

Dear Me. Beaudoin and Mr. Stevenson;

As an independent investment advisor, I completely support the positions held by IFIC and by our dealer, Independent Planning Group, on the subject matter.

I attach a letter provided by our dealer into the body of this message as proof of such support. Owing to the short period of time afforded us to forward our comments/concerns, I have chosen to send these to you both via e-mail.

British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
New Brunswick Securities Commission Superintendent of Securities,  
Prince Edward Island  
Nova Scotia Securities Commission Superintendent of Securities,  
Newfoundland and Labrador Superintendent of Securities,  
Northwest Territories Superintendent of Securities,  
Yukon Territory Superintendent of Securities, Nunavut

John Stevenson  
Secretary Ontario Securities Commission  
20 Queen Street West, Suite 1903,  
Box 55  
Toronto, ON M5H 3S8

Me Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22e étage  
C.P. 246,  
tour de la Bourse Montréal (Québec) H4Z 1G3

**Re: Proposed Amendments to National Instrument 31-103: Cost Disclosure and Performance Reporting**

We are writing to provide comments to the proposed amendments to *National Instrument 31-103 Registration Requirements and Exemptions: Cost Disclosure and Performance Reporting* (the "Proposals"), published on June 24, 2011.

We appreciate the opportunity to provide comments and hope that the various commissions will consider our comments prior to finalizing these amendments. We agree and support the comments made by the Investment Funds Institute of Canada and we are pleased to provide our points.

While we agree that clients may benefit with more meaningful cost and performance reporting, we have serious concerns that these amendments do not take into consideration the many factors that could potentially be detrimental to dealers and clients. For example, these amendments have the potential to result in the advisor incurring higher costs and fees that will be ultimately borne by clients.

We also have concerns on the timing of this comment paper, and the timing of the comment period that ran over the summer months. We believe that the commission should have given the industry more time to reflect on these amendments. We are concerned that the commissions may not receive enough comments to make an equitable decision on these important matters.

### **Corporate Overview**

Independent Planning Group Inc. is an independently owned Canadian level four mutual fund dealer. We sponsor mutual fund licenses for approximately two hundred financial advisors and manage \$2.5 Billion of assets with approximately 63,000 client accounts. Our average account size is \$39,682.

We have an affiliated company, IPG Insurance Inc., which is a managing general agency (MGA) for life insurance and living benefit products such as disability insurance.

The majority of our 200 financial advisors are dual licensed for mutual funds and life insurance. They are permitted to place their insurance business through several MGA's.

### **The Profile of a Mutual Fund Investor**

Mutual fund investments were originally intended to be a viable investment option for the small to medium sized investor. A mutual fund offers these investors the opportunity to pool their investments, and to obtain professional money management services while managing a diversified pool of investments.

Over the past decade, the industry has taken great strides to educate investors. We have seen a shift from investors relying on banks and financial advisors, to many deciding to manage their own investments independently.

### **The Objectives of an IPG Client**

The majority of our financial advisors focus on financial planning with an emphasis on long term retirement planning. A typical client is interested in obtaining the following benefits from their financial advisor:

- A written financial plan with defined goals and objectives which are tracked on a regular basis

- A diversified portfolio
- A consolidated account statement showing all of their holdings with their financial advisor
- A consistent and stable rate of return on their investments to reach their investment and lifestyle goals
- An advisor that can be approached for advice during market instability; and to help ease any concerns during this time

### **Smaller Dealers**

When the MFDA began its operations as an SRO 10 years ago, approximately 212 mutual fund dealers were approved and operating under the MFDA. Currently, the MFDA membership includes only 132 dealers and there are 6 pending resignations.

We believe that the amendments proposed with regard to cost and performance reporting will create a further imbalance resulting in a regulatory and financial burden on smaller dealers, and it will encourage many more to resign their registrations. This will result in the financial industry being controlled and dominated by the oligopoly of Canadian banks; which, we strongly believe, is not in the best interests of Canadian investors.

### **Product Arbitrage**

We are concerned that proposed amendments will further encourage financial advisors to recommend segregated funds and other products to their clients, in place of mutual fund investments. This will not always be in the clients' best interest; for example, clients could be subject to the higher MER's of a segregated fund. However, the reality is that this is an attractive option to dually licensed financial advisor, as they can clearly see benefit in being able to avoid expensive and time consuming regulatory mandates, such as the changes proposed in these amendments.

### **Overlap with Point of Sale Disclosure and Client Relationship Document**

We strongly believe that MFDA dealers should be exempt from having to report and detail compensation earned on each account. This type of disclosure will be provided with the Point of Sale Disclosure and within the Client Relationship Document.

MFDA dealers have already invested many resources into these disclosures, and it is our belief that providing clients with yet another disclosure will inadvertently give clients the impression that mutual fund investments are more expensive than other similar but unregulated products. We are also not aware of any other group of professionals (i.e. accountants, doctors, lawyers) with these types of disclosure requirements; which further creates an uneven playing field for people in the financial services profession.

### **Overlap of Cost Reporting (MER's include trailer fees)**

We believe that MFDA dealers should be exempt from having to report the trailer fees earned, as this disclosure is also reported in the simplified prospectus, the Point of Sale Disclosure and the Client Relationship Document.

Further to the points made in the IFIC comment submission, we agree that an overemphasis on the disclosure of fees and compensation that are already paid by the MER, and included in net return reporting, could be misleading to mutual fund investors.

### **Quarterly Account Statements**

We agree with the comments regarding the importance of providing clients with meaningful information on their account statements. One of the most common requests from clients has been to provide them with an account statement that consolidates all of their holdings, and we agree that performance reporting will provide an added benefit.

However, in order for a dealer to offer a consolidated statement, all holdings would have to be considered as dealer held products; such as Segregated Funds, Guaranteed Investment Certificates, Guaranteed Investment Annuities and other holdings. Without adequate data from various industry networks such as FundServ, or the desire of non-securities based product suppliers to comply with these amendments, an accurate consolidated account statement will never be achievable.

### **DSC Free Units to Front End Units of the Same Fund**

We do not agree with comments regarding advisors moving DSC free units to the sales charge option of the same fund. While this may result in a higher trailer fee for the dealer and advisor, it is cost neutral to the client, provided that the dealer/advisor does not charge a front-end load on the transfer of units.

As well, as DSC free units come available on an annual basis, if the units are not moved into a front end version of the same fund, those eligible free units are lost from a free transfer mobility perspective and could be subject to a fee if the client requests a subsequent redemption. We would recommend that, as is currently the case, the commission and SRO's allow dealers to continue to monitor these activities from a compliance perspective.

Please feel free to contact me with any questions.

Sincerely,

Conrad A. Montcalm

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Financial Planner*

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