September 13, 2012

VIA EMAIL

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Re: Amendments to NI 31-103 – Performance Disclosure and Cost Reporting

This letter comments on the draft amendments to NI 31-103 and related forms and instruments that relate to implementation of Stage 2 of Point of Sale Disclosure.

I am Vice-President, Chief Legal Counsel and Chief Compliance Officer for IA Clarington Investments Inc. These comments reflect my personal views and not necessarily those of the company.

Commission Disclosure

Generally, I support the concept that investors should understand the cost of their investments. I agree with the comments of the Investment Funds Institute of Canada (IFIC) that it is important that investors understand the costs of all investments, not just mutual funds. While I understand the jurisdictional issues that securities regulators face, I would urge you to work with regulators in other areas (particularly banking and insurance regulators) to promote a level playing field for financial products across regulatory regimes.

I understand that it will be time consuming and expensive to set up an industry wide technology solution to provide dealers with the new detailed commission information. Trailing commissions are clearly disclosed in a readable and understandable way in the Fund Facts for any fund. While I agree that disclosing commission costs will help investors understand and value the services provided by their dealers, the increased transparency will come at a significant cost.

Fixed-income commission disclosure is also very important from the perspective of encouraging

transparency and comparability across products. I would encourage you to ensure that the commission is disclosed at the dealer level and not necessarily the dealing representative level (in a 'grid' model, the dealer will pay only a percentage of the commission to the representative; I believe that the cost to the client is best reflected by the aggregate commission paid to the dealer), in order to ensure that the investor can clearly compare the cost of investing directly in bonds to the cost of investing indirectly through investment funds, where there will be very clear commission disclosure.

Performance Disclosure

Clients will use the performance data for a number of purposes. One important purpose is to compare the performance of their account with performance of other investment products and the promotional materials produced by other dealers and portfolio managers.

While a dollar-weighted performance calculation may best reflect the actual performance of the client's account, as asserted in the commentary on the draft rule, I understand that time-weighted performance may be better comparable with the requirements for showing mutual fund performance under Part 15 of NI 81-102. Similarly, portfolio managers who are marketing their performance returns (typically on a composite client account basis) are encouraged simply to calculate the performance on a "reasonable basis" (CSA Notice 31-325).

I support the concept of performance reporting, but strongly encourage the CSA to give registrants the flexibility to choose the performance reporting methodology that best suits their business model and client needs rather than requiring a single methodology that is not necessarily better for all purposes.

Statement Changes

The new statement rules are very complex. Many dealers and advisors may face significant challenges implementing and following the rules. The statements that come out of the complex rules will themselves be quite complex, and may by virtue of that complexity become less useful for investors.

For example, clients will care very much about whether their securities are held in client name or nominee name in a dealer insolvency, and generally should not care all that much at other times. The rest of the time, I expect that clients will look at their statements (1) to see how their account has performed and (2) to calculate their taxes.

Segregating out accounts by how the securities are held artificially divides the account based on an economic irrelevancy, and could confuse clients. I would suggest that, assuming that it is useful to disclose how the securities are held, that dealers be permitted either to have a blanket statement regarding securities registration at account opening, or to provide periodic disclosure about registration, rather than the proposed segregation based on registration type.

I support the IFIC submissions on “book cost” vs. ‘original cost’.

I am not sure that the disclosure of referral fees received by the registered firm under subsection 14.15(g) will really help an investor understand the cost of the account covered by the statement. Typically, on a referral by a dealer to another firm (such as a portfolio manager), the assets would move from the dealer to the other firm. A client who has no assets remaining with the dealer following the referral might not receive the referral fee report, while a client who has moved almost all of its assets might receive a report that shows a minimal account with the dealer together with a large referral fee. In any event, I submit that it leads to more consistent and relevant disclosure for the referral fees paid on a client account to be disclosed by the registrant paying the fee (presumably out of a management fee paid by the client) than by the registrant receiving the fee.

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Thank you for considering my submissions.

Yours truly,

IA CLARINGTON INVESTMENTS INC.

per: *(signed) “Matthew Campbell”*
Matthew Campbell
Vice-President, Chief Legal Counsel
and Chief Compliance Officer