ING DIRECT
Mutual Funds

September 14, 2012

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
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent ofSecurities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

The Secretary
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19th Floor, Box 55
Toronto, Ontario M5H 3S8
e-mail: comments@osc.gov.on.ca

Madame Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
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e-mail: consultation-en-cours@lautorite.gc.ca

Dear Sirs and Mesdames:

Re: CSA Notice and Request for Comment- Proposed Amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations,* and to Companion Policy 31-103CP, *Registration Requirements, Exemptions and Ongoing Registrant Obligations,* (2"d Publication)

On behalf of ING Direct Funds Limited ("ING Direct"), we appreciate the opportunity to comment on the Canadian Securities Administrators' ("CSA") proposai to amend National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103"), and to Companion Policy 31-103CP, *Registration*

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Requirements, Exemptions and Ongoing Registrant Obligations ("NI 31-103CP"), and consequential amendments (collectively, the "Proposed Amendments"). ING Direct believes in the principle of transparency, especially when it relates to a mutual fund's disclosure of fees. We support many of the proposais, but have sorne concems regarding the CSA's approach to implementation. We urge the CSA to ensure a smooth implementation for these important initiatives by considering consumer group and industry needs and concems, providing sufficient implementation time to adapt systems to comply with the Proposed Amendments, and ultimately consider whether the key issues in the CSA Notice are fully captured in the accompanying Proposed Amendments.

ING Direct is a wholly-owned subsidiary of ING Bank of Canada. As of July 31, 2012, ING Direct's assets under administration were approximately $879 million for proprietary as weil as third party mutual funds.

We are responding in our capacity as a mutual fund dealer.

ING DIRECT Comments and Recommendations

Support for disclosure of trailing commissions

ING Direct supports measures to increase transparency in the Canadian mutual fund marketplace by requiring dealers to disclose the amount of trailing commissions paid in respect of a mutual fund investment as a dollar figure to the investor. We agree with the CSA that the current method of disclosing this figure as a percentage of fund assets is not helpful to investors, and that dollar figure reporting is more meaningful.

We believe that if we were to ask our customers if they want to know how much their mutual fund investments cost, that they would weicome the opportunity of receiving this information. We are in business first for our customers, and as consumer advocates need to respond to the growing customer interest for mutual fund fee disclosure.

We support measures intended to increase customer awareness of fees and expenses involved in the investment decisions they make. Our distribution model is primarily intended for self directed customers that select their own investments and interact online or via telephone with our dealer representatives. Our model is not for every Canadian investor - we recognize that certain investors will prefer a model which provides them with access to more investment advice than what we provide in making their investment decisions, while others will prefer managed accounts where the decision making process is fully delegated to an advisor. We see the value of such alternative advice-based models, and recognize that more value provided may result in a greater cost to the investor.

We support the CSA's initiatives at improving fee disclosure in the Canadian mutual fund marketplace because we believe this could provide consumers with sufficient

information to have greater certainty in determining which investment model is right for them. It will also allow consumers to have an improved understanding of differing series of mutual funds, and the options available to them, including mutual funds with no trailing commissions, where the investor pays their representative directly for advice or financial planning provided.

Mutual Fund fee disclosure initiatives should enable consumers to understand how much their individual mutua! funds cost

We note that the Proposed Amendments will require a dealer to provide one dollar figure at the end of the reporting period which contains the amount of all trailing commissions received by the registered finn. While this is a step in the right direction, we do not believe that this information will be meaningful to consumers. Consumers want to know how much each individual mutual fund they are holding is costing them, so they can have a discussion with their dealer representative as to whether there may be a more suitable series of the same fund for them, or if the investment has over the investor's time horizon underperformed relative to the value received in the way of cost.

Presenting just one dollar figure to the investor will not meet these goals, as all meaningful data would be combined into one figure. Consumers could only use the singular data point to compare a dealer against another dealer or adviser. We do not believe that this was the goal of the Proposed Amendments, as transparency deficiencies principally revolved around the product, not the dealer.

We submit that consumer needs would be better met if trailing commission reporting is produced on a fund by fund basis, and not as a single data point for this information to be meaningful to consumers. A consumer that misinterprets the data, believing it is the dealer instead of the fund that is too costly, will continue to pay the same fees if he/she transfers hislher investments to another dealer, as these costs are based on the series or class of the fund. Presenting data on a fund by fund basis could spur dialogue between dealer and client to determine the most suitable series and class of a fund, instead of encouraging the client to switch dealers.

