



THE INVESTMENT FUNDS INSTITUTE OF CANADA
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

VIA E-MAIL: corporatesecretary@mfd.ca, ahamilton@bcsc.bc.ca

October 7, 2011

Corporate Secretary
Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, Ontario M5H 3T9

Anne Hamilton
Senior Legal Counsel
Capital Markets Regulation Division
British Columbia Securities Commission
701 West Georgia Street
P.O. Box 10142 Pacific Centre
Vancouver, British Columbia V7Y 1L2

Re: The Mutual Fund Dealers Association of Canada's Proposed Amendments to MFDA Rule 2.2.1 and MFDA Policy No. 2

We are writing to provide the comments of the Members of The Investment Funds Institute of Canada on the *Mutual Fund Dealers Association of Canada's ("MFDA") Proposed Amendments to MFDA Rule 2.2.1 and MFDA Policy No. 2* (the "Proposals").

Dealer members have implemented a robust compliance system to supervise the use of leverage in their dealerships. We make the following comments so that the Proposals will regulate the use of leverage in an efficient manner without creating duplicative or burdensome requirements.

Frequency of Suitability Assessments: Rule 2.2.1(f)(iii)

The Proposals create the obligation for the Approved Person to perform a suitability assessment on the use of borrowing to invest when there is a change in Approved Person (within the same Dealer) in Rule 2.2.1(f)(iii). We agree that an Approved Person should be familiar with the leveraging strategies used in accounts under their name; however we do not agree that a full suitability review of the leveraged account is required in such circumstances. We note that the leveraging strategy would have been reviewed previously within the Dealer, and, approved in accordance with the Dealer's policies and procedures. The change of Approved Person would not cause a leveraging strategy that was previously reviewed and found to be suitable and compliant with Dealer policies and procedures to become non-compliant. We request that the MFDA remove this duplicative requirement. This requirement is further restated in Policy 2, Registered Salespersons, section 3.

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Role of Branch/Head Office Supervision

In the Proposals the roles of the Approved Persons and branch and head office supervisory staff are confused. The role of the Approved Person should be to perform the suitability assessment and the role of the branch and head office supervisors should be to review and confirm the suitability assessment performed by the Approved Persons. Language in the Proposals should not require a second suitability assessment to be performed by supervisors. The role of the supervisor is to review the suitability assessment made by the Approved Person, and, approve or not approve the suitability of leveraging in the account. In Policy 2, Leverage Suitability, section 2 and Policy 2, Branch Office Supervision, Other Reviews, section 1 the word "assess" should be changed to "confirm" to indicate the correct role for the supervisory review.

In Policy 2, Leverage Suitability, section 2, the 2nd sentence should be removed as conflicts of interest should be handled through the Dealers' conflicts of interest policies and MFDA Rule 2.1.4.

Risk Based Approach

We support the use of a risk based approach when ensuring compliance for the use of leverage. Dealers should focus their resources on resolving higher risk issues as opposed to complying with prescriptive rules.

In the Proposals there is the requirement to perform the suitability assessment on a transfer-in no later than at the next trade. This requirement should include the exclusion for automatic transactions such as PACs and SWPs. This exclusion should be added to Policy 2, Registered Salespersons, section 3 and Policy 2 Head Office Supervision, section 1.

In conclusion we request the MFDA make the above changes to the Proposals so that the use of leverage can be supervised without duplicative or burdensome requirements.

If you have any questions, regarding anything in this letter please contact me directly by phone at 416-309-2327 or by email at jcockerline@ific.ca.

Yours truly,

THE INVESTMENT FUNDS INSTITUTE OF CANADA



By: Jon Cockerline
Director, Policy & Research