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Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Services Commission, New Brunswick
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Nova Scotia Securities Commission
Nunavut Securities Office
Office of the Superintendent of Securities, Newfoundland and Labrador
Ontario Securities Commission
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

The Secretary
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Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
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Re: CSA Notice and Request for Comment 25-304 *Application for Recognition of New Self-Regulatory Organization* and related documents, CSA Notice and Request for Comment 25-305 *Application for Approval of the New Investor Protection Fund,* and Regulation to amend Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registration Obligations ("Regulation 31-103") and Amendments to Policy Statement to Regulation 31-103
(collectively, the "Proposed Amendments")

On behalf of IG Wealth Management ("IGWM"), we are pleased to provide comments on the Proposed Amendments.

Our Company

IGWM is a diversified financial services company and one of Canada's largest managers and distributors of mutual funds. We carry out our asset management activities through our subsidiary I.G. Investment Management, Ltd. ("IGIM"). Our distribution activities are carried out through our subsidiaries Investors Group Financial Services Inc. ("IGFS") and Investors Group Securities Inc. ("IGSI"), which are members of

the Mutual Fund Dealers Association of Canada ("MFDA") and the Investment Industry Regulatory Organization of Canada ("IIROC"), respectively.

IGFS and IGSI are wholly owned subsidiaries of IGM Financial Inc., which is a member of the Power Financial group of companies.

General Comments on the Proposed Amendments and the CSA's New SRO Initiative

We strongly support the Canadian Securities Administrators' ("CSA") recommendation to amalgamate IIROC and the MFDA into a new single self-regulatory organization (the "New SRO") to create a framework for efficient and effective regulation in the public interest. In particular, we support the creation of a single harmonized rulebook and a consistent approach to audits and oversight under the New SRO which will result from the amalgamation.

We are also supportive of the CSA's proposal to adopt and administer interim rules (the "Interim Rules") that incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-laws, rules and policies of the MFDA. We believe it is of the utmost importance that industry disruption is minimized during the period in which the Interim Rules will apply, while the New SRO works towards the eventual development of a single harmonized rule book.

While we were very pleased to see that a framework has been created under the Interim Rules for firms to conduct mutual fund business and investment dealer business within the same legal entity ("dual registered firms"), especially given that IGWM could be a candidate for such a transition, we believe as currently drafted the Interim Rules will create barriers for firms such as ours currently conducting their IIROC and MFDA businesses separately to become dual registered firms. In our view, certain aspects of the Proposed Amendments require further consideration to support the transition to a dual registered firm, as well as minimize the potential for disruption, while maintaining investor protection.

It is from this viewpoint that we offer the following feedback on specific aspects of the Proposed Amendments.

Specific Comments on the Proposed Amendments and the CSA's New SRO Initiative

Fees and Integration Costs

The application to the CSA by IIROC and the MFDA for recognition of the New SRO notes that the New SRO will work to develop an appropriate fee model which will apply the following principles:

1. All fees imposed by the New SRO must be equitably allocated and be proportionate to Members' activities.
2. Fees must not have the effect of creating unreasonable barriers to access, especially for small and independent Members.
3. The process for setting fees must be fair and transparent.
4. The New SRO must operate on a cost-recovery basis.

We are very supportive of these principles.

However, we ask that the CSA provide additional details about the fees for dual registered firms under the New SRO as soon as possible in order to assist firms in determining whether conducting mutual fund business and investment business within the same entity will be in their best interests. The financial cost (and we hope, potential fee savings) of conducting business under one entity should be made clear to firms so they may factor this into their decisions on how to structure their business operations once the Interim Rules take effect.

Similarly, we request that additional details are provided about the integration costs associated with the amalgamation of the SROs, and in particular how such costs will be covered. It is our view that these costs should not be borne disproportionately by the industry.

Introducing/Carrying Broker Arrangements

We were very pleased to see, and strongly support, the proposed amendments to MFDA Rule 1.1.6 (Introducing/Carrying Arrangement) to permit introducing/carrying broker arrangements between mutual fund dealers and investment dealers. We agree with the CSA that enabling greater mutual fund dealer client access to exchange traded funds is a worthy endeavour, and we note that permitting such arrangements allow mutual fund dealers to avoid expensive and inefficient workarounds currently needed in order to facilitate distribution of ETFs.

