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September 14, 2012

VIA E-MAIL

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
Registrar of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Registrar of Securities, Nunavut

Attention:

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames:

Re: CSA Notice and Request for Comment on 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*: Cost Disclosure, Performance Reporting and Client Statements (collectively, the "Proposed Amendments")

We are writing in respect of the Request for Comment dated June 14, 2012 regarding the Proposed Amendments. We appreciate the opportunity to comment on these important matters.

Invesco Canada Ltd. is a wholly-owned subsidiary of Invesco, Ltd. Invesco is a leading independent global investment management company, dedicated to helping people worldwide build their financial security. As of August 31, 2012, Invesco and its operating subsidiaries had assets under management of over US\$669 billion. Invesco operates in 20 countries in North America, Europe and Asia.

Invesco Canada continues to support the underlying premise of the Proposed Amendments. We believe that this initiative is consistent with protecting the interests of investors and is important toward restoring investor confidence generally in the wealth management sector.

1. Pre-Trade Cost Disclosure

We support the requirement to provide pre-trade cost disclosure to investors. We have historically believed that investors are provided this information through the prospectus but we have become increasingly concerned over time as it has become evident that investors do not typically read this important disclosure document. Proper pre-trade disclosure should avoid disputes later on and this is clearly in the best interests of investors and market participants.

2. Client Statement Requirements

The Proposed Amendments include the requirement to disclose “book cost” for all investments. Historically, the book cost has been reported only for registered investments. We believe that such distinction is untenable and support this new disclosure requirement. However, we are concerned that investors will be confused and use the information on their statements as their tax cost for tax reporting purposes. In many cases, as the CSA notes, the two will be the same. But there will be cases where it is not, including, among others:

- where the same security is held by an investor in multiple non-registered accounts with the same dealer
- where the same security is held by an investor also in an account at another dealer
- where the security was bought prior to the implementation date of the Proposed Amendments, as the Proposed Amendments allow the registered firm to use the value on the implementation date for purposes of calculating book cost (see proposed subclauses 14.14(6)(e.2) and 14.14(6.2)(f), where such value may be used for a security if the firm uses that value for all clients who hold that security).

As such, we respectfully request the CSA to require a warning to this effect on the statements in close proximity to the disclosure. The statement would be in the nature of the following: “Book cost may differ between accounts for the same security. Please be careful to apply this information correctly. Where securities were held prior to [insert implementation date of Proposed Amendments], the book cost will not be the same as the tax cost.”

The proposed warning alerts the investor as to reliability of the information in the first two circumstances noted above, as well as where the information is simply unreliable and should help investors avoid unpleasant interactions with the Canada Revenue Agency.

Where a firm does not use valuation on the implementation date of the Proposed Amendments, then firms would be entitled to delete the last part of our proposed language.

3. Cost Reporting Statement

(a) Trailing Commission Disclosure

The Proposed Amendments include a new requirement for an annual statement on cost disclosure, reflecting the actual dollar costs received by the registered firm from the client's investments. Invesco Canada supports this requirement; however, we have concerns regarding trailing commission disclosure. We understand the rationale for this disclosure but, as mentioned in our previous comment letter, we are concerned that the disclosure of trailing commissions will be provided without context to the investor. Perhaps the two year lag between pre-trade cost disclosure and the annual report on costs will provide some context, but we are skeptical. As a result, we are concerned with the unintended consequences.

While the wealth management industry can and should make the value proposition to investors – and one would hope that over the next 3 years we can do so – it must be noted that the perception of the financial services industry at present is not at an all-time high and, therefore, it is questionable whether investors would lend much credence to industry arguments over value. We are not suggesting this requirement be dropped, but we are suggesting that the CSA has a role to play in explaining this to Canadians as it is intimately related to capital market efficiency due to the impact on capital market participation. If the result of the Proposed Amendments, which are obviously well-intentioned, is to decrease investment by Canadians, then we question whether any regulatory purpose will have been served. Invesco Canada does not believe such a result is in our interests or those of our investors. We would like to see these Proposed Amendments have a positive effect and we believe such would be the case if the CSA undertook a public information campaign to discuss – in an unbiased manner – the value received for trailing commissions.

