By E-Mail to comments@oas.gov.on.ca and consultation-en-cours@lautorite.qc.ca

September 14, 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
20 Queen Street West
19th Floor, Box 55
Toronto, ON M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité de marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, (Québec) H4Z 1G3

Dear Sirs / Mesdames:

Re: Notice and Request for Comment on Proposed Amendments to National Instrument 31-103 *Registration Requirements Exemptions and Ongoing Registrant Obligations* and to Companion Policy 31-103CP Registration *Requirements, Exemptions and Ongoing Registrant Obligations*

Cost Disclosure, Performance Reporting and Client Statements

Portfolio Strategies Corporation is a Calgary-based member of the Mutual Fund Dealers Association and is registered as a mutual fund dealer and exempt market dealer in five provinces.

General

We support the overall concept that clients should receive meaningful and useful disclosure related to their investment accounts.

However, we are concerned that the proposed amendments will add considerably to the volume of disclosure that clients receive and to the cost of providing it, without necessarily adding new information that will benefit clients. In developing the Fund Facts for mutual funds the CSA acknowledged that too much information may effectively prevent disclosure to retail clients. We believe that that understanding should be applied to cost disclosures, performance reporting, and client statements as well.

We are concerned that the proposals are unfair to mutual funds relative to other investment products and that no evidence is provided to show that the benefits of the proposed changes will exceed the costs of implementing them.

Benefits vs. Implementation Costs

At the same time that regulators and investor advocates call for the investment industry to lower management expense ratios ("MER") for investment funds, the proposals will impose significant additional costs on the investment fund industry without quantitative assessments of either the costs or the benefits. Without knowing either the costs or the value of the benefits, there is no basis to conclude that the benefits will exceed the costs. The implication that there are either no implementation costs – or that the costs are nominal and therefore should be covered in the existing cost structure – is incorrect and is not appropriate.

We recommend that the CSA survey industry participants, including registrants and service providers, for estimates of the implementation costs and then publish the aggregate estimated cost.

The September 17, 2010 study prepared for the CSA by The Brondesbury Group found:

> More than half of those wanting more detailed information are willing to pay for it. Two-thirds of those willing to pay for more detailed information would not pay more than $50, in fact, most would pay $25 or less.

The amount that individual clients would be willing to pay is a reasonable approximation of the perceived benefit, which can be extrapolated across the industry to estimate the overall benefits.

We recognize that investors' willingness to pay was not the focus of The Brondesbury Group study. However, since the study excluded individuals in the bottom quartile of household income – a group for whom mutual funds are often the most suitable long-term and retirement-saving vehicle – the study results most likely overstate the amount that mutual fund investors would be willing to pay. We recommend using a survey which includes all investors as the basis for the estimate of benefits of the proposals.

The CSA should only proceed with the proposals if the realistically-estimated benefits exceed the realistically-estimated costs.

In the absence of a detailed analysis, we do not believe that the statement that anticipated benefits exceed anticipated costs meets the statutory test in section 143.2(2)7 of the Ontario *Securities Act*.

Trailer Fee Disclosure

The June 14, 2012 document does not ask for comments on the proposed trailer fee disclosure. For the reasons set out above, we believe that a request for further comments was indicated and that the light dismissal of industry concerns with "We acknowledge the potential costs to industry, but believe that informing the investing public is worth this cost." is inappropriate when there is no evidence that the CSA have taken steps to understand either the cost or the benefits in dollar terms.

Consistency Between Products

We appreciate that the CSA are sympathetic to the securities industry's concern that banks (for principal-protected notes and guaranteed investment certificates) and insurance companies (for segregated funds) will not have to comply with the proposed disclosure requirements. All the same, we remain concerned that by imposing the proposals on securities accounts, and mutual funds in particular, clients will be misled regarding the relative costs of different alternatives.

We recommend that the CSA explore the ways in which it can ensure that clients are not misled in this regard. For example, discussions with the regulators for other financial services sectors may lead to improvements in their disclosure, as happened when the Fund Facts was adopted by insurance regulators. In addition, the CSA can use their regulatory powers such as removing the exclusion of segregated funds from the definition of "security" in securities legislation so that all clients who hold similar investments receive similar disclosure.

Commission Structure Disclosure on Trade Confirmations

We are concerned that listing the deferred sales charge ("DSC") schedule on trade confirmations will lead to client confusion. The DSC schedule is already disclosed in the prospectus and in the Fund Facts which clients receive. Listing the DSC schedule on the confirmation may create the appearance that the amounts are being deducted from the purchase, although there is no immediate deduction and in most cases clients hold DSC funds past the end of the DSC schedule so that they will never incur the DSCs.

In addition, imposing this requirement on mutual funds when it does not apply to segregated funds will encourage the use of segregated funds even though they are actually more expensive for clients to own.

Duplicate Fee Disclosure

We are concerned that duplicated disclosure will lead clients to believe that they are paying the fees twice where the same fees are disclosed to clients by two different registrants. For example, when a dealer refers a client to a portfolio manager and receives a referral fee, the portfolio manager's annual statement will show the total fees charged to the client and the dealer's annual statement will show the referral fee received, which is actually part of the fees reflected on the portfolio manager's statement. We recommend that the recipient of a referral fee not be required to show that fee on its statement if the fee is disclosed on the payer's statement.

Switch Transactions

We continue to disagree with the proposed statement in the companion policy that "The opportunity to receive a larger trailing commission should not be the reason for a dealer to switch a client's investment from one mutual fund to another." if the intention is to limit the ability of dealers to switch units of a mutual fund, once those units are no longer subject to DSCs, to an equivalent non-DSC fund. The statement appears to reflect a belief that clients are in some manner harmed or prejudiced by such a switch: they are not. Rather, the dealer and dealing representative may receive a higher trailer fee for the on-going service provided to the client but clients do not incur higher MERs for the funds they hold. In addition, the ability to switch a portion of a client's DSC funds to a non-DSC fund each year – typically referred to as a "10% free switch" – is not cumulative: not making that switch results in restrictions on the client's ability to access the funds on a fee-free basis. The CSA should not have or express concerns where there is no harm or prejudice to clients' interests.

Transition Period

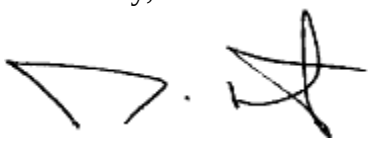
We appreciate that the CSA has increased the proposed transition period. All the same, we believe that continued monitoring of industry's progress toward implementing the proposals and a degree of flexibility on the part of regulators regarding compliance with all of the requirements will be necessary. In particular, we anticipate that considerable time may be required for systems design, development, and testing for products and services that do not currently have common standards and systems for sharing data electronically, such as exempt securities and referral fee information.

Conclusion

We recognize that the CSA has devoted considerable resources to improving the information that clients receive. We appreciate the opportunity to comment on the proposals and the effort that has been put into them. We believe that the proposals require further modification, particularly to address the lack of cost-benefit analysis, and that a further proposal for comment is indicated.

I would be pleased to discuss our comments in further detail. Please contact me by telephone at (403) 252-5222 or by e-mail at markkent@portfoliostrategies.ca.

Yours truly,



Mark S. Kent, CFA
President & CEO