



L' INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA
LE CONSEIL DES FONDS D'INVESTISSEMENT DU QUÉBEC

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BY MAIL & E-MAIL: ccir-ccrra@fSCO.gov.on.ca

Montreal, March 23, 2006

Ms. Carol Shevlin
Policy Manager (A)
CCIR Secretariat
5160 Yonge Street, Box 85
17th Floor
Toronto, Ontario M2N 6L9

Dear Ms. Shevlin:

Re: Managing Conflicts of Interest: A Consultation Paper on Enhancing and Harmonizing Best Practices

The Quebec Investment Funds Council (QIFC) represents mutual fund managers and dealers of the investment funds industry that do business in Quebec who administrate assets currently representing \$75 billion. The QIFC is the Regional Council of The Investment Funds Institute of Canada ("IFIC"), the Member association for the Canadian investment funds industry. Member firms include Canadian mutual fund managers administering over \$554 billion in assets on behalf of Canadian investors, mutual fund distributors and related professional and supporting firms.

We have reviewed with interest the document entitled "Managing Conflicts of Interest: A Consultation Paper on Enhancing and Harmonizing Best Practices" (the "Consultation Paper"). We have also reviewed the disclosure guidance for advisors produced by the Canadian Life & health Insurance Association, Advocis, the Independent Financial Brokers of Canada and the Canadian Association of Independent Life Brokerage Agencies.

Situations that place the interests of the advisor in conflict with those of the client have the potential to damage not only the individual advisor-client relationship, but to tarnish the reputation of an industry as a whole. In the context of financial services, trust - as between the client and the advisor and all of the other industry participants upon whom the client directly or indirectly depends for advice and services - is paramount to the maintenance of a positive relationship.

In Canada's mutual fund industry, regulators and industry participants worked together to establish regulatory provisions like *National Instrument 81-105 "Mutual Fund Sales Practices"* in force since May of 1998, which prescribes a regulatory framework that effectively eliminates certain practices, situations and business structures that were viewed as a breeding ground for conflicts of interest. We commend NI 81 – 105 to you in the hope that you will find it instructive in identifying particular areas of conflict of interest that may be analogous to those in the insurance industry.

In our view, the Consultation Paper and advisor guidance represent significant steps forward in underscoring the importance that the life insurance industry places on putting the interests of clients first. As with any regulatory initiative, however, compliance will vary in direct proportion to monitoring, and we trust that the industry will work with the CCIR and other industry regulators to ensure adequate oversight. This will be particularly important given the fact that insurance advisors often operate independently and are not, therefore, subject to close supervision by a "dealer" firm.

Thank you for providing us with the opportunity to comment on this important initiative.

Yours truly,

THE QUEBEC INVESTMENT FUNDS COUNCIL

By: **Original signed by Sylvie Lachapelle, Operations Director-Quebec**

For: Pierre Hamel
Chair, The Quebec Investment Funds Council