



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

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

December 7, 2007

Ms. Leslie Pearson
Legal and Policy Counsel, Regulatory Policy
Investment Dealers Association of Canada
121 King Street West
Suite 1600
Toronto, Ontario
M5H 3T9

- And -

Ms. Susan Greenglass
Manager, Market Regulation
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8

Dear Ms. Pearson:

RE: IDA Amendments to Complaint Handling Requirements - Complaint Handling Rule and Guidance Note and Amendments to By-law 19 and 37 and Policy No. 2

We are writing on behalf of our membership to express concerns regarding amendments to the IDA Complaint Handling Requirements (Proposed Rule) as published in the OSC Bulletin on November 9, 2007.

The Investment Industry Association of Canada (IIAC) supports measures that provide for fair and prompt handling of client complaints. We agree it is important to ensure clients are aware of the process they should follow in the event that they have a complaint. However, the amendments are based on comments received by a few investors at an Investor Town Hall Meeting. We propose that these comments be further substantiated by other investors to ensure a problem currently exists. Furthermore, as currently drafted, the Proposed Rule is unclear and may be misleading to both advisors and clients.

Certain of the problems with the Proposed Rule may stem from the consultation process used in its development. While we understand some consultation took place, some of our members have expressed the view that their concerns voiced at various IDA committees have not been adequately reflected in the Proposed Rule. We appreciate the opportunity to reiterate those concerns through this process before the Proposed Rule is finalized.

We assume that the provisions of the Proposed Rule will be harmonized with Proposed National Instrument 31-103 *Registration Requirements* as well as with any MFDA Rules. Consistency with such other regulation is critical to ensure uniformity and a level playing field for both SRO registrants and non-SRO registrants.

With respect to the substance of the Proposed Rule, we have the following comments:

Definition of Complaint

We are concerned that the definition of a complaint is overly broad and vague. The Proposed Rule states that a complaint may include a verbal expression of dissatisfaction. A verbal expression of dissatisfaction is a very broad term and is likely to be subject to disagreements about the timing, content, intent and seriousness of the verbal complaint. It also invites credibility issues as it is likely there will be different recollections about the verbal statements a client may have made. In order to ensure all parties are commencing from a mutual understanding of the scope and other details of the complaint, it is important that it should be expressed in writing.

Although the Guidance Note which accompanies the Proposed Rule appears to limit the scope of what may be considered “alleged misconduct,” the Proposed Rule states that “alleged misconduct would include but is not limited to” which creates significant room for interpretation. Consistency and specificity in the Proposed Rule and the Guidance Note would be helpful.

The Proposed Rule is also unclear as to who may submit a complaint. In particular, we question the intended scope of the phrase “a person authorized to act on behalf of a client.” In order to provide certainty, we suggest that only individuals who are legally authorized to act on behalf of a client under a formal legal document, such as a will or a power of attorney, be included under the provision.

Complaint Record Retrieval

The specific time frames for record retrieval set out in the Guidance Note states that records in central, readily accessible places must be retrievable within two business days and documents that are kept for an extended period of time must be retrievable within five business days unless there are extenuating circumstances. We do not think that this time frame accommodates the business structure of many registrants, particularly large registrants with significant data storage. It can take a great deal of time to search for e-mails or tapes; two business days does not reflect current business reality. In order to recognize the differing circumstances of firms, the language in the Proposed Rule, stating

that records must be retrievable within a reasonable time frame, is appropriate. As we discuss below you must ensure clarity and consistency between the Proposed Rule and Guidance Note as this is essential to the proper functioning of rules.

Timing of Response

The Proposed Rule also requires that a member send an acknowledgement letter in writing to the complainant within five business days of receipt of the complaint. This time frame may not always be appropriate and should include a caveat that where extenuating or unusual circumstances exist, a longer response time is appropriate for acknowledging and responding to complaints. Alternatively, extending this time frame to at least ten business days in such circumstances would accommodate firm processes without prejudice to the complainants.

Settlements

We do not take issue with the limits on the confidentiality provisions in the Proposed Rule, but feel that a positive statement with respect to general confidentiality should be included.

Complaint Acknowledgement Letter

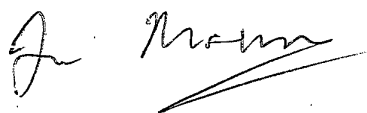
The Proposed Rule sets out what the acknowledgement letter must include. This information is useful, however, it is redundant given the information included in the IDA approved Complaint Handling Process Brochure. Currently, the Brochure must be provided to new clients at account opening as well as attached to the acknowledgement letter. As such, a review of what is required to be included in the acknowledgement letter should be undertaken as to eliminate any duplication which could lead to client confusion.

Guidance Note

There are a number of items in the Guidance Note that may be better suited for the Proposed Rule. Where there are provisions of importance in the Guidance Note that are setting standards, rather than just giving general suggestions, they should be included in the Proposed Rule rather than the Guidance Note. We further request that provisions of importance in the Guidance Note be included in the Proposed Rule and the Guidance Note be issued in due course and only, after areas needing clarification are identified. However, at the very least if both are to be published immediately, we reiterate, as above, that they be made consistent.

We would be pleased to discuss these comments with you.

Yours sincerely,

A handwritten signature in black ink, appearing to read "J. Mann", with a long horizontal flourish underneath.