



IGM Financial Inc. 180 Queen Street West, 16th Floor, Toronto, Ontario M5V 3K1

Charles R. Sims, FCA
Co-President and Chief Executive Officer

May 31, 2012

VIA EMAIL to: rday@osc.gov.on.ca

Mr. Robert Day
Manager, Business Planning
Ontario Securities Commission
20 Queen Street West
Suite 1900, P.O. Box 55
Toronto, Ontario
M5H 3S8

Dear Mr. Day:

Re: Ontario Securities Commission Notice 11-766 – Request for Comments Regarding Statement of Priorities for Financial Year Ending March 31, 2013

We are pleased to provide comments on behalf of IGM Financial Inc. and its subsidiaries in response to the request for comments by the Ontario Securities Commission (“OSC”) with respect to its Statement of Priorities for 2012/2013.

IGM Financial Inc.

IGM Financial Inc. (“IGM”) is one of Canada’s premier personal financial services companies, and one of the country’s largest managers and distributors of mutual funds and other managed asset products, with over \$122 billion in total assets under management as of April 30, 2012. Its activities are carried out principally through Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc. IGM is a member of the Power Financial Corporation group of companies. IGM’s common shares are publicly traded on the TSX, with a current market capitalization of over \$10 billion. In its capacity as an asset manager on behalf of its clients, IGM, through its subsidiaries, is an investor in virtually all major Canadian reporting issuers.

Through its various subsidiaries, IGM is registered in several capacities with securities regulators throughout Canada.

The following are our comments on the Statement of Priorities, adopting the same titles as used therein:

Our Environment

We agree that the current market reality requires the OSC to address many new issues that have international implications. We believe you rightly identify matters such as multijurisdictional enforcement, OTC derivatives, oversight of credit rating agencies and hedge funds, the proliferation of complex exchange traded funds and structured products, and an ever-changing market infrastructure. We agree with your comment that introduction of a broad set of new policies cannot simply be imported from other jurisdictions, but will require careful analysis of their impact in the Canadian market.

We share your concern – expressed in at least three spots in the Statement of Priorities – about pre-empting regulatory arbitrage. We will come back to this in some of our own specific comments below.

In our submission, in the context of the environment which the OSC faces and has described, the allocation of priorities, and limited resources, amongst the various challenges should recognize that the Canadian mutual fund and managed asset products market is a mature, highly regulated, primarily home-grown sector of the industry. While refinement of that regulatory regime is always appropriate, in our submission the other priorities the OSC has identified may merit greater immediate attention.

Goal No. 1 – Deliver Responsive Regulation

We are pleased that the OSC plans to continue to be proactive in pursuing regulatory standards that discourage or pre-empt regulatory arbitrage, maintain or improve market confidence, reduce financial crime and safeguard investors.

As part of this goal, however, the OSC, as one of eight stated initiatives, includes "conduct research and analysis, and publish a discussion paper on the cost of ownership of mutual funds in Canada". If the OSC intends to undertake research and analysis on the cost of ownership of financial products, it should do so in a manner which addresses not just mutual funds, but also the various alternatives to mutual funds such as hedge funds, ETFs, GIC spreads, individual securities purchased in brokerage accounts on commission or in fee based accounts, and so forth. A discussion paper on the cost of ownership of mutual funds alone would be potentially misleading and give further fuel to those with competing products that do not share the maturity and high level of regulation to which mutual funds are subject, and which are offered without the same advice in stripped down or unbundled fee models.

The OSC should be concerned that research and publication restricted to mutual funds alone, to the exclusion of competing products, will permit the misuse of that research by permitting third parties to continue to compare, most inappropriately, "apples and oranges" when it comes to the advice, products and services which accompany (or don't accompany) fees charged on competing products.

In this regard, we note that regulatory arbitrage is a concept which equally may apply between competing products in a market, and not just between markets. We believe the OSC itself recognizes this, as another of the Priorities refers to ensuring that "regulatory approaches towards investments products are consistent and opportunities for regulatory arbitrage minimized." In the context of that recognition, we believe that any research, analysis and discussion papers on the cost of investment products should apply not just to mutual funds, but to all investment products on an all-in cost, comparable basis to the ultimate investor.

