



**Federation of
Mutual Fund Dealers**

September 17, 2008

VIA E-MAIL ONLY

Mutual Fund Dealers Association of Canada
1000 - 121 King Street West
Toronto, ON
M5H 3T9

Attn: Corporate Secretary

Ms. Sarah Corrigan-Brown
Senior Legal Counsel
British Columbia Securities Commission
scorrigan-brown@bcsc.bc.ca

Dear Sirs/Mesdames:

Re: MFDA Proposed Rule and Policy Amendments

This submission is provided by the Federation of Mutual Fund Dealers (the "Federation"), and sets out our comments regarding the MFDA proposed Amendments to Rule 2.2 (Client Accounts), and Policy No. 2 (Minimum Standards for Account Supervision), Rule 5.3 (Client Reporting), and Rule 2.8 (Client Communications), collectively ("the Amendments"), as published by the Ontario Securities Commission on June 13, 2008.

We apologize for our inadvertent delay in getting these comments to you and hope that you will consider them nonetheless.

To begin, we are concerned about the additional compliance procedures Members will be required to implement as a result of the Proposed Amendments. We don't believe that the Amendments will achieve improved supervision; in fact we believe poor quality supervision will result. Members will be more focused on satisfying rule requirements rather than implementing a wholly sound compliance regime, with no benefit to the consumer, the industry or the regulatory process having been identified. One of the MFDA's strategic objectives is to *achieve a culture that always questions if there is a better, more efficient and cost effective way*. We believe there is.

Sandra L. Kegie, Executive Director
Tel: 416-621-8857 Cell: 647-409-8369
skegie@rogers.com



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We continue to be concerned about the MFDA's model of a branch with a branch manager. This truly is a dated and therefore an increasingly unworkable model as it doesn't acknowledge the choices a client has today in where and how they will do business. In order to meet the client's needs while we ensure the client is protected, more flexibility in supervision structures and the way supervision is conducted is required.

We recommend that the proposed rule allow for flexibility in what Account Information is provided and the methodology used. Members should have the freedom to meet their clients' needs and determine what information and methodologies will best meet those needs, rather than prescribing them by rule.

We agree with The Investment Fund Institute's comment that *the MFDA should align its policies and rules with those of IIROC and other regulators to avoid duplication and overlap. It is noted, for example, that the level of prescription of the MFDA proposal rules on account supervision goes way beyond what is contained in the corresponding rules of IIROC. Greater harmonization will require closer collaboration among the various regulators and the industry in the development of the Client Relationship Model ("CRM"), and in the development of related rules such as the proposed Point of Sale ("POS") disclosure initiative of the Joint Forum and the CSA's proposed NI 31-103.*

And that the Amendments do not indicate how regulators propose to integrate overlapping requirement of the POS and CRM initiatives so as to avoid duplicate and unnecessary disclosure. There are currently a number of regulatory initiatives which aim to enable investors to access concise and meaningful information. While the disclosure objectives are important, we would suggest that greater consideration be given to how layering of disclosure requirements, at account opening and on a continuing basis, could be better integrated.

Differing regulatory standards between IIROC Members, MFDA Members, non-SRO members and the insurance industry has already led to significant compliance challenges. The reality is that many financial firms and advisors are licensed in multiple provincial jurisdictions, as well as being licensed under securities and insurance regulation. A national approach which recognizes this reality will be much more efficient.

We encourage you to continue to move deliberately and collaboratively with industry participants such as ourselves and 'our' Members. It is vitally important that we not impose unworkable rules. If we are truly acting in the client's best interests we will take our time in getting it right.

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We look forward to further discussions on these important matters.

Regards,

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