

May 29, 2008

Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
New Brunswick Securities Commission
Nova Scotia Securities Commission
Registrar of Securities, Northwest Territories
Registrar of Securities, Nunavut
Registrar of Securities, Yukon Territory
Saskatchewan Financial Services Commission
Securities Commission of Newfoundland and Labrador
Securities Office, Prince Edward Island

c/o Richard J. Corner
Vice President, Regulatory Policy
Investment Dealers Association of Canada
Suite 1600
121 King Street West
Toronto, ON
M5H 3S8

RE:

**INVESTMENT DEALERS ASSOCIATION OF CANADA -
ESTABLISHMENT AND AMENDMENT OF IDA RULES TO IMPLEMENT THE
CORE PRINCIPLES OF THE CLIENT RELATIONSHIP MODEL**

Dear Mr. Corner:

The Canadian Advocacy Council of CFA Institute Canadian Societies (CAC)¹ is pleased to respond to the Request for Comments where The IDA invited interested parties to submit comments on the Core Principles of the Client relationship Model.

Our comments are formatted by addressing the specific questions outlined in the Request for Comments.

¹ The CAC represents the 12 Canadian member societies of the CFA Institute constituting over 11,000 members who are active in Canada's capital markets. Members of the CAC consist of portfolio managers, investment analysts, corporate finance professionals, and other capital markets participants. The CAC's has been charged by Canada's CFA Institute member societies to review Canadian regulatory, legislative and standard setting activities.

Opinion Concerning Book Cost

Clients frequently rely on their advisors to track investment costs for their reporting purposes only. Therefore we support that the best practice would be to indicate the original (adjusted cost) basis for each investment. While this is the case for all securities purchased by the client via the dealer, this is not the case for for accounts (securities delivered) that are transferred into other than book cost allocation for registered account transfers. There is a danger that without accurate cost values associated with a transfer or deposit of securities that additions to a position will default to an incorrect cost base.

The CFA institute encourages long term investing and thus believes that the cost of a security should not be the primary reason for selling a security. The CFA Institute has stated that *"an excessive short-term focus combined with insufficient regard for long-term strategy can tip the balance in value-destructive ways for market participants, undermine the market's credibility and discourage long-term value creation and investment."*

Clients should be given the opportunity to provide their cost value to their investment advisor along with a signed disclosure statement that this represents their cost basis. Dealers and Advisors should not be forced into in a position of assisting a client in their tax reporting.

RELATIONSHIP DISCLOSURE FOR ACCOUNTS OPENED BY RETAIL CLIENTS

We are in favour of full disclosure and clarity for all investors. However, we are conscious of the balance between providing too much information and too little. As individual investors range from novice with no knowledge to very sophisticated, their use and understanding of the information provided may have different impacts on their investment decisions.

We believe that while investors who deal with advisors generally do so for a multitude of reasons but ultimately for their advisor's investment recommendations and executions. In these situations the advisor should determine the appropriate asset class and risk level for the client, so that the investment recommendations meet within the investor's suitability range. This approach is in compliance with the

CFA Institute's Code of Ethics and Standards of Professional Conduct (2005), Standard IIIB –Fair Dealing. We have enclosed a copy of the Code of Ethics and Standards of Professional Coduct for your review.

Transaction only clients understand that they are not entitled to advice (as per their account agreement) but it would, our view, be unethical not to relay material information to these clients as well (the definition of material may be subjective so should be defined).

In the case where an Advisor or Dealer has a mix of client mandates including transaction only, advising and managed clients, we believe that the Advisor and Dealer have a duty to inform all clients of any material change to their holdings. We question how an advisor or dealer with multiple client types is supposed to prioritize this duty to inform amongst their various clients as their fiduciary duty varies greatly between each type of client.

We agree with the proposed "Know Your Client" statements. The CFA Code of Ethics and Standard of Professional Conduct Standard III - Duties to Clients includes Section A. Loyalty, Prudence, and Care as well as Section C. Suitability. Standard V - Investment Analysis , Recommendations and Action requires that CFA charterholders and CFA Institute members be diligent in their communication requirements. Therefore we believe that an advisor has a duty to be aware of all material client information that is used as the basis for his/her investment recommendations and actions. However, it is also the duty of the client to inform the advisor of material facts or a change in material facts that may impact their investment policy and risk analysis.

CONFLICTS OF INTEREST RESOLUTION AND DISCLOSURE REQUIREMENTS

The CAC agrees with full disclosure and believes that this section of the proposed rule is in keeping with The CFA Code of Ethics and Standard of Professional Conduct Standard VI - Conflicts of Interest.

RETAIL CLIENT SUITABILITY

Investor life and financial situations are constantly changing and we agree with the IDA comments. As noted above, The CFA Code of Ethics and Standard of Professional Conduct Standard III - Duties to Clients includes Section A. Loyalty, Prudence, and Care as well as Section C.

Suitability. In addition, Standard V- Investment Analysis , Recommendations and Action requires our members and charterholders to be diligent in their communication requirements.

We believe that this duty relates to the investment suitability for both managed and advisory clients. Transaction only investors who have signed waivers that they do not want advice may not fall under this duty, however, if they also hold an advisory account it would be ethical to make reference to suitability.

ACCOUNT PERFORMANCE REPORTING

We concur with your proposed rule on account performance reporting and we are pleased that you recommend that The CFA Institute's Global Investment Performance standards be implemented.

However, we are concerned that too many investors, advisors and dealers focus on short term performance. Moreover, our other concern about any type of performance reporting relates to the selection of an appropriate benchmark. Our experience suggests that the portfolios of many investors do not match many of the standard benchmarks and therefore advise that extreme care should be taken when making comparisons between individual account performance and that of benchmarks.

Summary

We thank you for the opportunity to provide the foregoing comments, we welcome any questions you may have and we appreciate the time you are taking to consider our point of view. Please feel welcome to contact us at chair@cfaadvocacy.ca.

Regards,

Blair Carey, CFA
Chair

Enclosure