



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

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

December 20, 2006

David Wilson
Chair, Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, ON M5H 3S8

Dear Mr. Wilson:

Re: Incorporation of Individuals

We are following up on the proposed IDA by-law relating to incorporation of IDA salespersons and our letter of August 2006.

We appreciated meeting with Ontario Securities Commission ("OSC") staff in October 2006 to obtain a status update and to provide a presentation relating to the IDA by-law. We understand that the by-law will be reviewed in more detail in the next couple of months by the OSC and the CSA. As we have indicated to OSC staff, we continue to welcome the opportunity for discussions, explanations and further exchange of information with OSC staff as well as staff from all other securities commissions and the CSA on this very important matter to IDA advisors.

As you are aware, the IDA incorporation model was carefully designed to maintain, among other things, the same public protection and the same high standard of business conduct by ensuring that the firm is directly liable to the client for the acts of the individual and by requiring supervision by the firm to the same standards whether the individual is operating as an employee, agent or incorporated salesperson. The strict regulatory requirements in the proposed IDA model also ensure compliance with all securities regulations and the Income Tax Act as we understand it.

It has been suggested by the OSC, among other commissions, that IDA members should consider adopting the Mutual Fund Dealers Association of Canada ("MFDA") incorporation approach as an overall incorporation structure or, at least in the short term to help address the unlevel playing field that currently exists between dealers and mutual

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fund registrants. This approach simply allows agents of MFDA firms to direct their commission to personal corporations. This unlevel playing field has existed for years as the MFDA approach was around for years prior to the establishment of the MFDA, and has been permitted to continue, and has recently been extended to December 31, 2008.

The IDA Board of Directors has indicated that they may be in favour of their members adopting the MFDA Model since the CSA has not yet addressed their proposal and has extended the MFDA model for another two years. We are requesting clarification of the CSA's position that our members may adopt the MFDA approach as an interim solution until an ultimate determination on the model for both MFDA and IDA is made. Please confirm that the CSA believes the MFDA's model may be implemented by all IDA firms and advisors on the same basis as the MFDA and its members and advisors, with this measure taking effect immediately and a timeline similar to the MFDA.

Thank you in advance for your time. I look forward to hearing from you.

Yours sincerely,



cc: Louis Arki, Director of Securities, Government of Nunavut
Richard Corner, Vice President, Regulatory Policy, Investment Dealers Association of Canada
Douglas Hyndman, Chair, British Columbia Securities Commission
Gary MacDougall, Registrar of Securities, Department of Justice, Government of Northwest Territories
Winston Morris, Administrator, Consumer & Commercial Affairs Branch, Securities Commission of Newfoundland and Labrador
Don Murray, Chair, Manitoba Securities Commission
H. Leslie O'Brien, Chair, Nova Scotia Securities Commission
William Rice, Chair, Alberta Securities Commission
Richard Roberts, Registrar of Securities, Yukon Securities Commission
Edison Shea, Registrar of Securities, PEI Securities Commission
Donne Smith, Chair, New Brunswick Securities Commission
Jean St-Gelais, President-directeur general, Autorité des marchés financiers
David Wild, Chair, Saskatchewan Financial Services Commission
David Wilson, Chair, Ontario Securities Commission