We do, however, strongly recommend that the CSA remove the provisions of the Interim Rules that require a mutual fund dealer to comply with the investment dealer rules if the carried business is significant. A mutual fund dealer should not be subject to investment dealer rules, including those relating to capital, margin, insurance, handling client cash, client reporting, segregation of client cash and securities, simply by virtue of being carried by an investment dealer, as the nature of its mutual fund business has not otherwise changed. We believe this proposed requirement will present a critical barrier for mutual fund dealers, particularly smaller dealers, from taking advantage of the proposed introducing/carrying broker flexibility due to the considerable costs and difficulty associated with a transition from mutual fund dealer to investment dealer rules. The CSA will not achieve its intended outcome of improving access to advice and products such as ETFs for clients of MFDA member firms if it retains this requirement and we can see no compelling reason to impose such a requirement.

We would also encourage the CSA to go one step further and also consider allowing mutual fund dealers direct access to market to trade in ETFs (i.e. via a blanket exemption to National Instrument 23-103 – *Electronic Trading and Direct Electronic Access to Marketplaces*). This would also allow carriers to submit orders to the market that have been approved by registered representatives who only sell mutual funds, avoiding the inefficient workaround that exists today where such representatives must go through an investment dealer as an intermediary for execution. We note that a change of this nature would provide investors with the greatest possible access to ETFs and we do not believe this would compromise investor protection.

The Process of Becoming a Dual Registered Firm

We note that for a member firm to become a dual registered firm and combine operations within one legal entity, the two firms must simultaneously submit a plan to their principal regulator and the New SRO. The firms must explain how they intend to reorganize their operations and specify the legal entity within which they plan to house their combined operations as well as demonstrate that they can comply/continue to comply with the investment dealer requirements under the New SRO Investment Dealer Partially Consolidated Rules. All of this is to occur before the firms file a formal application with the New SRO and their principal regulator to register the selected legal entity as both an investment dealer and mutual fund dealer.

We urge the CSA to provide additional details about this application process and wherever possible simplify and streamline to ensure it will not be burdensome to firms looking to become dually registered or their clients. For example, minimizing the need for any new account documentation requiring client signatures. In addition, please provide the associated filing fees and anticipated timelines for approval.

Proficiencies for Dual Registered Firms

Under the Interim Rules, the existing IIROC and MFDA continuing education ("CE") requirements will continue to apply to members of the New SRO who are registered as mutual fund dealers and investment dealers, respectively.

However we were surprised and frankly dismayed to see that pursuant to Rule 2602(3)(vii), in addition to completing the Canadian Securities Course, the Canadian Investment Funds Course of the Investment Funds in Canada Course, registered representatives of dual registered firms dealing exclusively with mutual funds would now also be expected to complete a 90-day training program and must complete the IIROC Conduct and Practices Handbook ("CPH"). The *New SRO Interim Rules - Frequently Asked Questions* ("FAQ") published by IIROC indicates this requirement will have to be completed within 270 days of the dealer receiving its dual-registered firm registration.

We strongly disagree with this proposal and recommend the CSA reconsiders including this additional requirement for registered representatives of dual registered firms who are only offering mutual funds, as compared to registered representatives governed by the Mutual Fund Dealer Rules. The corporate structure or platform of the dealer should not dictate the proficiency requirements of individual registrants. Rather, proficiency requirements should be driven by the nature of the activity the individual will be undertaking. This new requirement creates a significant barrier for large firms such as IGWM, with approximately 3000 mutual fund registered representatives, should we consider conducting mutual fund business and investment dealer business within the same legal entity - and importantly, in our view this does not advance investor protection. Mutual fund registered representatives today already complete proficiency and CE requirements under MFDA rules[1] and MFDA qualifications and oversight fully and appropriately address investor protection concerns. To impose this requirement as a condition to becoming a dual registered firm when the nature of the mutual fund business for these registered representatives does not change, and when MFDA continuing education rules continue to apply for dealers that do not chose to become dual registered firms, is inconsistent and will be a barrier for transitioning.

We suggest that the CSA instead continue to allow existing MFDA proficiency and CE requirements to apply in dual registered firms for registered representatives dealing exclusively with mutual funds, until such time that the New SRO considers proficiency and continuing education holistically as part of a single harmonized rule book. At that time, requirements which are comparable to the current MFDA proficiency and CE requirements should form part of the harmonized rule book. At a minimum, if under the new rule book the CPH will be required for registered representatives dealing exclusively with mutual funds, the rules should include "grandfathering" provisions for existing registered representatives to be exempted from this requirement (so that it only applies to new registrants on a go forward basis). In our view, at no juncture should existing representatives dealing exclusively with mutual funds be required to "requalify" simply because IIROC and the MFDA have amalgamated.