One concern we have about displaying only trailer commissions on client statements is any possible confusion that may arise in the minds of the investor where the trailing commission disclosure could appear as a brand new fee. As an ultimate goal, clients should be reassured that the trailing commission is a component of the management expense ratio ("MER"), and that the trailing commission is not a new charge to the client.

We propose that data should also include the MER, as this communicates the ultimate cost to the investor in holding the fund over time. This should be reported on a fund by fund basis to consumers as follows:

Fund	Retained by Investment Fund Manager	Paid to Dealer as a Trailing Commission	Total MER
Fund #1	$8.00	$2.00	$10.00
Fund #2	$10.00	$5.22	$15.22
Fund#3	$20.00	$16.55	$36.55
Fund#4	$8.00	$0.00	$8.00
Total	$46.00	$23.77	$69.77

Presenting the information in this manner will meet the CSA's goals of providing meaningful fee disclosure to consumers, as well as a customer need for robust product cost information.

Implementing measures for disclosure of trailing commissions

While we support the CSA's initiatives to improve fee transparency in the Canadian mutual fund marketplace, we believe there is a tremendous amount of work to be done for this to be implemented successfully in a coordinated manner in Canada. We note that proposed s. 14.15(1)(h) of NI 31-103 requires dealers to disclose an amount received during the reporting period to clients. We submit that this should be varied in such a way to make implementation of these initiatives smooth and cost efficient for dealers. Further, we believe that investors may be more interested in amounts that are receivable by dealers, rather than actually received, as the receipt of a cheque by a dealer should not trigger disclosure, but rather the obligation to pay the commission by the investment fund manager. As we anticipate producing cost disclosure reporting for investors on a January 1-December 31 period, we do not expect to receive a cheque from investment fund managers on December 31 for client holdings including that December 31st date.

The CSA should amend s. 14.15(**1**)(h) such that a dealer could report trailing commissions that are receivable by the registered firm, as this would help to improve implementation issues by reducing a dealer's dependency on obtaining information from the investment fund manager. The most critical factors in determining the ongoing commission payable to the dealer include the rate of compensation as a percentage of the client's investment in the fund, and the time that investment was held. Using this, the dealer should be able to create calculations and implement IT solutions that could determine the compensation that it was owed in respect of each mutual fund investment for the investor.

If dealers are able to calculate receivable fees on their own, this could reduce a dealer's dependency on receiving granular data from investment fund managers, (which is

expected to be provided in different formats by each manager which must then be sorted and re-packaged for final presentation to the investor) and make proposed s. 14.1(2) of NI 31-103 redundant. This will only be possible if the requirement is explicitly worded to indicate that amounts "receivable" by dealers are to be disclosed to investors.

Pre-trade disclosure of charges

The CSA is proposing to establish a new requirement in s. 14.2.1 of NI 31-103 for a dealer to advise investors whether trailing commissions are payable to the registered finn in respect of a security on every purchase and sale order. We submit that this should be limited to initial purchases only. We do not believe there is value in providing this disclosure when the investor will be closing a position with the registered finn. An investor will already be receiving ongoing cost disclosure under the Proposed Amendments. We additionally believe that further purchases of a mutual fund security should be exempt, such as where the client has established an automatic purchase plan, or where the client is proposing to place another unsolicited purchase of a mutual fund security that is already held by the client. We are amenable to providing this disclosure to an investor making an additional purchase following the implementation date, if their first purchase occurred on a date where the disclosure requirements had not come into force as of yet.

NI 31-103CP should permit registeredfirms operating in an online delivery channel to send Relationship Disclosure documentation in a manner thal is consistent with this delivery channel

The CSA is proposing to add expanded guidance in NI 31-103CP around the delivery of relationship disclosure documentation stating that "registered individuals must spend sufficient time with clients as part of an in-person or telephone meeting to adequately explain the information that is delivered..." While this method of delivery ofrelationship disclosure information works well for situations where a representative meets with a client, this guidance does not adapt well for registrants dealing primarily in online internet based distribution channels. We believe the guidance should continue to emphasize that registrants may deliver relationship disclosure information in methods that are consistent with their operations.

