



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

June 21, 2013

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Manitoba Securities Commission
New Brunswick Securities Commission
Ontario Securities Commission
Saskatchewan Financial Services Commission

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, ON M5H 3S8
Fax: 416-593-2318
E-mail: jstevenson@osc.gov.on.ca

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
Fax : 514-864-6381
E-mail: consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames:

RE: CSA Staff Consultation Paper 91-407 – Derivatives: Registration

We are writing in respect of CSA Consultation Paper 91-407 published by the Derivatives Committee of the Canadian Securities Administrators ("CSA") regarding the regulation of key derivatives market participants through the implementation of a registration regime (the "Consultation Paper").

IGM Financial Inc. (“IGM”) is a diversified financial services provider which operates through its business units Investors Group Inc., Mackenzie Inc. and Investment Planning Counsel Inc. and their respective subsidiaries. Principal subsidiaries include registered portfolio managers I.G. Investment Management, Ltd. and Mackenzie Financial Corporation, and mutual fund dealer Investors Group Financial Services Inc. IGM is interested in the registration regime as a number of its subsidiaries use OTC derivatives for the hedging of commercial risks for their own account, or on behalf of investment funds and other client accounts that they manage.

Responses to Specific Questions

Dealing with the specific questions raised in the Consultation Paper, our responses are as follows (for ease of reference, we have repeated the question before setting out our comments).

Question 1 – Should investment funds be subject to the same registration triggers as other derivatives market participants? If not, what registration triggers should be applied to investment funds?

Investment funds that are regulated under National Instrument 81-102 should not be subject to the same registration triggers as other derivatives market participants. National Instrument 81-102 already restricts when a mutual fund may purchase, sell or use derivatives, requires the holding of cash cover and dealing with counterparties who have designated ratings at certain levels, imposes limitations on the exposure to any one counterparty and limits leveraging such that such investment funds’ derivatives dealings should not result in the systemic risk that the G20 commitments were meant to address. Further, the investment managers for these investment funds are registered under Canadian securities legislation as advisers. Similar to foreign entities being exempted from specific registration requirements where the foreign entity is subject to equivalent regulatory requirements in its home jurisdiction, we believe that investment funds subject to National Instrument 81-102 should be exempt from specific derivative registration requirements.

As we advised in our June 18, 2012 comment letter on CSA Consultation Paper 91-405 – *Derivatives: End-User Exemption*, Canadian prospectus-qualified investment funds are already subject to a comprehensive regulatory regime regarding their use of derivatives and should be exempt from the registration requirements proposed in the Consultation Paper.

We further do not believe that an investment adviser should be subject to registration as a Derivatives Adviser by virtue of advising investment funds governed by NI 81-102 if such a market participant would not otherwise be subject to registration by virtue of being a Derivatives Dealer or a Large Derivatives Participant.

This rationale stems from the same discussion above concerning the restrictions and legislation concerning such funds.

Question 9 – Are the factors listed for determining whether an entity is a LDP appropriate? If not, what factors should be considered? What factors should the Committee consider in determining whether an entity, as a result of its derivatives market exposures, could represent a serious adverse risk to the financial stability of Canada or a province or territory of Canada?

The key factor that should be considered in determining whether an entity is a LDP is the net potential future exposures resulting from their derivatives positions. In other words, the potential fair value of amounts due to counterparties over a specified period of time and calculated at some level of confidence, after giving effect to master netting agreements.

In terms of determining an entity's exposure in Canadian derivatives markets, the netted amounts with each counterparty, where there are netting agreements, should be considered (not the notional dollar value of all derivatives transactions with that counterparty) in order to understand the true risk involved. As well, the derivatives positions should be marked to market using industry standard practices and posted collateral should be deducted to determine the net exposure.

We believe that derivatives trading for hedging purposes should be excluded when determining whether an entity is a LDP, similar to such trading being excluded when determining whether an entity is a major swap participant in the U.S. Hedging of commercial risk through use of derivatives transactions should not make an entity a LDP (or a derivatives dealer).

As we advised in our June 18, 2012 comment letter on CSA Consultation Paper 91-405 – *Derivatives: End-User Exemption*, there should be exemptions for entities where the nature of their derivatives activities do not pose meaningful systemic risk concerns. Exemptions should be developed having regard to:

- the nature and extent of systemic risk posed by an entity's use of derivatives;
- the nature of capital adequacy and other regulatory capital requirements to which the entity is already subject; and
- the cost and burden to an entity that proposed regulation may introduce to hedging or otherwise mitigating business risks.

Question 18 – Are the recommended requirements appropriate for registrants that are derivatives advisers? If not, please explain. Are there any additional regulatory requirements that should apply to registered derivatives advisers?

The requirement to have a Chief Risk Officer is too prescriptive. Effective oversight processes are important but we believe they can be more effectively accomplished within existing, broad risk management frameworks related to Enterprise Risk Management and Financial Risk Management processes that are already well understood. Risk should be considered on an overall enterprise basis and National Instrument 31-103 already requires that entities have a policy dealing with risk management on an enterprise basis, not just with regard to derivatives.

There should be grandfathering and transitional rules with regard to proficiency requirements for those individuals who have many years of derivatives experience but may not meet the recommended regulatory requirements.

It should be clear that the proficiency requirements apply to those making the decision to enter derivatives transactions (including when acting as an adviser), not those who execute derivatives transactions further to instructions from the adviser or individual who makes the decision to enter the derivatives transactions.

Further, to the extent a firm is already registered under Canadian securities legislation as an adviser, any additional obligations imposed in connection with derivatives activities carried out by these firms in their role as portfolio managers should be integrated into the existing requirements they must currently meet to make the process as efficient as possible and to avoid needless duplication.

We appreciate having this opportunity to share our views regarding the Consultation Paper and would be pleased to discuss any of these concerns with you at your convenience. If you would like to do so, please either contact myself or David Cheop at (204)956-8444 or david.cheop@investorsgroup.com.

Yours truly,

IGM FINANCIAL INC.

A handwritten signature in black ink, appearing to read 'M. Taylor', with a stylized flourish at the end.

Murray J. Taylor
Co-President and Chief Executive Officer

cc: Jeffrey R. Carney, Co-President and Chief Executive Officer