Directed Commissions

We note that the New SRO will continue to allow directed commissions for individuals registered as a "dealing representative, mutual fund dealer" within those jurisdictions that permit directed commissions in accordance with Mutual Fund Dealer Rule 2.4.1(b). We also note that the FAQ clarifies that such individuals will be permitted to direct commission payments received from a dual-registered firm. We are very supportive of this decision.

However, we would also urge the CSA to go one step further and consider leveling the playing field at the time of the launch of the New SRO under the Interim Rules by permitting directed commission arrangements by individuals *regardless of registration type.* We note that IIROC has previously expressed an openness to allowing firms to take advantage of directed commissions and it is our view that the New SRO presents a unique opportunity to create a harmonized regulatory approach to this issue across all registrations and jurisdictions of Canada. We encourage the CSA to permit all registrants the ability to benefit from the tax efficiencies associated with these types of arrangements.

[1]See MFDA Policy No. 9, Section 1.2 of the MFDA rules and MFDA Staff Notice MSN-0077.

Delegation of Registration

The FAQ clarified that the CSA will continue to register all individuals seeking registration as "dealing representative, mutual fund dealer" (whether such individuals are employed in a mutual fund dealer only firm or a dual-registered firm) and the New SRO will continue to register investment dealer dealing representatives in accordance with the current CSA delegations to IIROC.

For consistency and efficiency of national firms, we suggest that it would be preferable to have all registrations dealt with by the New SRO. We can see no compelling reason preventing the delegation of registration to the New SRO for both categories of registration (as we note that CSA's comfort in delegating this function to IIROC).

Suggested Enhancements to Mutual Fund Dealer Rules

We believe there is also an opportunity to enhance the Interim Rules, by amending the mutual fund dealer rules (specifically MFDA Rule 2.3.1(b)) to allow mutual fund dealers to engage in limited discretionary trading - without relying on exemptive relief as they do today. We note that the MFDA has previously considered such changes as detailed in Bulletin #0782-P. In our view, allowing Members to engage in some discretionary trading, such as directly performing fund substitutions and making changes to portfolio asset allocations within the pre-established parameters of model portfolios, would improve client service and reduce regulatory burden, while still maintaining and enhancing investor protection.

Québec

Finally, we were somewhat surprised to see that under the Proposed Amendments, Dealer Members of the New SRO registered as mutual fund dealers in Québec and other provinces and territories will not operate under a single set of rules. Rather, the New SRO rules will apply to activities outside Québec while Regulation 31-103 will continue to apply to their activities within Québec. As was noted in the FAQ, this means that for activities in Québec the Authorité des marchés financiers ("AMF") will continue to oversee enforcement proceedings for the dealers and their executives, but for activities outside of Québec the New SRO will continue to oversee enforcement proceedings for dealers and their executives. For the registered representatives of such firms, the Chambre de la sécurité financière ("CSF") and the New SRO will continue to oversee their respective enforcement proceedings.

We strongly encourage the CSA to move toward a single harmonized SRO rule book for mutual fund representatives across all jurisdictions, including Québec. If the aim of the New SRO is to create a harmonized and consistent interpretation and approach to rules, audits and oversight, in addition to fostering efficiencies and promoting investor protection, a single harmonized rule book and oversight is the most effective way to achieve this. For national firms such as IGWM, retaining separate processes for, among other things, investigations and audits as well as complaint handling in Québec will add unnecessary complexity and lead to possible confusion for investors.

We understand and support the importance of the AMF and CSF in the oversight of Québec based registrants, however, we believe there must be a more efficient and effective way to achieve this, as well as create a harmonized approach for mutual fund and investment dealers. We would recommend the CSA consider allowing national firms to elect to have their Québec based mutual fund registrants fall under the New SRO Interim Rules and ultimately, a harmonized set of rules.

Conclusion

We thank you for the opportunity to provide comments on the Proposed Amendments. Please feel free to contact our General Counsel, Rhonda Goldberg at Rhonda.Goldberg@igmfinancial.com if you wish to discuss our feedback further or require additional information.

We would welcome the opportunity to engage with you further on this important initiative.

Yours truly,

IGM FINANCIAL INC.

"***Damon Murchison***"

Damon Murchison
Chief Executive Officer
IGM Financial Inc.