

September 21, 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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Secretary Ontario Securities Commission
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Corporate Secretary
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Re: Proposed Amendments to National Instrument 31-103: Cost Disclosure and Performance Reporting

We are writing to provide comments to the proposed amendments to *National Instrument 31-103 Registration Requirements and Exemptions: Cost Disclosure and Performance Reporting* (the "Proposals"), published on June 24, 2011.

We support the general principles of the Proposals to provide clients with clear and transparent reporting on performance and costs. However, we agree with the IFIC letter that the Proposals raise two significant concerns for the industry which need to be taken into consideration before any further work is done on these regulations. Our principal concerns relate to:

- The disregard for the CRM consultative process under the Registration Reform project where performance reporting and cost disclosure were first delegated to IIROC and MFDA for rule development and then readdressed in the current Proposals – a practice which ultimately draws into question the integrity of the consultative process;

- The overemphasis on disclosure of fees and compensation that are already paid by the MER and included in net return reporting – an overemphasis which will confuse investors and promote misleading cost comparisons with products that do not require similar disclosures.

Regulatory Coordination:

We are concerned that conclusions reached following lengthy public consultation by the MFDA, as reflected in MFDA Rule 5.3.5 are balanced in their application, and believe that they should not be set aside by these Proposals. To do so, in our view would undermine the value of the extensive and valuable work contributed over the last seven years of public consultations, and would place at risk the credibility of the public consultation process itself.

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. Such instability in reporting and statement presentation cannot be in the best interests of the investor. We believe it is in the best interests of investors to have one clear and consistent rule for performance reporting and cost disclosure as developed through accepted practices of public consultation.

We ask that the CSA allow the 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

There is significant overlap with the Point of Sale (POS) disclosure requirements. It is our view that disclosure of mutual fund information should be mandated through changes to NI 81-101, and should not also be mandated in advance of Phase 3 of POS through changes to NI 31-103.

Annual Cost Disclosure:

The cost disclosures found in the Proposal will confuse investors and may lead them to draw misleading cost comparisons.

The new emphasis on aggregating charges and disclosing fees such as trailer fees may cause investors to double count charges that have already been charged to their investments and are disclosed elsewhere. This misleading practice may cause investors to believe their mutual fund investments are being overcharged relative to other products, and lead them away from suitable mutual fund investments to less suitable and less transparent investment options in the banking and insurance sectors where such detailed requirements are not required.

Annual Performance Reporting:

The MFDA has an approved rule in place for performance reporting which is in line with the principles of the CRM and represents the balance of interests reflected in the extensive public consultations that preceded its adoption. We believe that the MFDA Rule 5.3.5 which mandates a simple measure with flexibility to provide annual gain/loss information or percentage return, aligns well with the expressed needs of investors and their unwillingness to pay additional for more detailed performance information.

We believe that the IFIC recommendations meet the needs of all stakeholders and we recommend that you consider them seriously as you decide on next steps for this initiative.

Sincerely,

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