



**Federation of
Mutual Fund Dealers**

June 19, 2007

VIA Electronic Mail

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

c/o Mr. John Stevenson, Secretary
Ontario Securities Commission
jstevenson@osc.gov.on.ca

c/o Madame Anne-Marie Beaudoin, Directrice des secretariats
Autorite des marches financiers
Consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames:

**Re: CSA Request for Comment
Proposed National Instrument 31-103 – Registration Requirements**

On behalf of the Federation of Mutual Fund Dealers (the “Federation”) I would like to thank you for the opportunity to comment on proposed National Instrument 31-103 – Registration Requirements, and commend you for encouraging industry-wide participation in this process.

The Federation is an association that currently represents 30 mutual fund dealers with over \$75 billion of assets under administration and more than 14 thousand licensed advisors that provide financial services to over 3.5 million Canadians and their families; plus 12 industry affiliate firms.



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We would also like to take the opportunity to say that we support the Canadian Securities Administrators (the “CSA”) in its mandate to develop a harmonized approach to securities regulation across the country and believe that the harmonization of registration requirements is a positive step.

Part 2 Categories of Registration and Permitted Activities

2.1(b) effectively reduces the scope of what a mutual fund dealer may offer and we would suggest that the policy instead acknowledge the reality in the marketplace today; expand the scope to include the exempt market and scholarship plan dealer categories. The dealer would continue to be responsible for ensuring that the advisor met the specific proficiency requirements.

In addition, as the Federation has commented in the past, we would like to see mutual fund dealers able to sell Exchange Traded Funds (“ETFs”); the only real difference between ETFs and regular mutual funds is the method by which the transaction settles; they are tax efficient, management fees are lower and the CSI offers an ETF course.

2.6 should be amended to include a category for fee-for-service financial planners. The Financial Planners Standards Council says that “professional financial planning takes a holistic approach to an individual's financial life. A qualified financial planner will consider a client's goals, stage in life, personal circumstances and risk tolerance. They will make recommendations for growing and preserving wealth, minimizing tax, estate planning, insurance - and more, depending on the individual they are working with.” With this scope in mind we believe bringing them into the jurisdiction of regulators is appropriate.

Part 3 SRO Membership

Exceptions for SRO member's s.3.3 should be amended to include Part 5, Division 7 – Complaint Handling; Part 6, Division 1 – Conflicts of Interest; and Part 6, Division 2, Referral Arrangements as they are contained in the Mutual Fund Dealer's Association's (the “MFDA's”) Rules, Policies and/or Notices.

Part 4 Fit and Proper Requirements

Division 1: Proficiency Requirements

We believe that current proficiency requirements no longer meet the needs of today's representatives and suggest a more fluid approach. The development of product-specific courses/exams is a proven valuable and successful initiative e.g. the Canadian Securities Institute's principal protected note course and the Investment Funds Institute of Canada's labour sponsored investment funds course. Several educational institutions in the country are developing



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courses in order to address this industry's growing needs. We also support a continuing education requirement; and a requirement that courses be kept current to within a reasonable timeframe.

While we support the business trigger initiative we do not believe that unlicensed dealer or branch support staff need be registered and believe further consideration should be given to others not requiring registration e.g. data providers, fund transfer services, etc.

Part 5 Conduct Rules

Division 1: Account opening and know-your-client

5.3 We agree with the know-your-client requirements but would like to see them extended to apply to any product where it is attached to underlying securities investments e.g. segregated funds and universal life insurance policies. We realize this would require the CSA to work with insurance regulators in order to accomplish this.

5.4 Suitability – We believe that the SROs definition of suitability should be consistent with that of this Instrument.

Division 2: Relationship Disclosure

As the relationship disclosure document duplicates information which is provided to the client in other mandated disclosure documents we do not believe that the simple addition of this document will provide any real value to the client. We think that further consideration of this document alongside existing disclosures, as well as the Joint Forum's Proposed Framework 81-406 *Point of Sale Disclosure for Mutual Funds and Segregated Funds* is imperative before moving forward with this requirement.

Division 5: Account activity reporting

5.25 Statements of Account and Portfolio should be amended to be consistent with current MFDA requirements. Increasing the number and volume of mailings to the client, unless the client so requests, is of no value to the client and clients have stated clearly to dealers and their advisors that more frequent and voluminous paper is not what they need or want.

Division 7: Complaint Handling

We believe that there should be one standard for the handling of complaints and accordingly, Part 5, Division 7 Complaint Handling in this instrument should be added to section 3.3 *exceptions for SRO members*. We also so believe that consideration should be given in the instrument to complaint matters that are in litigation and that involve an errors and omissions insurance claim as there are legal and insurance precedent rules to consider that the dealer must conform to.

Further we suggest that the definition of client complaints be limited to regulatory complaints, be made in writing, and be submitted to the dealer.



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Part 6 Conflicts

Division 1: General and Division 2: Referral Arrangements

See Part 3 SRO Membership above.

Part 8 Information Sharing

8.1 Firms' obligation to share information

We do not agree with the concept that one registered firm appeals to another for information on an advisor it wishes to recruit. The gathering of and relying on this information is problematic legally and places each dealer in an untenable position. Information that is filed with regulatory authorities should be made available to those registrants for this purpose.

Conclusion

Thank you for this opportunity to contribute to the comment process. We look forward to conferring further as we gain clarity on these important issues.

Regards,

Federation of Mutual Fund Dealers



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