We are also concerned that the client will misunderstand the distinction between what a dealer firm receives and what their registered representative receives. One of the goals of compensation disclosure is to mitigate the inherent conflicts of interest in the financial advice business but the disclosure requirement as written does not fully address this conflict. The range of grid payments made by dealers to registered representatives varies quite widely and, in a situation where the dealer receives a \$1,000 trailing commission for a client account, depending on the dealer's grid, the payment to the registered representative may be quite different. The registered representative has the direct relationship with the client and should be able to explain the full amount, but the conversation may be quite different depending on the registered representative's entitlement. This may also affect how a client views this information. For example, if the client understands that the representative is getting \$800 and the dealer \$200, they may have a different reaction than if the representative is getting \$500 and the dealer \$500, depending on the level of service they perceive they are getting from the registered representative. We do not know how practical it is for dealers to disclose the registered representative's portion of the payment and, therefore, we are not recommending that this disclosure be mandated. However, we believe the CSA should consider this issue further and discuss its ramifications with IIROC and the MFDA. If appropriate, we would break down

the current proposed disclosure from one line to two: dealer portion of trailing commissions and registered representative portion of trailing commissions.

(b) Information Provided by Investment Fund Manager

In terms of compliance by an investment fund manager with proposed subsection 14.1(2), the information required to be provided by an investment fund manager to a dealer under this subsection is largely available to dealers through the FundSERV network in a monthly (for trailer commission), weekly (for commissions paid to the dealer) or daily (for commissions/fees paid by the client to the fund company) downloadable file. The monthly file provides information by registered representative, rather than by account, unlike the daily and weekly files. We assume that FundSERV will initiate a system enhancement during the transition period so that the monthly file is provided on a per account basis. It is our view that these FundSERV files (including the modified trailer commission file) would be sufficient for an investment fund manager to meet its obligations under proposed subsection 14.1(2). If the CSA agrees with this position, we respectfully request that this be stated in the Companion Policy. We believe clarity is vital in this instance as it is quite foreseeable that dealers and investment fund managers may disagree over the compliance obligation and regulatory guidance is the only way to avoid such conflict.

4. Performance Reporting Statement

Invesco Canada fully supports the requirement to provide investors with personalized rates of returns and, in many cases, we expect to be an early adopter of this requirement. We currently offer personalized rates of returns in some programs, as do some of our competitors. As such, we are skeptical that such a lengthy transition period is necessary. However, we do acknowledge there may be registrants who indeed need that amount of time. We believe the CSA should promote early adoption of this and other requirements contained in the Proposed Amendments by so stating in the Companion Policy and in the final notice regarding approval of the Proposed Amendments.

The Request for Comments invites comment on whether a dollar-weighted or time-weighted method should be used. Invesco Canada supports using a dollar-weighted approach as being much more meaningful and relevant to an investor.

In the Final Notice and Rule, we would appreciate it if the CSA could clarify whether the performance report can form part of the client statement. Currently, many fund company and dealer statements include much of the information other than personalized rates of return that will be required under proposed section 14.17. As such, it may be more efficient to maintain this reporting in one document.

5. Conclusion

We would conclude by stating again that we believe that the proposed changes are generally a move in the right direction, and appreciate that the CSA is continuously trying to improve investors' experience in participating in our capital markets.

Thank you for providing us with the opportunity to comment on this important initiative. We would be pleased to discuss our comments further should you so desire.

Yours very truly,

Invesco Canada Ltd.

A handwritten signature in black ink, appearing to read "Eric Adelson", with a long horizontal flourish extending to the right.

Eric Adelson
Senior Vice President, Legal and Chief Compliance Officer