



BY EMAIL: jstevenson@osc.gov.on.ca and consultation-encours@lautorite.qc.ca

May 29, 2008

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
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

In care of:

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario M5H 3S8

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

Dear Sirs/Mesdames:

**Re: Proposed National Instrument 31-103 Registration
Requirements, Companion Policy and Related Forms Published for
Comment on February 29, 2008**

Thank you for the opportunity to respond to the National Instrument 31-103 and related policies, forms and issues.

Worldsource Financial Management Inc. (Worldsource), a subsidiary of Worldsource Wealth Management Inc., is a mutual fund dealer with a national network of more than 450 advisors and approximately \$5 Billion in assets under management.

World source thanks the CSA for the consideration given to the submissions made by the industry last summer and is appreciative of the improvements made in the current proposal.

Worldsource supports this initiative. We believe that the harmonization of registration categories is a significant improvement. Below, please find our specific comments:

- **Registration Reform Project (Proposed NI 31-103) – IFIC Submission**

Worldsource fully supports The Investment Fund Institute of Canada's (IFIC) submissions with respect to dealer issues, including IFIC' specific submissions regarding the proposed Exempt Market Dealer (EMD).

- **Registration Reform Project (Proposed NI 31-103) – FMD Submission**

Worldsource fully supports The Federation of Mutual Fund Dealer's (FMD) submissions.

- **Exempt Market Dealer**

Worldsource is concerned about the ramifications of the proposed Exempt Market Dealer category of registration. While we understand the utility of national registration of those parties dealing in the exempt market, we are concerned that the result will be the creation of a new distribution channel that will cater to "accredited investors" without the protection and benefit of SRO oversight and an investor protection fund. Wealth management organizations will have an economic incentive and competitive pressure to divert high net worth clients to an EMD. This will be to the detriment of the investing public.

Worldsource supports the submissions of IFIC that an EMD should not be permitted to sell NI 81-102 Mutual Funds and be restricted to trading in exempt products as identified in NI 45-106.

- **Registration Requirements**

Fee based financial planners should be required to register. The advice given by financial planners is in a practical sense investment advice. Financial planners may not recommend specific securities, but they do recommend types of investment solutions encompassing asset allocation. Their recommendations may cause people to make investment decisions and may result in investors purchasing securities from an on-line broker without investment advice.

- **Mutual Fund Dealer Category**

Section 2.1(b) states that mutual fund dealer are permitted to deal *solely* in mutual funds. This is not acceptable. Mutual fund dealers currently sell many non mutual fund products, including GICs, segregated funds and other life type products — PPNs, hedge funds and alternative investments.

The proposed category should not be more restrictive than the current reality.

Mutual Fund dealers should automatically be registered as scholarship plan dealers and exempt market dealers without further and separate registration. Mutual fund dealers will permit only those advisors with the appropriate proficiency to sell exempt market products.

- **Exempt Market Product Proficiency**

The Canadian Securities Course is too general to be a satisfactory proficiency for exempt market products. We support IFIC's submission to develop product specific proficiency modules and exams for the exempt product shelf. We also support ongoing proficiency and continuing education so that registrants will have current product knowledge.

- **SRO Membership**

All dealers in the retail market should be under SRO supervision. This includes IC/PMs, scholarship plan dealers and exempt market dealers. In our

opinion, there should be one national SRO to supervise all retail investment and securities product distribution.

- **Exchange Traded Funds (ETFs)**

Mutual Funds dealers should be able to sell ETFs. ETFs have many of the characteristics of mutual funds. They also have attractive fees that allow advisors to reduce their client's costs. Allowing Mutual Fund dealers to sell ETFs will enhance competition in the industry. If necessary, training in ETFs could be included in the Canadian Investment Funds Course.

- **Insurance Products and Segregated Funds**

Insurance products, such as universal life policies and segregated funds, are attached to underlying security investments. However, provincial insurance regulators do not impose security type regulation on the sale of these products. There is no KYC requirement or transparent disclosure. This results in "regulatory arbitrage". Insurance products with an investment component should be subject to the same sales compliance regime as securities products.

The CSA should work with Provincial Insurance regulators to harmonize the regulatory treatment of insurance products with an investment component, particularly segregated funds.

- **Restricted Dealer Category**

There is a concern that a dealer may avoid SRO regulation by making a submission to be a restricted dealer. It must be made clear that no dealer that would otherwise have to be a member of an SRO should be permitted to be a restricted dealer.

- **Incorporated Sales Persons**

Worldsource supports the MFDA proposal to continue to permit the principal-agent model with commissions directed to personal corporations. The National Instrument should specifically permit this model.

Conclusion

Thank you for the opportunity to express our opinion with regard to this important industry initiative. Overall, we feel that the industry is heading in a positive direction. However, we must be cognizant of how all the changes relate to one another and how they impact all the stakeholders, with the end client's best interest at the forefront.

Regards,



Andy Mitchell
President

cc. Joanne De Laurentiis
President & CEO
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