

September 26, 2016

BY EMAIL

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

Robert Blair, Secretary (Acting)
Ontario Securities Commission
20 Queen Street West, Suite 2200
Toronto, ON M5H 3S8
E-mail: comments@osc.gov.on.ca

– and –

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
E-mail: consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames:

Re: CSA Notice and Request for Comment - Proposed Amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, National Instrument 33-109 *Registration Information and Related Forms* (the “Proposed Amendments”)

The Canadian Advocacy Council¹ for Canadian CFA Institute² Societies (the CAC) appreciates the opportunity to provide the following general comments on the Proposed Amendments and respond to the specific questions referenced below.

¹ The CAC represents more than 15,000 Canadian members of the CFA Institute and its 12 Member Societies across Canada. The CAC membership includes portfolio managers, analysts and other investment professionals in Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. See the CAC's website at <http://www.cfainstitute.org/cac>. Our Code of Ethics and Standards of Professional Conduct can be found at <http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx>.

² CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors' interests come first, markets function at their best, and economies grow. CFA Institute has more than 135,000 members in 151 countries and territories, including 128,000 CFA charterholders, and 145 member societies. For more information, visit www.cfainstitute.org.

Exempt Market Dealer Amendments

We are supportive of the proposed clarifications to the permitted activities for exempt market dealers, in that the Proposed Amendments should result in a consistent application of the principle that EMDs should not participate in offerings of securities under a prospectus in any capacity. The new proposed guidance in 31-103CP is particularly helpful with respect to investment fund securities, where it is specifically noted that exempt market dealers may trade in such securities provided they are distributed under a prospectus exemption. We agree that freely tradeable securities should only be traded by investment dealers subject to the oversight of IIROC and subject to the universal market integrity rules.

- 1. Proposed section 14.5.2 of 31-103CP includes guidance for investment fund managers in respect of key terms that they should consider when entering into a written custodial agreement on behalf of the investment funds managed by them. (1) We invite specific comment on whether this guidance is sufficiently clear and whether it would be helpful when negotiating contract terms with custodians for investment funds that are not subject to NI 81-102 and NI 41-101. Should there instead be prescribed key terms for custodial agreements in NI 31-103, similar to the requirements found in NI 81-102 and NI 41-101? In particular, should there be a requirement for such custodial agreements to include a prescribed standard of care and responsibility for loss for the custodian?*

In our view, the existing guidance is sufficiently clear. It may be difficult to set and enforce a prescribed standard of care and responsibility for foreign custodians, particularly with respect to non-reporting issuers.

- 4. Section 14.17 [report on charges and other compensation] The annual report on charges and other compensation requires disclosure of the amounts paid to the registered dealer or registered adviser that provides the report. This disclosure shows the client the costs and incentives related to their investment account.*

The report does not extend to non-cash incentives that may be paid to the dealer or adviser and its representatives, such as promotions or other employment benefits, for sales of certain products. We are considering ways of making clients aware of these kinds of incentives. We invite specific comments on the potential usefulness of adding a new requirement that, where a firm or its representatives received or may receive incentives not captured by the existing provisions, the annual report must specifically list all additional sales incentives and must include prescribed text to the following effect: "In addition to the payments specified in this report, [the firm] or its representatives may also receive other sales incentives related to the securities that you have purchased through us. These incentives can influence representatives to recommend one investment over another ?

The suggested language is reasonable in instances where other incentives exist, but should not be required in all instances where such incentives plainly do not exist.

- 5. The report does not extend to the ongoing costs of owning securities with embedded fees paid to issuers, such as mutual fund management fees. We are considering ways of making clients more aware of such fees. We invite specific comment on the potential usefulness of adding a general notification in the annual report that would remind clients invested in mutual funds, or other securities with embedded fees about the following: • management fees are paid to the*

issuer, whether or not the dealer or adviser receives any trailing commissions or other payments tied to those fees, and • these fees may reduce the client's investment returns.

A statement similar to the suggestion above would be a useful reminder to clients that there are charges implicit in most investment products.

Concluding Remarks

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have or to meet with you to discuss these and related issues in greater detail. We appreciate the time you are taking to consider our points of view. Please feel free to contact us at chair@cfaadvocacy.ca on this or any other issue in future.

(Signed) *Michael Thom*

Michael Thom, CFA
Chair, Canadian Advocacy Council