



Federation of
Mutual Fund Dealers



390 Queens Quay West,
Suite 209
Toronto, ON M5V 3A2

April 7, 2009

Mr. Jean St-Gelais
Chair, Canadian Securities Administrators
CSA Secretariat
Tour de la Bourse
800, Square Victoria
Suite 4130
Montreal, QC H4V 1J2

Dear Mr. St-Gelais,

Re. Advisor Incorporation

The issue of advisor incorporation is a long-standing, unresolved matter among securities regulators and regulatory organizations in Canada. As a significant representative group of the mutual fund dealers and advisors, we wish to work with the Canadian Securities Administrators (CSA) to find a regulatory model for incorporation that is durable, common across jurisdictions, and meets the objectives of all stakeholders. This is especially important considering that the suspension of MFDA Rule 2.4.1 in four recognizing jurisdictions is scheduled to expire within a year.

Recently, representatives from the Investment Funds Institute of Canada (IFIC), the Federation of Mutual Fund Dealers (FMFD), and Advocis, the Financial Advisors Association of Canada, met to discuss our shared concerns in this matter. We found strong agreement among our groups that moving towards a permanent solution on advisor incorporation will require the involvement and full engagement of the industries and regulators involved.

We are aware that the CSA is currently reviewing a proposed incorporation model that has been developed by the Alberta Securities Commission (ASC). While we appreciate the efforts of the ASC and their CSA counterparts, we are concerned that a lack of involvement with the industry at the early stages of this process could result in a less than optimal outcome, both from a regulatory and an industry perspective. We are of the belief that any processes moving toward the adoption by regulators of an incorporation model for advisors will not be fully successful without the involvement and early stage participation of industry experts.

We would like to provide the following general comments.

While a temporary resolution to the incorporation issue has been achieved primarily for mutual fund advisors through the suspension of MFDA Rule 2.4.1 and conditions contained in commission securities blanket orders, a completely unified and industry acceptable permanent solution has yet to be reached on a consistent basis across Canada. It is our understanding that the MFDA is in the process of developing a

position to put forward to the CSA on dealing with the temporary nature of the suspension of Rule 2.4.1. However, we believe that such a solution may share some of the features of the current 'Directed Commission' approach which has been previously rejected by some Canadian jurisdictions. We do not oppose the adoption of a Directed Commission model, but we do believe that a more durable and broadly-accepted model can be found within the provisions of the various securities orders currently in existence and accompanied by complementary changes to securities legislation.

We believe that industry can provide the technical expertise and the resources to assist regulators in finding a solution. We would like to begin by offering our assistance at an early stage in the CSA's assessment of the Alberta proposal.

We would be pleased to meet and discuss this issue with CSA members at their earliest convenience.

Sincerely,



Joanne De Laurentiis
President and CEO, The Investment Funds Institute of Canada



Sandra Kegie
Executive Director, Federation of Mutual Fund Dealers



Greg Pollock
President and CEO, Advocis

CC. Larry M. Waite, President and CEO, Mutual Fund Dealers Association of Canada
Susan Wolburgh Jenah, President and CEO, Investment Industry Regulatory Organization of Canada