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September 23, 2011

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 of Securities, Newfoundland and Labrador  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Yukon Territory  
Superintendent of Securities, Nunavut

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Ontario Securities Commission  
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Me Anne-Marie Beaudoin  
Corporate Secretary  
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Montréal (Québec) H4Z 1G3

**Re: Proposed Amendments to National Instrument 31-103: Cost Disclosure and Performance Reporting**

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We are writing to provide comments on the proposed amendments to *National Instrument 31-103 Registration Requirements and Exemptions: Cost Disclosure and Performance Reporting* (the “Proposals”).

Manulife Mutual Funds, a division of Manulife Asset Management Limited, is the manager and trustee of the Manulife mutual funds. Manulife Mutual Funds is part of Manulife Investments, which offers personal wealth management products and services, such as mutual funds, segregated funds, annuities and guaranteed investment contracts. Manulife Asset Management Limited’s head office is located in Toronto, Ontario.

Manulife Securities Investment Services Inc. (MSISI) is a mutual fund dealer registered in every province and territory throughout Canada (with the exception of Nunavut). MSISI is a wholly owned subsidiary of The Manufacturers Life Insurance Company and benefits from the financial strength, security, reputation and resources of Canada's largest life insurance company. MSISI is a member of the Mutual Fund Dealers Association of Canada and is registered with the Autorite des marchés Financiers (AMF) in the province of Quebec.

We support the general principles of the Proposals to provide clients with clear and transparent reporting on performance and costs. We do, however, believe that the Proposals raise two significant concerns that need to be taken into consideration before these regulations are finalized. Specifically, we are concerned that:

- There appears to be overlap and confusion between the consultation processes relating to performance reporting and cost disclosure undertaken first by IIROC and MFDA and now by the CSA;
- There is an undue emphasis on the disclosure of fees and compensation that are already taken into account in the MER calculation and in net return reporting, with the risk that the additional disclosure will confuse investors and lead to misleading cost comparisons with products that do not require similar disclosures.

We elaborate on these concerns below. In addition, please note that we have read and are generally supportive of the comments set out in the letter put forward by The Investment Funds Institute of Canada ("IFIC") on September 7, 2011.

**Regulatory Coordination:** In our view, MFDA Rule 5.3.5, which was the result of a lengthy consultation process, provides a reasonable and balanced approach to these issues, and we do not believe it should be displaced by these Proposals.

The statement and system changes that will be made to meet the new MFDA Rule 5.3.5, due to become effective in July 2012, will be overtaken by the implementation of the Proposals. If dealers are required to make statement reporting changes to meet the MFDA requirement, and subsequently to make changes to implement the Proposals, then over a relatively short time investors will experience two significant statement and reporting changes. We believe it is in the best interests of investors to have one clear and consistent rule for performance reporting and cost disclosure and not to have too frequent changes mandated by competing regulations.

We would encourage the CSA to allow the MFDA and other SROs to develop rules for the regulation of performance reporting and cost disclosure of their members, and exempt SRO members from compliance with the Proposals.

**Overlap with Point of Sale NI 81-101 Changes:** The Proposals significantly overlap with the Point of Sale (POS) disclosure requirements. In our view, it is preferable to regulate mutual fund disclosure information through changes to NI 81-101, rather through changes to NI 31-103.

**Annual Cost Disclosure:** We believe that the cost disclosures found in the Proposals may confuse investors and lead them to make misleading cost comparisons. We submit that the requirement to aggregate charges and disclose fees that are already reflected in MER calculations may cause investors to



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double count charges. This confusing practice may cause investors to believe their mutual fund investments are being overcharged relative to other products.

**Annual Performance Reporting:** We support the performance reporting approach set out in MFDA Rule 5.3.5 which mandates a simple measure with flexibility to provide annual gain/loss information or percentage return. As noted above, we encourage the CSA to allow the MFDA to develop rules for performance reporting, and exempt MFDA members from compliance with the Proposals.

Thank you for the opportunity to provide these comments.

Yours truly,

MANULIFE ASSET MANAGEMENT LIMITED

*“Martin Guest”*

By: Martin Guest  
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Secretary

MANULIFE SECURITIES INVESTMENT SERVICES INC.

*“Rick Annaert”*

By: Rick Annaert  
President and Chief Executive Officer