultimately strain dealer's systems and would require a great deal more manual administration when producing the annual statements.

Proposed Changes to Relationship Disclosure Information (RDI)

We do not agree with any of the proposed changes to the Relationship Disclosure. We question why dealers should be required to describe benchmarks in the RDI, particularly when it is apparent the CSA does not take into consideration other disclosure that is provided in the RDI (with regards to cost disclosure).

Cost to Industry Participants

There is no doubt that the cost to implement the proposed amendments will be extremely significant to all industry participants, including; Mutual Fund Companies, Back Office Service Providers, Dealers and Advisors.

- We are particularly concerned with the significant system change requirements and the fact that dealers continue to receive frequent errors with the transfer of data from fund companies through FundServ to the dealers back office (Industry Standard Concerns) and issues relating to the numerous fund company or fund merger valuations affected investor performance. This could result in a significant potential for liability against dealers, who may inadvertently display incorrect RoR information on client statements.
- The CSA has not conducted any cost benefit analysis to confirm if the enormous expense to all of the above entities is worth the objective of providing yet another format for existing disclosure.
- Over the past decade, due to the markets and numerous regulatory rule changes, Dealer and Advisor revenues have dramatically reduced. While this has happened, investors have benefitted from a shift of focus towards professional financial planning strategies. These strategies are often very time consuming and costly to implement and monitor.
- The extra expenses to implement the CSA proposals will result in advisors not being able to afford to keep any small investors. Investors will therefore be disadvantaged and have little choice as to where to obtain objective advice.
- Already many firms are now applying minimum client investment thresholds. Brokerages do not want to deal with clients who have under $500K in AUA. Dealers and Advisors are now determining that it has become too expensive to deal with any clients who have less than $100K in assets.
- It should also be noted that over the past few years we have all seen a dramatic shift from sales of mutual funds to segregated funds. Advisors are realizing that the securities regulatory environment has become very labour intensive, restrictive and costly.

Dealers vs. Banks

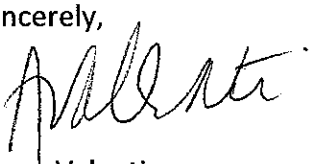
We believe that the amendments proposed with regard to cost and performance reporting will create a further imbalance resulting in a regulatory and financial burden on Dealers, particularly medium to small sized Dealers, and it will encourage many more to resign their registrations. This will result in the financial industry being controlled and dominated by the Canadian banks; which, we strongly believe, is not in the best interests of Canadian investors who deserve independent and objective advice.

Product Arbitrage

The proposed amendments will further encourage financial advisors to recommend segregated funds and other products to their clients, in place of mutual fund investments. We have already seen a substantial shift in this regard as segregated funds are an attractive option to dually licensed financial advisors. They have and will continue to see the benefit in being able to avoid expensive and time consuming regulatory mandates, such as the changes proposed in these amendments.

Thank you for the opportunity to provide our comments. Please contact me with any questions.

Sincerely,



Anne Valenti
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Independent Planning Group Inc.