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IFIC Moves to Enhance Investor Confidence

Trade association calls for clear rules on short-term trading & market timing, and issues guidelines to industry members

TORONTO, August 25, 2004 – IFIC President & CEO Tom Hockin and IFIC Chair W. Terrence Wright, Q.C., announced today that IFIC's Board released guidelines for deterring and detecting inappropriate short-term trading and market timing in mutual fund markets.

"After several months of concerted work by a top-level Working Group that examined short-term trading and market timing, IFIC's Board today made public its report and recommendations," said Mr. Wright. "With IFIC members adopting the recommendations in this report, Canadian investors should be confident that procedures are stronger than ever to protect their interests."

"IFIC believes the interest of individual investors should always come first and remains committed to maintaining and, where possible, enhancing the quality and security of mutual fund practices," said Hockin. "The adoption of this report and its recommendations is another important step by IFIC's Members to ensure investor confidence in its products remains high."

Mr. Hockin described the recommendations in the report as a toolbox from which our Members can draw so as to safeguard investors. The toolbox includes four measures that IFIC considers to be most effective. The toolbox includes:

- in all cases, effective and consistent monitoring of trades;
- mandatory deterrence fees for inappropriate short-term trading;
- fair value pricing; and,
- restricting future purchases in client accounts where market timing or inappropriate short-term trading is identified.

“All fund managers should put in place effective procedures to monitor trades,” the report states. “Fund managers must determine which combination of [the measures above] they believe will most effectively deter marketing timing and short-term trading.”

“It is important to give fund managers the flexibility to protect the interests of their unit holders,” said Hockin. “Through the use of one or several of these tools, IFIC is confident that fund managers can effectively deter or prevent market timing and inappropriate short-term trading.”

IFIC is committed to working cooperatively with the Ontario Securities Commission in its review of industry trading practices. “We support the OSC’s measured approach to date,” notes Hockin, “and we hope this report will provide meaningful input into their careful examination of this intricate issue.”

“Our industry looks forward to working with regulators to develop clarity with respect to the standards regarding short-term trading and market timing,” said Mr. Hockin. “While frequent trading is not illegal, there are clearly types of short-term trading that are not in the long-term interest of mutual fund investors and we as an industry want to identify and eliminate those. With this report, we want to give guidance to our Members as well as to regulators.”

The Investment Funds Institute of Canada is the national association of the Canadian investment funds industry. Membership comprises mutual fund management companies, retail distributors and affiliates from the legal, accounting and other professions.

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