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

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

March 27, 2007

Ms. Randee Pavalow
Director, Capital Markets
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, ON M5H 3S8

Re: Cost-Benefit Analysis for Client Relationship Model (CRM)

Dear Ms. Pavalow:

The Investment Industry Association of Canada (the "IIAC"), on behalf of our members, is writing in connection with the proposed cost-benefit analysis relating to the CRM. Given the importance of the results of a cost-benefit analysis, it is imperative that the proposed survey is conducted appropriately to ensure that the benefits of the CRM rules truly exceed both direct compliance costs and indirect costs such as discouraging investor market participation and stifling market innovation.

The IIAC and our members support the need for a cost-benefit analysis. As a matter of fact, our members have been recommending the completion of such an analysis for a number of years. However, our members have concerns regarding Allen Research Corporation, the expert that has been engaged to undertake the client survey.

Our member firms and, in particular those considering taking part in the survey, have not been given sufficient information to confirm that Allen Research has the required expertise and business background to complete an effective and credible cost-benefit analysis. As well, our members has not been given specific information on the proposed methodology of the analysis, including the questions, to explain the cost-benefit process to participating clients to obtain their full cooperation and comfort, and ensure a valid and credible outcome.

Member firms who agree to participate in this survey face several challenges. They are required to obtain consent from clients to have their information disclosed in order to satisfy requirements under privacy legislation. Members will have to contact a sufficient number of client candidates in order to reach the requisite 50 participants needed and

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explain to them the purpose of the survey in sufficient detail. Such information would include an explanation that survey participation is not related to regulatory or enforcement proceedings against the member or client, and the specific nature of the survey questions. As it is likely many clients will not have an interest in participating in the survey, member firms will have to undertake a costly and time-consuming exercise to obtain a statistically representative sample.

In this regard, members will need to ensure that the sample of clients is random and appropriately representative of the Canadian investor. That means that members will have to look at criteria, including regional location, wealth, type of account, age, investor knowledge, investment experience and risk tolerance. It would also be important for firms seeking potential client participants to use the same process and factors to identify survey participants, to explain the process to clients in the same manner and to otherwise provide the same meaningful information to potential client participants relating to the survey. This cannot be achieved based on the proposed timing and the design of the process.

To ensure that the cost-benefit analysis is valid, it is important that member firms, through the IIAC, participate in the process to ensure that questions are crafted properly, are posed correctly and cover the substance of the proposed rule and also of existing regulatory requirements. As an example, clients should be asked not only whether they want and need an RDD and performance reporting, but also if they are willing to pay for such additional account services. Furthermore, in addition to examining a sample RDD, clients should be made aware and provided with the other multitude of account opening documents that they will continue to receive, have to review and acknowledge through signature. Members would provide helpful insight and industry expertise to the survey managers.

Given the challenges associated with identifying clients, ensuring the survey is appropriately designed to achieve a meaningful outcome and evaluating the results, our members should be given sufficient time to provide accurate and appropriate information to regulators and given opportunity to participate in the appropriate design of the process prior to providing client information.

The IIAC, as the trade association for our members, is offering its assistance to facilitate a cost-benefit analysis that is meaningful for clients, members and regulators alike and serves to advance the CRM, an important regulatory initiative. We look forward to meeting with you at your convenience to discuss our concerns and how we may lend our expertise to this undertaking.

Yours sincerely,

cc: Paul Bourque, Senior Vice-President, Investment Dealers Association of Canada
Richard Corner, Vice-President, Regulatory Policy, Investment Dealers Association of Canada
Susan Wolburgh Jenah, President and CEO of merged RS-IDA (pending)
Ronald Lloyd, Chair, Investment Dealers Association of Canada
David Wilson, Chair, Ontario Securities Commission

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