



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

Ian C.W. Russell FCSI
President & Chief Executive Officer

May 4, 2010

Tracy LeMay
Editor
Investment Executive
100 - 25 Sheppard Ave. W.
Toronto, ON M2N 6S7

Re: May 2010 article – “The financial services industry can’t have things both ways”

Dear Tracy:

Your recent editorial in the May 2010 issue of *Investment Executive* “The financial services industry can’t have things both ways” accuses the Canadian securities industry of foot-dragging on regulatory reform, by “restricting commission arrangements or imposing fiduciary duty on advisors”, by arguing that disclosure is sufficient for investor protection, yet at the same time resisting efforts to improve disclosure. These accusations are unfounded, fly in the face of recent constructive initiatives and are a disservice to the Canadian regulatory community, including the provincial commissions and IIROC, the national self-regulatory organization.

The near-final version of IIROC’s Client Relationship Model Rule, mandates extensive disclosure of the investment process, tougher suitability standards, and the disclosure of fees and commissions. The Canadian securities industry has had considerable input in this rule-making effort and supports the Rule. The transparency of fees and commissions empowers the clients of IIAC member firms to determine whether to execute the transaction or go elsewhere in the marketplace. This disclosure, in effect, imposes a market discipline on the pricing of products and services, and related commission charges. Further, the securities industry provided significant input into the proposed IIROC rule imposing an obligation on member firms to obtain a fair and reasonable price for OTC securities, define policies and procedures for meeting this pricing obligation and disclose the yield, including a statement of dealer remuneration, to the client. The industry also has an obligation for obtaining the best price on listed equity securities.

.../2

The securities industry has participated in the CSA Registration Reform project. National Instrument 31-103, now effective, requires IAs to manage conflicts of interest and determine how to respond, including by disclosing such conflicts. This Rule, together with the obligation to deal honestly, fairly and in good faith with their clients, and tougher “know-your-client” and suitability obligations, moves the registered IA close to a fiduciary standard.

Your editorial has overlooked these comprehensive regulatory initiatives and the contribution of the Investment Industry Association of Canada and its constituent committees. Your comments discredit the efforts of the regulators to improve the caliber of investor protection, well before the financial crisis, fail to recognize the contribution of the industry to the reform process, and unfairly condemn the integrity of the Canadian markets.

Yours sincerely,

Ian Russell