

Dear Mr. Stevenson,

We would like to thank you and the various commission industry participants for the opportunity to provide comments on NI 31-103. I understand that these comments will be forwarded to all CSA member commissions.

Independent Planning Group Inc. is a level 4 mutual fund dealer that manages approximately \$2.5 billion dollars of assets on behalf of 35,000 Canadian investors. We would like to mention that as members of the Federation of Mutual Fund Dealers, we support their comments to 31-103 and we urge the CSA and the various member commissions to consider our comments. The investor base of a typical Canadian mutual fund dealer is comprised of average Canadians that wish to retain the services of a financial advisor to help them achieve specific life goals such as saving for retirement, education or a family's well being. As such, the average size of an investor account is small and we are concerned that several of the proposed changes in 31-103 will seriously impact our ability to continue to service these smaller accounts. As well, the added financial burden that these changes will place on dealers may result in many dealers simply resigning their registrations.

Given the significant changes proposed in 31-103, we would urge the CSA members to consultant and meet directly with industry participants and provide a better understanding of the proposals prior to implementation. I'm sure that all stakeholders would have an interest in this dialogue and I believe it would ultimately lead to a better implementation of 31-103.

Thank you,

Vince Valenti
President
Independent Planning Group Inc.

Comments on the CSA Registration Reform Project

NI 31-103

May 2008

Relationship Disclosure (s 5.4)

A registrant must provide a client with a relationship disclosure document before the registrant first

- 1. purchases or sells a security for the client*
- 2. advises the client to purchase, sell or hold a security*

Subsections (h) and (i) state that the dealer must disclose all service fees and charges with respect of the operation of the client's accounts. A description of the costs the client will pay in making and holding investments and the compensation paid to the registered firm...

Comment:

Compensation information is already disclosed to all investors by industry participants. The disclosure is available and provided to all clients through the prospectus which is given to investors at account opening and which they can easily access online. Service fee disclosure can only be provided in general terms and cannot be specific to a client's individual account. Information on exact service fees paid to the dealer is extremely difficult to calculate, as many investment firms and fund companies have different calculation methods and these formulas are not shared with dealers. If the regulations will require specific disclosure, the information provided to clients will never be 100% accurate. Therefore, we would suggest that this information should be provided to investors by the mutual fund management companies after the sale and accompanied with a confirmation of trade slip.

We do not believe that there is anything wrong with the current system of providing all specific disclosure by way of providing clients with a prospectus. Any relationship document disclosure should only be required to be displayed in general industry standard terms and examples.

Statements of Account and Portfolio (s 5.22)

(1) A registered dealer must send or deliver a statement of account to each client not less than once every three months showing any debit or credit balance and the details of securities held for or owned by the client, unless the client has requested statements on a monthly basis in which case the registered dealer must send statements or deliver statements monthly.

Comments:

- We would like to suggest that an exemption similar to section 5.21 be available for this proposal. A registered dealer should be exempt from this requirement if the registered dealer can rely on an investment manager of the mutual fund to send out the statements of account and portfolio.

- Duplication of this expensive activity would increase costs for registered dealers which would have to be passed on to clients one way or another
- Mutual fund clients with assets held in client name presently receive semi-annual statements from the fund companies as well as a year-end dealer statement
- Clients do not want more statements, they want less. We are continually asked if there is any way to reduce the number of statements going to clients. Increasingly clients are demanding less, not more reporting.
- Too many statements are often confusing for the client. Mutual funds are intended for a buy and hold strategy and therefore there is no need to send statements more frequently than every 6-12 months.
- Clients are more environmentally sensitive and are demanding that less paper is wasted.
- Clients are satisfied with existing statement requirements for client name and nominee assets.
- As a result of the higher costs that would be involved with mailing “unwanted” statements multiple times per year, clients with portfolio values of less than \$100,000 will have difficulty in finding and keeping a financial advisor as these costs cannot be recouped from smaller accounts. We must bear in mind that one of the most important benefits of a mutual fund is that its structure allows clients with investments as low as \$500 to participate in professionally managed mutual funds.

Part 8 – Information Sharing

Firm’s Obligation to Share Information (s 8.1)

On request, a registered firm must disclose, to another registered firm that it is considering whether to employ, retain as agent, or accept as a partner a person, all information in its possession or of which it is aware that is relevant to the person’s conduct or to an assessment of the person’s suitability as a registered individual or that is material to the hiring of the person by the registrant.

Comment:

We are disappointed to see that Section 8.1, Information Sharing has been removed from this current document. We fully supported this initiative and request that you consider reinstating it. We believe this measure would be effective in identifying and ultimately removing the ability for disreputable representatives to move from one dealer to another.

Exempt market dealer - Sections 4.9 will be subject to additional fit and proper conduct requirements.

Comment:

Many mutual fund dealers are currently registered as limited market dealers (LMD) in the province of Ontario and this registration allows LMD representatives to sell hedge funds, pool funds and limited partnerships that are offered by Offering Memorandum. Currently, the local rules for the sale of exempt products vary significantly from province to province and this makes it very difficult for dealers to monitor these transactions for compliance to the provincial regulations. In many provinces the current system actually

makes it much easier for unlicensed individuals with no supervision requirements to sell exempt products than for those who are licensed and under strict supervision guidelines. Thus, it would be a significant improvement if the regulators were to standardize these requirements for all provincial jurisdictions across Canada.

As a mutual fund dealer we have a responsibility to monitor the activity of our sales representatives and ascertain the suitability of these investments for clients. In addition, the MFDA monitors all dealer activities related to the sale of exempt products. We believe that mutual fund dealers are in a good position to monitor these activities and we would strongly suggest that rules continue to permit registered dealers to distribute exempt products through their registered representatives.

This being said, we do not agree with your proposal of requiring the completion of the Canadian Securities Exam in order for mutual fund representatives and compliance officers to sell or supervise these types of products. Currently, many training courses are available that are more specific to the products being sold. For instance, the CSI offers courses on principal-protected notes and hedge funds. We believe it would be more appropriate to require licensed representatives to take a product specific course rather than a general course such as the CSC course. On a go forward basis, we would suggest that the Investment Funds Institute of Canada course for mutual sales representatives include a new educational component for exempt products.

Deposit Notes or Principal-Protected Notes

Comment

We have not seen any discussion on Deposit Notes or Principal-protect notes.

Currently, the local rules for the sale of deposit notes vary significantly from province to province and this makes it very difficult for dealers to monitor trading in these products. In many provinces the current system actually makes it much easier for unlicensed individuals with no supervision requirements to sell deposit notes. Thus, it would be a significant improvement if the regulations could standardize the requirement for deposit notes (principal protected notes) across Canada.

Thank you

Vincent A. Valenti
President
Independent Planning Group Inc.