

November 27, 2006

Mutual Fund Dealers Association of Canada  
121 King Street West, Suite 1000  
Toronto ON M5H 3T9  
Attention: Corporate Secretary  
Email: [gljubic@mfd.ca](mailto:gljubic@mfd.ca)

British Columbia Securities Commission  
701 West Georgia Street  
P.O. Box 10142, Pacific Centre  
Vancouver BC V7Y 1L2  
Attention: Leslie Rose, Senior Legal Counsel  
Email: [lrose@bcsc.bc.ca](mailto:lrose@bcsc.bc.ca)

Sent by mail and email

Dear Sir/Madam:

**Subject:** Request for Comments on MFDA Proposed Policy 6 – Information Reporting Requirements, Notification of Change in Registration Information (Rule 1.2.5) and Consequential Amendments

Independent Financial Brokers of Canada (IFB) is pleased to provide the following comments on MFDA Proposed Policy 6.

To provide context to our remarks, IFB is a national association dedicated to representing the interests of independent financial advisors, and has done so for over 20 years. Our members strongly believe that the provision of financial services through independent advisors is the business model most suited to providing consumers with the range of product choices they need to meet their financial needs. The majority of our members are

licensed to sell life/health insurance and/or mutual funds, with many being dual-licensed. IFB, and its members, therefore, have a vested stake in any proposals which will affect such “Approved Persons”, either directly or indirectly through new Member rules.

At the outset, we must stress that IFB cannot support the introduction of MFDA rules which continue to erode the independence of our members (and other Approved Persons), restrict their ability to conduct business in the financial marketplace and to serve the needs of their clients. These independent advisors invest a great deal of time, effort and money to build up a clientele, yet because the MFDA has not dealt with issues like bulk transfers, must live with the threat that their dealer can take this client base and transfer it to another advisor arbitrarily. It should not be forgotten that your Member dealers participate in the success of their agents and without them would have little or no business to be regulated. The reality is that clients of Approved Persons, like our members, discuss appropriate financial strategies with their advisor – not with a mutual fund dealer or fund manager.

IFB has no problem with the stated public interest objective of Policy 6, that being to “assist in the protection of the investing public by increasing MFDA regulatory oversight over industry trends, assisting in detecting fraud and other similar malicious acts and assisting in promoting high standards of business conduct and ethics”. It is appropriate for the MFDA to protect the public from fraudulent behaviour and products. However, the means it seeks to provide such protection must be balanced with recognition of the ability of independent brokers and other Approved Persons to carry on their legitimate business activities.

Furthermore, it is our strong belief that where there is a **demonstrated** need for the regulatory rules to be changed, solutions should be sought that will not negatively impact the business structures that have evolved in this marketplace. We believe that this can be done without reducing the level of consumer protection, where consumer protection is the underlying rationale.

With regard to the specific proposals contained in Policy 6, we fail to see the need for the increased reporting and oversight required. Indeed, we have the same general comment on the MFDA proposed changes to Section 24.3 of By-Law No. 1 which has also been published for comment at this time and to which we will respond separately.

In particular, we object to the requirement that “Approved Person reporting includes reportable events related to securities related business, Member business *and all other business conducted by the Approved Person* (emphasis added).” Such required reporting is simply too broad and invasive, extending into areas of an Approved Person’s business which are not under the mandate of the MFDA, its Member dealers, or securities regulators.


Part A, which details the eight categories of reports which an Approved Person will need to report on, must be restricted. Once again, these categories are too broad and even go so far as to require reporting of complaints not in writing. This is worrisome because it is

not unusual for complaints against financial advisors, written or not, to be without merit. An advisor's relationship with his or her dealer, clients and potentially their license stands to be unduly marred by such requirements. Reporting of such events should be restricted to egregious offences only. The financial services industry is a relationship-based industry. Our members' relationship with their clients is key to their success – it is built on reputation and trust.

IFB appreciates the opportunity to provide these remarks and trusts they will receive your serious consideration as you draft revisions to Policy 6.

Should you have any questions or concerns, please contact me directly.

Yours truly,

A handwritten signature in black ink, appearing to read 'John Whaley', written in a cursive style.

John Whaley  
Executive Director  
Email: [jaw@ifbc.ca](mailto:jaw@ifbc.ca)