

April 25, 2016

Marsha Gerhart
Vice-President, Member Regulation Policy
Investment Industry Regulatory Organization of Canada
121 King St. West, Suite 2000
Toronto, ON M5H 3T9
mgerhart@iiroc.ca

Dear Ms. Gerhart,

Re: IIROC White Paper dated November 25, 2015 on the Public Policy Implications of Changes to Rules Regarding Proficiency Upgrade Requirements (the Proficiency Proposal) and Directed Commissions (the Directed Commission Proposal) on the IIROC Platform (the White Paper)

BMO Nesbitt Burns Inc. (Retail), BMO InvestorLine Inc. and BMO Investments Inc. (the **BMO Registrants**, or **we**) welcome the opportunity to provide comments on the Proficiency Proposal and the Directed Commission Proposal contained in the White Paper.

Proficiency Proposal

We are in favour of initiatives that seek to achieve greater regulatory efficiency and harmonization. Specifically, we support proposals that reduce regulatory overlap, harmonize requirements and standards across regulatory platforms, enhance investor choice and protection and lower operational complexities and costs.

Although the Proficiency Proposal may help achieve some of these objectives, it risks putting other objectives further out of reach. Removing the upgrade requirement should be part of a larger effort that seeks to achieve all of these objectives; one that involves all impacted regulators and stakeholders. This effort should include a discussion about consolidating IIROC and the MFDA into one SRO. We view the White Paper as a challenge to stakeholders, including regulators, to engage in this discussion.

In 2007, the Ontario Securities Commission¹ concluded that the elimination of the proficiency upgrade requirement in the context of both the Investment Dealers Association of Canada and

¹ Notice of Amendment to Ontario Securities Commission Rule 31-502 Proficiency Requirements for Registrants, March 9, 2007.

the MFDA continuing to coexist could reduce MFDA membership levels, and that this could undermine the ongoing viability of the MFDA.

Pursuing solely the Proficiency Proposal risks scattering mutual fund dealers between two regulators, increasing complexity and cost. It is not possible for some MFDA members to move from the MFDA to IIROC without incurring significant transition expenses because MFDA and IIROC rules differ in many important areas, including the layout of shared premises and the sale of non-securities products.

Directed Commission Proposal

Canadian securities laws seek to foster confidence in capital markets² through clear member rules, audits and enforcement actions. As market participants, investment dealers must ensure that they comply with the laws, including tax laws that apply to them. Any decision by IIROC to permit directed commissions should be based on a clear understanding of the tax implications of this structure. It is our understanding that this research is not yet complete.

We cannot comment further on directed commissions without clear guidance on the tax impact to dealer members and their registered individuals and a detailed review of whether the agent-principal model is appropriate for all IIROC member services and products.

Industry Association Comment Letters

We have been involved with the Investment Industry Association of Canada and Investment Funds Institute of Canada comment letters. We agree with their views on the importance of regulatory harmonization and efficiency.

About the BMO Registrants

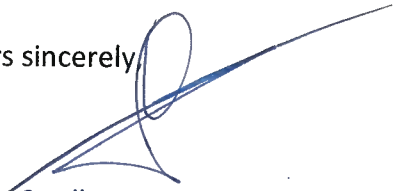
BMO Nesbitt Burns and BMO InvestorLine are indirect wholly-owned subsidiaries of Bank of Montreal. They are registered as investment dealers and are members of IIROC. BMO Nesbitt Burns has approximately 1,200 Investment Advisors at 50 branches across Canada. BMO InvestorLine operates as an order-execution only broker for its self-directed clients and as an online full service dealer for its adviceDirect clients.

BMO Investments is an indirect wholly-owned subsidiary of Bank of Montreal. It is registered as a mutual fund dealer and an investment fund manager, is a member of the MFDA, and has approximately 5,600 mutual fund dealing representatives at approximately 974 branches across Canada.

² Section 1.1 of the Securities Act (Ontario)

We are committed to delivering comprehensive high quality professional investment services to clients of all levels of income, investment knowledge, and service needs. Our vision is to define great customer experience and this is demonstrated by the wide selection of services and products that we offer.

Yours sincerely,



Gilles Ouellette
Group Head
BMO Wealth Management