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October 5, 2016

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick
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:

Robert Blair
Secretary (Acting)
Ontario Securities Commission
20 Queen Street West, Suite 2200
Toronto, ON M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, rue du Square-Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal (Québec) H4Z 1G3

Dear Sirs/Mesdames:

Re: CSA Notice and Request for Comment re Proposed Amendments to National Instrument 31-103, National Instrument 33-109 and Related Forms

Capital International Asset Management (Canada), Inc. ("CIAM") is writing in response to the CSA's request for comments on proposed amendments to National Instrument 31-103, National Instrument 33-109 and related forms.

As background, CIAM is part of The Capital Group Companies, Inc. ("Capital Group"), a global investment management firm which originated in 1931. CIAM serves as the manager and trustee to the Capital Group mutual funds, which are subadvised by its U.S. affiliates, Capital Research and Management Company and Capital Guardian Trust Company, which are both wholly-owned subsidiaries of Capital Group. CIAM is currently registered as an investment fund manager and portfolio manager in Ontario as well as an exempt market dealer in the provinces of Ontario, Quebec, Alberta, British Columbia and Nova Scotia.

As requested in the CSA's request for comments, our comments are summarized in accordance with the subject matter identified by the sub-headings below.

Exempt Market Dealer Amendments

The proposed amendments clarify the activities that may be conducted by exempt market dealers ("EMD") and emphasize that EMDs may not participate in distributions of prospectus-qualified securities. We believe the CSA needs to develop regulatory solutions to address market evolution and foster competition that meets the needs of all types of investors and registrants and the recently proposed EMD amendments are inconsistent with those objectives as outlined below.

The proposed amendments are further enhanced to expand the dealer registration exemption in section 8.6 of NI 31-103 so that registered advisers may trade in prospectus-qualified investment fund securities under certain conditions for their managed account clients. In addition, the proposed guidance in the NI 31-103CP suggests that EMDs are permitted to trade in exempt distributions including trading in securities of investment funds and reporting issuers, provided such securities are distributed under an available prospectus exemption.

We urge the CSA to consider the various business models and industry practices prior to imposing these restrictions broadly on all types of EMDs. Pursuant to its EMD registration, a firm may currently distribute its proprietary prospectus-qualified investment funds to the exempt market limiting such sales solely to clients that meet the "permitted client" definition under NI 31-103. As permitted clients are a subset of accredited investors which include ultra-high net worth individuals and institutional investors, there are several 'carve outs' or exemptions from certain requirements of NI 31-103 for such clients. This is based on the fact that, by virtue of the fact that these types of clients are sophisticated investors, they are not subject to all of the disclosure and other requirements of the instrument which are more appropriate for retail clients. If the CSA's policy rationale is to limit EMD distributions of prospectus-qualified investment fund securities to the exempt market, we suggest it consider an exemption based on the rationale of the proposed managed account exemption in section 8.6 of NI 31-103, which allows advisers to distribute prospectus-qualified investment funds for which the adviser also acts as the investment fund manager to its managed account clients on a discretionary basis. We believe EMDs distributing their own proprietary funds (for which they also act as investment fund manager) to permitted clients is similar to the managed account relationship in that the end client is a sophisticated investor and does not require the same level of disclosures and protections designed and intended for retail investors.

If EMDs can continue to sell non-prospectus-qualified products to the exempt market, we question why they cannot sell prospectus-qualified funds to sophisticated investors such as permitted clients. Prospectus-qualified funds are have the distinct benefit of local regulatory scrutiny and oversight compared to non-prospectus-qualified funds which are permitted products for distribution by EMDs. If the exemptions are introduced as proposed, certain EMDs may have to enter into contracts with third party firms who offer broader distribution services through SRO registration, which would not be in the best interests of EMD clients or registrant firms due to the

additional costs, due diligence and compliance oversight involved to implement and oversee the outsourced services. The effect of this would be to defeat the purpose of allowing EMDs to continue to offer sophisticated investors a broader range of products currently permitted under NI 31-103.

