



October 5, 2016

Delivered By Email: [comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca) and [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

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

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

Dear Sirs and Mesdames:

**RE: CSA Notice and Request for Comment - Proposed Amendments to NI 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations, NI 33-109 Registration Information and Related Forms**

We are writing to provide comments on behalf of the Members of The Investment Funds Institute of Canada in response to the *CSA Notice and Request for Comment - Proposed Amendments to NI 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations, NI 33-109 Registration Information and Related Forms ("Proposed Amendments")*.

Our comments relate to the proposed Exempt Market Dealer Amendments and Client Relationship Model Phase 2 Amendments.

### **Comments on proposed Exempt Market Dealer Amendments**

The Notice explains that the Proposed Exempt Market Dealer Amendments are intended mainly to clarify activities that exempt market dealers may engage in. However we believe these amendments create an unwarranted and, we hope, unintended prohibition on distributions of prospectus-qualified funds by exempt market dealers to permitted clients. Moreover staff of the Ontario Securities Commission have advised that the Proposed Amendments likely would not permit a portfolio manager or investment fund manager that is

also registered as an exempt market dealer to distribute its own prospectus-qualified funds beyond a managed account, thereby ending a long-standing permitted practice.

If this substantive change was intended, the CSA has provided no explanation or investor protection rationale for it in the Notice. It also appears to contradict the statement in the Notice that the exempt market dealer amendments are meant, in part, to “expand the exemption from the dealer registration requirement in section 8.6 so that registered advisers may trade in the securities of investment funds (including, as is the case today, those distributed under a prospectus) if the adviser or an affiliate manages the investment fund and certain conditions are met.”

We would appreciate confirmation that the CSA did not intend to prohibit portfolio managers or investment fund managers from distributing their own prospectus-qualified funds to permitted clients through those managers’ exempt market dealers.

### Comments on proposed Client Relationship Model Phase 2 Amendments

In the Issues for comment section of the Notice regarding section 14.17 [report on charges and other compensation], comments are requested on the potential usefulness of adding disclosure to the annual report about non-cash incentives and embedded fees to make clients aware of such incentives and fees. In light of the CSA’s multi-year research initiative that is underway to measure the impact on investors and the industry of the CRM2 requirements and the Point of Sale amendments, we caution generally against implementing any intervening changes to the content of the annual report on charges and other compensation, or other client reports and statements that contain CRM2 disclosures, so as not to distort the results of that research and diminish its analytical value.

Adding a general statement to the annual report that there may be other forms of compensation is unlikely to cause investor confusion or impact the CSA’s research. However we cannot yet say the same about, and would appreciate much more information about what the CSA intends by, the suggestion that the annual report “specifically list all additional sales incentives” that are, or may be, received by a firm or its representatives.

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We appreciate the opportunity to comment on the consultation. If you should have any questions on, or wish to discuss, our comments, please feel free to contact me by email at [rhensel@ific.ca](mailto:rhensel@ific.ca) or by phone at 416-309-2314.

Yours sincerely,

THE INVESTMENT FUNDS INSTITUTE OF CANADA



By: Ralf Hensel  
General Counsel, Corporate Secretary & Vice President, Policy