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September 13, 2012

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

The Secretary  
Ontario Securities Commission  
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Me Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
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C.P. 246, tour de la Bourse  
Montréal (Québec) H4Z 1G3

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

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TD Asset Management Inc. ("TDAM") welcomes the opportunity to provide comments on the Canadian Securities Administrators' ("CSA") second publication of proposed amendments to *National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations: Cost Disclosure, Performance Reporting and Client Statements* (the "Proposals"), published on June 14, 2012, as they have broad impact to our organization and distributors of TD Mutual Funds.

TDAM, a wholly-owned subsidiary of The Toronto-Dominion Bank, is one of Canada's largest asset managers with over \$66.7 billion invested in retail mutual fund assets as of August 31<sup>st</sup> 2012. Under the TD Mutual Funds family of funds, TDAM provides a diverse range of over 70 mutual funds and 25 professionally managed products on behalf of more than 1.4 million investors.

TD Mutual Funds are available at TD Canada Trust branches (through TD Investment Services Inc. representatives), TD Waterhouse Canada Inc., as well as unrelated investment dealers, brokers, advisers and financial planners.



In this letter we outline our primary concerns, which include:

- the complexity and costs of imposing dollar-weighted performance reporting when the industry is currently using a time-weighted standard
- the transition timelines, given the challenges associated with implementing a significant technology build

#### **Time-weighted vs. Dollar-weighted Performance Reporting:**

We are supportive of providing clients with clear and accurate performance reporting. The CSA has proposed a single method for performance reporting to promote consistency across registrants. We note, however, that the Mutual Fund Dealers Association of Canada nor the Investment Industry Regulatory Organization of Canada, who are mandated to regulate the activities of dealers, have favoured prescribing a single method of calculation for performance reporting. Contrary to the CSA proposal, they have acknowledged the need for flexibility in recognition of different investor needs. A competitive marketplace is sufficient to ensure that registrants will choose the best method of performance reporting for their clients.

The CSA has proposed the dollar-weighted methodology, believing it to most accurately reflect the actual return of a client's investments, after accounting for deposits and withdrawals over the performance period. However this choice does not take into account the fact that not all investors are identical. Some investors may be more concerned with the actual performance of the underlying investments so they can decide how to allocate future investments, which is highlighted by the time-weighted methodology. Others may be more interested in annual gain/loss information.

Many dealer registrants have already implemented performance reporting measures using methodologies best suited to their clients' needs. These include time-weighted and/or dollar-weighted methods, as well as a common methodology known as Modified Deitz, which approximates the more computationally intensive internal rate of return dollar-weighted methodology. Rather than imposing a single method of performance reporting, we believe that a flexible approach should be adopted where registrants can leverage the performance reporting method they have already built in meeting the needs of their clients. In addition, mandating registrants to change their reporting method runs the risk of potentially confusing their clients with the use of a different performance return being reported due to the change in methodology.

We recommend that the CSA provide registrants with the option of choosing a recognized time-weighted or dollar-weighted performance reporting methodology as long as the dealer clearly discloses to the client the reporting method and explains what the reporting method represents. If the CSA chooses to mandate a dollar-weighted methodology we would like confirmation that commonly used dollar-weighted methods, such as Modified Deitz, would comply with that requirement.

#### **Transition Timeline**

The technology build and implementation of cost disclosure and performance reporting will be complicated and extensive. Tremendous coordination efforts will be required across multiple registrants, vendors and technology sources to develop industry standards before any development can occur.



We encourage the CSA to implement the Proposals in such a manner that provides registrants sufficient time to update their systems, work with third party vendors as required, and develop effective client communication strategies in order to ensure as smooth a transition as possible. We also ask the CSA to consider that many registrants are already actively working toward implementing various enhancements to ensure their compliance with FATCA and Point of Sale Disclosure rules. We would urge the CSA to consider the timelines that the industry is facing to implement the necessary changes to ensure compliance with these other regulatory measures in determining the implementation timelines for the Proposals.

**Conclusion**

We appreciate the CSA's consideration of our stated concerns.

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If you have any questions, regarding anything in this letter please contact me directly by phone at 416-307-9722 or by email at [sandy.cimoroni@td.com](mailto:sandy.cimoroni@td.com).

Yours truly,

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