Client Relationship Model Phase 2 Amendments

We support and commend the CSA's efforts in enhancing disclosures for investors. Once fully implemented, the changes introduced through CRM2 will have a significant impact on reporting and disclosures to investors. In this regard, we are encouraged to see that the CSA is continuing to revise NI 31-103 to incorporate prior CRM2 guidance issued including some technical amendments and certain new proposals. We support disclosure enhancements in NI 31-103 that will be meaningful and clear to investors and have outlined some of our concerns, as reflected in our comments below.

Section 14.2 [*relationship disclosure information*] – the additional guidance in section 14.2 of NI 31-103CP includes enhanced disclosures regarding related party relationships, custodian arrangements and charges paid by clients. The Companion Policy includes the CSA's expectations to include disclosure on management fees associated with mutual funds in relationship disclosure documents. Since management fees are detailed in other disclosure documents (prospectus, financials, Fund Facts), we believe this requirement is duplicative, potentially confusing and will not be meaningful in a document that is intended to provide disclosure about a client's relationship with the registrant that a reasonable investor would consider important. However, in the event the CSA proceeds with this type of disclosure, then we suggest it would be more appropriate to include disclosure regarding management expense ratios (as opposed to management fees) in the report on charges and other compensation annual report.

Section 14.17 [*report on charges and other compensation*] – the CSA asks for comments on enhancing disclosures regarding non-cash incentives and embedded fees such as management fees in these annual reports. As the proposed text prescribed by the CSA regarding non-cash incentives is more general and cautionary in nature, we do not believe it would be meaningful for investors. As mentioned above, embedded fees such as management fees are fully disclosed and detailed in other materials, we do not believe general notification of the existence and nature of such fees would be useful for clients and could lead to potential confusion regarding the total amount of fees being paid. In fact, additional disclosures that are vague and duplicative may have the unintended consequence of distracting the investor from focusing on the key elements of this new report which is intended to provide detailed information on the dollar amounts of costs and charges paid by the investor. As previously mentioned, rather than including disclosure regarding management fees, it would be more useful for investors to see the management expense ratios in order for them to make meaningful comparisons between funds.

Section 14.19 [*content of investment performance report*] – we believe that the suggestion in the Companion Policy to compare an investor's actual rate of return to a target rate of return would not necessarily aid investors in assessing progress toward their investment goals as intended in the Companion Policy. For those investors who have financial plans, the targeted rates of return may vary based on many several factors including their personal circumstances, market conditions, etc.; such comparisons may be alarming to certain investors leading to emotional investing decisions in the short-term rather than focussing on holding longer-term investments based on sound investment recommendations, potentially compromising their investment goals. Investors may also be negatively impacted by making rash investment decisions without seeking professional advice from their investment representatives. For registrants, making systems enhancements, testing data and ongoing monitoring

required to comply with this element would be onerous and costly to implement. Alternatively, we believe it is more meaningful and effective for investors to have open and ongoing dialogue with their advisors regarding their specific investment needs and targets. The disclosure in the existing sample investment performance report referring the investor to their representative to aid in this type of discussion is appropriate and effective.

Closing Comments

With evolving markets, businesses and increasing competition, we strongly urge the CSA to reconsider the proposed amendments regarding the distribution of prospectus-qualified investment funds by EMDs as referenced in our comments above.

We are generally supportive of the disclosure enhancements introduced through the implementation of CRM2 and the Point of Sale requirements. Before proposing new requirements through CRM2, we urge the CSA to await the completion of the multi-year project currently underway which is intended to review and measure the outcome of these major regulatory initiatives. A comprehensive impact analysis is essential to monitor the effects of these new requirements on stakeholders prior to introducing new or amended legislation in this regard.

Thank you for the opportunity to provide our comments. If you have any questions, please feel free to contact the undersigned.

Yours truly,

CAPITAL INTERNATIONAL ASSET MANAGEMENT
(CANADA), INC.

(signed) "Mark Tiffin"
Mark Tiffin
President