In this regard, we believe an important element of investor protection, particularly in an environment of increasingly complex products, is fulfilled by the role of financial advisors in Canada. We encourage the OSC to take notice of multiple sources of research which show significantly better financial outcomes for Canadians who use financial advisors compared to those who do not. We see value in providing choice in the marketplace as to how any investor wishes to compensate their advisor, whether by having distribution costs embedded with financial products, fee-for-service, or some hybrid. We believe this has proven to be an effective way to engage a wide range of Canadians to establish and maintain strong savings and investment programs.

Goal No. 2 – Deliver Effective Enforcement and Compliance

We support a risk-based approach to compliance and enforcement functions. We continue to believe that a strong compliance program provides the best protection to the public which is supported by enforcement activities as required.

We agree that it is appropriate to conduct more targeted compliance reviews and desk reviews of registrants by focusing on high risk areas, new registrants and on major issues of concern that have been identified through compliance reviews.

We encourage the OSC to publish guidance based upon the periodic "sweeps" it does, by way of questionnaire and otherwise, of registrants. On occasion in the past, "sweeps" have occurred but no formal summary, report or guidance arising from the results was published. In our view, that was a lost opportunity to educate registrants.

Goal No. 3 – Deliver Strong Investor Protection

While it may not be inappropriate for the OSC to create a new "Office of the Investor", we must note, with respect, that the views of various investor advocacy groups should not be conflated with, or assumed to be, the proper regulatory approach to investor protection. Every advocacy group comes with an inherent bias based on its membership, its personal interests and the background and views of its leaders. The role of a regulator, in our submission, is to recognize and mediate among the inherent biases brought to the table by disparate participants in the process. The work of this new Office should reflect as well the other branch of the OSC's mandate to foster fair and efficient capital markets. There is no substitute for good, solid research on the outcomes experienced by investors using various products, and we encourage the OSC to build upon the multiple sources of research which show significantly better financial outcomes for Canadians who use financial advisors compared to those who do not.

When considering the views of investors, we encourage the OSC to seek the integral participation of institutional investors. Institutional investors such as mutual fund managers represent millions of underlying investors. Their views should inform any discussion of broader investor issues related to the capital markets.

To be effective, in our view, the new Office should also be mandated to work with, and consult, the registrants who serve investors. The best regulatory policies are those which spring from a full understanding of all sides of an issue, particularly in increasingly complex capital markets. We encourage the OSC to ensure that the new Office of the Investor operates in a manner that addresses the legitimate concerns on all sides of investor protection issues.

Goal No. 4 – Run a Modern, Accountable and Efficient Organization

We are pleased that the OSC will continue to pursue its mandate efforts to improve the efficiency and effectiveness of its operational and policy work, becoming a more performance-based and accountable organization.

We support your initiative to prioritize and coordinate policy development. In light of the challenges described under "Our Environment", we submit the OSC should take some comfort from the fact that the mutual fund and managed asset industry is a mature and highly regulated sector of the market which may not demand the priority which will be properly accorded to more pressing, new market developments.

The OSC notes that greater emphasis will be placed on assessing the implications of policy and testing implementation of regulations. In this regard, we note the critical assistance that can be provided by early, and ongoing, consultation with the industry participants who will be called upon to implement policies and regulations, on the ground, in practice.

Goal No. 5 – Support and Promote Financial Stability

We support the OSC in its aim to build the capabilities required to play a more active role in assessing risks to its own objectives and to financial stability arising from the interaction between securities and other financial service activities.

We are pleased to see that the OSC plans to increase cooperation by developing more formal and regular working relationships with the CSA and other financial service regulators. We also encourage the OSC to further harmonize regulation with the Self-Regulatory Organizations which regulate sectors of the capital markets.

Thank for the opportunity to comment on the OSC's Statement of Priorities. If you have any questions regarding the foregoing, please do not hesitate to contact us. We look forward to working with the OSC as we go forward into fiscal 2012 – 2013.

Yours truly,

IGM FINANCIAL INC.



Charles R. Sims
Co-President and Chief Executive Officer

Copy to: Murray Taylor, Co-President and Chief Executive Officer
IGM Financial Inc.