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Via Email: consultation_ldpsf@finances.gouv.qc.ca

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M. Richard Boivin
Sous-ministre adjoint aux politiques relatives aux institutions financières et au droit corporatif
Ministère des Finances
8, rue Cook, 4e étage Québec (Québec)
G1R 0A4

Dear Mr. Boivin,

Re: Report on the Application of the Act respecting the distribution of financial products and services

We are writing in response to a request for comments on the *Report on the Application of the Act respecting the distribution of financial products and services* ("the Report"), as tabled by the Minister of Finance. This letter is submitted on behalf of Royal Mutual Funds Inc. ("RMFI") and Phillips, Hager & North Investment Funds Ltd. ("PH&N"). RMFI and PH&N are separate corporate entities, which are affiliated, and are indirect subsidiaries of Royal Bank of Canada ("RBC"). Both RMFI and PH&N are registered in Quebec as mutual fund dealers and are members of the Mutual Fund Dealers Association of Canada ("MFDA").

Oversight of Mutual Fund Representatives

We appreciate the opportunity to provide our comments on the Report. We would like to take this opportunity to reiterate the comments we raised in a November 29, 2010 letter to the Autorité des marchés financiers ("AMF") in response to the AMF's consultation on the *Harmonization of Mutual Fund Distribution Regulation* and more specifically in relation to the recognition of the MFDA in Quebec.

As highlighted in the Report, with the implementation of NI 31-103, securities regulations have been harmonized across Canada, with the exception of the mutual fund distribution sector in Quebec. Currently, mutual fund dealers in the rest of Canada are required to be members of the MFDA and to comply with its regulation, which results in uniform regulations being applied nationally outside of Quebec. In order to enhance the existing regulatory framework, we believe that full delegation to self-regulatory organizations ("SRO") should be implemented across the country. We continue to believe that the lack of fully harmonized requirements will continue to create significant challenges and additional costs for registered firms that deal both in Quebec and outside the province. We believe that the only way to achieve truly harmonized mutual fund distribution regulations is to recognize the MFDA in Quebec.

We further believe that such recognition should be accompanied by regional representation in the governance of the MFDA. For example, we believe that it would be important for the MFDA to maintain an office in Quebec in order for clients, representatives and firms to be served in their language of choice

within their own province. Note that such an approach already exists in relation to Quebec representation within the Investment Industry Regulatory Organization of Canada.

Investor Protection Fund

In the event that the MFDA would be recognized in Quebec, we would also like to address the question in the Report regarding whether the Fonds d'indemnisation des services financiers (FISF) should be maintained in addition to the Investor Protection Fund ("IPC"). RBC fully supports initiatives which strengthen and protect investor protection while ensuring a fair and equitable framework for industry participants. As indicated in our response to the AMF's *Consultation Regarding Compensation of Financial Products and Services* published in December 2011, we stressed the importance of harmonization in order to ensure that a consistent level of protection is afforded to investors regardless of their jurisdiction. We believe that this extends to adopting a compensation model currently in place in the other jurisdictions, such as the IPC for mutual fund dealers.

The IPC offers protection to investors caused by the insolvency on an MFDA member. We believe that adopting the IPC in Quebec, in addition to recognizing the MFDA, would reduce the regulatory burden for many mutual fund dealers who operate in Quebec and in other jurisdictions.

In conclusion, we encourage the government of Quebec to consider recognition of the MFDA as an SRO in Quebec and to fully delegate jurisdiction over mutual fund dealers and their representatives to the nationally recognized SRO.

Thank you for the opportunity to express our views and recommendations regarding the Report. Should you require any further information or have any concerns regarding the foregoing, please do not hesitate to contact us.

Yours truly,

"Kirk Dudtschak"

Kirk Dudtschak
President & Chief Executive Officer
Royal Mutual Funds Inc.

"Mark Neil"

Mark Neil
President
Phillips, Hager & North Investment Funds Ltd.