



FRANKLIN TEMPLETON
INVESTMENTS

200 King Street West, Suite 1500
Toronto, Ontario M5H 3T4
telephone 416.957.6000
toll-free 1.800.897.7280
facsimile 416.364.5460
franklintempleton.ca

VIA EMAIL

April 10, 2012

Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Financial Services Regulation Division, Service NL, Government of Newfoundland and Labrador

Attention: John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West, Suite 1900, Box 55
Toronto, ON M5H 3S8

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

- and to -

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Registrar of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Registrar of Securities, Nunavut

Attention: Lindy Bremner
British Columbia Securities Commission
701 West Georgia Street, P.O. Box 10142, Pacific Centre
Vancouver, B.C. V7Y 1L2

Dear Sir/Madames:



FRANKLIN TEMPLETON
INVESTMENTS

- 2 -

Re: Request for Comment – Multilateral Instrument 32-102 Registration Exemptions for Non-Resident Investment Fund Managers

And Re: Notice of and Request for Comment on Proposed Multilateral Policy 31-202 Registration Requirement for Investment Fund Managers

Franklin Templeton Investments Corp. (“FTI”) welcomes the opportunity to make a submission with respect to the *Request for Comment – Multilateral Instrument 32-102 Registration Exemptions for Non-Resident Investment Fund Managers* (“MI 32-102” or the “Exemption Based Proposal”) and *Notice of and Request for Comment on Proposed Multilateral Policy 31-202 Registration Requirement for Investment Fund Managers* (“MP 31-202” or the “Policy Based Proposal”).

FTI is a wholly owned subsidiary of Franklin Resources, Inc., a global investment organization operating as Franklin Templeton Investments. Through its subsidiaries, Franklin Templeton Investments provides global and domestic investment advisory services to the Franklin, Templeton, Bissett, Mutual Series, Franklin Templeton and Quotential funds and institutional accounts. In Canada, FTI has more than 600 employees providing services to almost one million unitholder accounts and almost 150 pension funds, foundations and other institutional investors.

FTI supports the attempt by the securities regulatory authorities to ensure that non-resident investment fund managers (“IFMs”) have sufficient proficiency, integrity and solvency to adequately carry out their functions. However, we do have concerns with the Exemption Based Proposal and the Policy Based Proposal in their current form. Our comments/concerns are as follows:

Comments on the Exemption Based Proposal and Policy Based Proposal

1. Lack of Harmonization

We are extremely troubled by the proposal of the two very dissimilar rules governing non-resident IFM registration: (i) MI 32-102 by Ontario, Quebec, New Brunswick, Newfoundland and Labrador (the “Exemption Based Jurisdictions”), and (ii) MP 31-202 by British Columbia, Alberta, Saskatchewan, Manitoba, Prince Edward Island, Nova Scotia, Northwest Territories, Yukon and Nunavut.

Although there is not a national securities regulator, the provinces and territories have generally worked together to make access to Canadian capital markets easier for domestic and foreign issuers, dealers and advisors. This helps inspire investor confidence and provide efficient securities regulation. However, these two different rule proposals are contrary to the general goal of regulatory harmonization, as well as to the specific goal of the recently enacted National Instrument 31-103 (“NI 31-103”) which is to harmonize, streamline and modernize registration requirements across Canada and strike an



FRANKLIN TEMPLETON
INVESTMENTS

- 3 -

appropriate balance between providing an efficient system for registrants and protecting investors. We respectfully submit that this non-unified approach will make access to the Canadian capital markets more difficult and expensive. Non-resident IFMs will have to do an analysis on a jurisdiction by jurisdiction basis to determine whether IFM registration is necessary, and the differing analysis will make it more complicated and prohibitive to enter into the Canadian market.

Accordingly, we urge the Canadian Securities Administrators (the "CSA") to consider this issue further and the negative impact the lack of harmonization will have on Canadian capital markets. We recommend that the securities regulators adopt one national rule on the registration of non-resident IFMs which can be easily proposed as amendments to NI 31-103, as evidenced by the October 2010 CSA proposed amendments to NI 31-103 (the "October 2010 NI 31-103 Proposed Amendments").

2. Acting as an IFM

Both MI 31-202 and MP 32-102 provide examples of functions and activities that may amount to acting as an IFM. "Marketing the fund" is one such example. We believe that marketing the fund is not tantamount to directing or managing the business, operations or affairs of an investment fund. In addition, marketing has generally been associated with the distribution of a fund and distribution is already provided for in the dealer registration category and should not also be caught by IFM registration. Thus, we respectfully submit that marketing a fund should not be a consideration in determining whether an entity is acting as an IFM.

Comments on the Exemption Based Proposal

1. Investment Fund as IFM Client

We respectfully submit that a non-resident IFM should not be required to register in a jurisdiction just because investors have been solicited or there are security holders of the investment fund resident in that jurisdiction. We do not believe that this is an appropriate benchmark for IFM activities, especially since the investment fund is the IFM's client and not the underlying investors in the fund. This is consistent with the position taken by the CSA for the registration of portfolio managers - the fund is the portfolio manager's client and not the underlying investors. We are not aware of any rationale for looking through the fund to its underlying investors or of any policy basis for diverging from the registration requirement imposed on portfolio managers.

2. Exempt IFM Filing

As part of the permitted client exemption from registration in MI 32-102 (the "Permitted Client Exemption"), an IFM must provide notices in writing to the permitted client and to the applicable securities regulatory authorities which include certain prescribed details.



FRANKLIN TEMPLETON
INVESTMENTS

These notices are similar to those required when relying on the exemptions from the international dealer and advisor registrations. However, there are two significant additions to the Permitted Client Exemption. First, there is a requirement to provide the applicable securities regulatory authority by December 1 of each year with the total assets under management in the local jurisdiction. Second, there is a requirement to provide the applicable securities regulatory authority with a Notice of Regulatory Action and any changes thereto. These two notices are not currently required with respect to the international dealer and advisor exemptions and therefore, we do not believe it is necessary to impose these new requirements on exempt IFMs. We are not aware of any policy reasons for these additions and we respectfully submit that they not be included.

3. Grandfathering

We understand that the Exemption Based Proposal will apply to non-resident IFMs that solicit investors or have security holders of the fund in the jurisdiction following the effective date of the MI 32-102. However, we are concerned that the Exemption Based Proposal will also apply retroactively and catch non-resident IFMs that historically may have solicited investors in the Exemption Based Jurisdictions and non-resident IFMs that may have existing security holders in their fund resident in the Exemption Based Jurisdictions notwithstanding that they no longer solicit investors in such jurisdictions. This would make compliance with the rule overly complicated as non-resident IFMs will need to do an analysis of their past solicitation activities as well as an analysis of all of the security holders in their funds to determine whether there are any security holders resident in the Exemption Based Jurisdictions, and if so, whether these security holders can be classified as permitted clients such that they can avail themselves of the Permitted Client Exemption. Accordingly, we respectfully submit that the Exemption Based Proposal only apply to solicitation and investment activities following its date of coming into force. A similar grandfathering exemption was included in the October 2010 NI 31-103 Proposed Amendments and we believe that it makes sense from both a practical and a policy basis to include it in MI 32-102.

Thank you for your consideration of this submission. Please feel free to contact my colleague Robyn Mendelson at 416.957.6051 or me at 416.957.6010 or should you have any questions or wish to discuss our submission.

Yours truly,

FRANKLIN TEMPLETON INVESTMENTS CORP.

Brad Beuttenmiller
Senior Vice-President & Chief Counsel, Canada