



May 29, 2008

To: 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
Nova Scotia Securities Commission
Registrar of Securities, Prince Edward Island
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut
Registrar of Securities, Northwest Territories

Submitted by Email to:

Ann-Marie Beaudoin
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John Stevenson
Secretary
Ontario Securities Commission
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Dear Sirs/Mesdames:

**Subject: Notice and Request for Comment:
Proposed National Instrument 31-103 Registration Requirements,
Proposed Companion Policy 31-103CP and Proposed Consequential
Amendments**

Independent Financial Brokers of Canada (IFB) welcomes the opportunity to provide our comments on the revised National Instrument 31-103 (the Rule) and the draft Companion Policy (the Companion Policy). At the outset, IFB wishes to commend the Canadian Securities Administrators (CSA) on their open dialogue with industry stakeholders and the revisions to the Rule made in response to this industry feedback.

The members of IFB are self-employed, individuals who generally operate small businesses in the financial services field. Those who engage in securities, for the most part will be registered with SRO firms, under the Mutual Fund Dealers Association (MFDA) or Investment Dealers Association (IDA). Therefore, the majority of our comments will be directed at aspects of this proposal which are inconsistent with SRO rules or require further clarification related to how these individual advisers conduct business with their clients in this marketplace.

IFB supports the CSA in its objective to harmonize and streamline the current registration system and to improve consumer protection. However, we are concerned that British Columbia and Manitoba are not adopting the proposed instrument with respect to the registration of exempt market dealers and that Manitoba is not moving from a “trade trigger” to the “business trigger” definition. In certain instances in Ontario, registrants will have to look to both this Rule and the Securities Act (Ontario) for compliance direction. This lack of unity creates confusion and an increased compliance burden for participants who conduct business in multiple jurisdictions.

Furthermore, if each province does not amend its securities legislation to incorporate the provisions of this Rule, once finalized, in the same way further fragmentation will occur.

Incorporated salespersons

IFB believes the CSA should include proper resolution of this issue in the Rule so that consistent treatment of the payment of commissions to a registrant’s corporation is available to all salespersons in all jurisdictions. The current fragmented approach which differs by province for mutual fund registrants and is not permitted by the IDA undermines the ability of approved persons to manage their business affairs in the most efficient and effective manner possible.

Relationship Disclosure

IFB continues to be concerned about the potential for substantially different requirements and obligations for SRO and non-SRO firms and the effect of this on consumers and advisors.

We have already noted inconsistencies between the IDA Client Relationship Model and the proposals contained in the revised Rule and have submitted our comments to the IDA. We are further troubled by the fact that the MFDA has not published its proposals for comment and that the Joint Forum's Point of Sale disclosure requirements for mutual funds and segregated funds is still ongoing.

It is our belief that there should not be greater, or different, restrictions on SRO member firms and advisors, as compared to non-SRO participants. This increases confusion for the industry and consumers alike. Consumers should not be exposed to different levels of protection and disclosure based on their firm's registration.

Permitted Clients

In our previous submission, we had suggested providing more flexibility for clients who do not wish to participate in a full suitability review and relationship disclosure process. It was our suggestion, that the Rule should recognize that clients may choose to have various levels of service with their advisor or firm and that those clients who choose to receive a lower level of service be provided with an opt out provision, which would make it clear that more detailed KYC information is not being collected at the client's request.

The revised Rule will allow a new category of Permitted Clients to have the ability to waive the requirement for the adviser or dealer to make investment suitability determinations for them, thereby reducing their suitability review obligation. While IFB agrees with this concept in principle, we believe that the qualifying threshold of \$5 million in financial assets has been set so high as to reduce its practical utility.

Mobility exemption

As noted in our previous submission, many of our members are dual-licensed for insurance and mutual funds, as well as in multiple jurisdictions. While the Rule seeks to reduce some of the inter-provincial regulatory burden, we are disappointed that it continues to set the number of clients an individual broker can service to only five, and a firm to ten such clients. In our view, this is too restrictive and has little practical utility. More importantly, it adversely affects clients who wish to continue to use the services of a trusted financial advisor. IFB urges the CSA to review this Rule so that all clients can receive the advice they want, from the advisor they choose to do business with.

Referral arrangements

We agree that consumers should receive disclosure of referral arrangements, especially where the firm or advisor receives compensation. This should form part of their standard conflict of interest disclosure. However, we note that this is a category that does not provide for an exemption for MFDA members. Since MFDA members are already subject to rules regarding engaging in referral arrangements and disclosure obligations, they should not be expected to comply with two sets of rules.

Notice of termination

We support measures designed to keep unsuitable persons from being registered. How this is achieved should be dealt with cautiously, however, bearing in mind the potential for instances where inaccurate prejudicial information could be contained on the form by

the previous employer, which could negatively affect the individual's ability to carry on in the business.

In conclusion, IFB thanks the CSA for the opportunity to provide its comments on behalf of our members, and trusts you will find them useful as you develop these proposals further.

We would be pleased to provide further input or to discuss any of our comments in further detail, at your convenience.

Yours truly,

A handwritten signature in black ink, appearing to read 'John Whaley', written over a horizontal line.

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