SRO exemptions where requirements are substantially similar

The 2011 proposal[1] indicated that certain aspects of cost disclosure and performance reporting would not apply to members of a self regulatory organization ("SRO") where

[1] CSA Notice and Request For Comment on Proposed Amendments to National Instrument 31-103 *Registra/ion Requirements and Exemptions* and to Companion Policy 31-103CP *Registration Requirements and Exemptions* (June 22, 2011).

the SRO's requirements for these processes were substantially similar to those contained in NI 31-103. We understand that the CSA is working with SROs to jointly implement requirements that are substantially similar to those in NI 31-103. We urge that the CSA confirm as soon as possible with the SROs and the mutual fund industry within the final rule that SRO requirements are substantially similar, and include an exemption in Part 9 of NI 31-103 indicating that cost disclosure and performance reporting will not apply to members of an SRO, or clarify which requirements if any will not be subject to an exemption for SRO members. SRO members require a degree of certainty before rolling out the significant IT enhancements needed to meet the requirements of the Proposed Amendments, including any modifications or additional requirements necessary to meet SRO requirements.

Benchmarks- NI 31-103CP should not favour GICs over other benchmarks

We believe that NI 31-103CP should not encourage registered firms to use a 5 year GIC as a standard benchmark for investors in their performance reports. We find that in many instances, the performance of a GIC is not a suitable comparison to that of a mutual fund. Our affiliate, ING Direct Asset Management Limited provided extensive commentary on its reasons for preferring to use benchmarks that are listed in s. 15.7 of National Instrument 81-102, *Mutual Funds,* instead of a GIC, when displaying comparative mutual fund performance in its comment letter dated Seftember 6, 2012 to proposed amendments to point of sale disclosure documents. We will not reiterate those comments in this letter but affirm that our affiliate's comments in that letter apply in this case as well.

Transition Period- Implementation Date should be January 1, 2014 for items coming into force immediate/y, and January 1, 2015 for the remainder of the Proposed Amendments

For the purposes of proposed paragraphs 14.14(6)(e.2), 14.14(6.2)(f), 14.17(1)(f), 14.17(2)(e), and other similar instances where the dealer canuse a eut-off point for sourcing data for performance data reporting, we believe the CSA should select January 1 as the implementation date for the Proposed Amendments in order for performance reporting to be meaningful to an investor. Performance reports will appear confusing if an odd date is selected as the implementation date for measuring an investor's individual mutual fund performance in these cases. We support ensuring that these initiatives are implemented in as smooth a manner as possible, and enacting an intuitive implementation date for the consumer will play a part in this roll-out.

We appreciate the CSA's proposai to require compliance with many of the Proposed Amendments in three years' time following the implementation date. We submit the

[2] CSA Notice and Request for Comment- Proposed Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure,* Form 81-101F3 and Companion Policy 81-101CP *Mutual Fund Prospectus Disclosure,* and Consequential Amendments (2nd Publication) (June 21, 2012).

implementation date should be January 1, 2014 for items coming into force immediately to permit registered firms with sufficient time to update their customer facing materials, policies and procedures, dealer representative training, and other ancillary items necessary to ensure compliance with the Proposed Amendments.

As discussed above, we believe the CSA should consider whether the Proposed Amendments have adequately captured investors' needs and industry concerns prior to following through with implementation. If the CSA agrees that fund by fund reporting of trailing commissions meets these criteria, we believe that additional time will be required to implement, and as such, we propose a January 1, 2015 date as the implementation date, with the first rollout to consumers occurring 3 years later, as indicated in the Proposed Amendments.

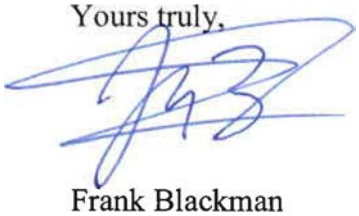
As implementing these measures will be costly to firms, we urge the CSA to confidently implement a final rule that it will not need to modify with further amendments shortly after the implementation date. To do so, we believe there is greater value in spending the necessary time with industry and consumer groups to determine if the needs and concerns ofboth have been met in the implementation of this initiative.

Conclusion

We commend the CSA for actively seeking input from market participants on the Proposed Amendments. ING Direct is grateful to have had the opportunity to provide its comments. We generally support the Proposed Amendments as they are expected to increase consumer awareness of the costs of mutual fund investing in Canada, which is good for the market in general. However, we believe that certain aspects of the Proposed Amendments may require further consideration or refinement as discussed in our responses and comments described above, particularly with ensuring that the new requirements are implemented in a well thought out, organized, and well planned manner to increase the likelihood that investors will benefit from the changes.

Should you have any questions, we would be pleased to provide further explanation with respect to matters described above at your convenience.

Yours truly,



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