



December 21, 2007

Mr. T. Sargent, Director
Department of Finance,
L'Esplanade Laurier
15th Floor, East Tower
140 O'Connor Street
Ottawa ON K1A 0G5

Sent by email: timothy.sargent@fin.gc.ca

Dear Mr. Sargent:

Subject: Principal Protected Notes Regulations

The following comments are submitted by Independent Financial Brokers of Canada (IFB) in relation to the above-noted proposed Regulations, as published in the *Canada Gazette*, Part I on November 24, 2007.

IFB is a professional, not for profit, association which represents the interests of approximately 4,000 licensed individuals who provide financial services across Canada. The majority of our members provide advice and products to consumers that are related to insurance and mutual funds. A smaller number would be securities registrants, or licensed in other fields.

The advisors we represent are self-employed small business men and women who provide clients with access to a range of financial products from a variety of providers. Our organization is dedicated to supporting the continued viability of the independent channel of product distribution and advice. We believe, as do our members, that their independence – the ability to source the products most suitable to meet a client's financial needs, not promote the product of one provider – is a very effective form of consumer protection.

IFB supports the government's intent to improve the protection afforded to consumers, through increased disclosure. IFB and our members are committed to the fair and equitable treatment of consumers. Indeed, our members are bound by a code of ethics which governs how they conduct themselves in the financial marketplace, and imposes a

fiduciary standard which is in addition to meeting the various regulatory requirements associated with the financial licensing process.

IFB has reviewed the proposed Regulations and is encouraged by the steps that have been taken to enhance the current disclosure standards for principal protected notes (PPNs) issued by federally regulated deposit-taking institutions.

We note, as have our members, that these investment products have become increasingly complex over the recent past. Yet they are often marketed to and purchased by less sophisticated investors who do not have a full enough understanding of the product to properly assess their suitability. In addition, and critical information for investors given the generally longer term nature of these investments, is the effect on their 'protection' in the event they sell before the redemption date. Investors need to be aware that the guarantee of a return of their original equity that is inherent in principal protected funds also comes with higher than average fund expenses and potentially lower capital gains if the notes are redeemed early.

Securities and insurance regulators are currently evaluating input from industry stakeholders regarding proposed changes to the level of disclosure provided to consumers considering the purchase of a mutual fund or segregated fund. One of the key elements of the proposal is to require that consumers receive a 2 page document, called "Fund Facts", which would contain information specific to each mutual or segregated fund being considered. The aim is to provide consumers with a simplified format that highlights key information and allows them to draw comparisons between funds. We note that while the PPN regulations will improve on the disclosure provided to consumers, an approach which simplifies disclosure in a way which permits investors to readily compare products, fees and redemption charges would be most useful. Adopting a similar disclosure model for PPNs, while retaining the proposed delivery structure, would help to achieve this goal.

IFB appreciates the opportunity to provide these comments and trusts they will be useful. Should you wish to discuss them further or have questions, please contact the undersigned.

Yours truly,



John Whaley
Executive Director
Email: jaw@ifbc.ca

200 – 4284 Village Centre Court
Mississauga ON L4Z 1S2
Tel: (905) 279-2727
Website: www.ifbc.ca