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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

Attention:

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
Email: comments@osc.gov.on.ca

- and -

Me Anne-Marie Beaudoin, Corporate Secretary
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22 étage
Montreal, Québec H4Z 1G3
Via Email: consultation-en-cours@lautorite.qc.ca

September 14, 2012

Dear Sirs and Mesdames:

RE: Canadian Securities Administrators Notice and Request for Comments on Proposed Amendments to NI 31-103 regarding Cost Disclosure and Performance Reporting (the 2012 Proposal)

This letter is submitted on behalf of Canadian Imperial Bank of Commerce and its affiliates (CIBC) in response to the 2012 Proposal issued on June 14, 2012 by the Canadian Securities Administrators (CSA). CIBC supports the objective of providing clients with meaningful information regarding the performance of, and costs associated with, their accounts and we welcome the opportunity to respond to the 2012 Proposal.

CIBC has participated in a working group established by the Investment Industry Association of Canada (IIAC) to study the 2012 Proposal and thus we fully support IIAC's response to the 2012 Proposal (IIAC Response).

CIBC would like to provide comments in respect of the following specific elements of the 2012 Proposal:

A. Fixed Income Commissions
B. Expanded Client Statement
C. Foreign Exchange Spreads
D. Transition Periods

A. Fixed Income Commissions

The CSA posed the following question in the 2012 Proposal:

Disclosure of fixed-income commissions

In the interest of making fixed-income transactions more transparent, we invite comments on whether it is feasible and appropriate to mandate the disclosure of the compensation and/or income earned by registered firms from fixed-income transactions. This would include disclosure of commissions earned by dealing representatives as well as profits earned by dealers on the desk spread and through any other means.

On September 1, 2011, the Investment Industry Regulatory Organization of Canada (IIROC) published a Rules Notice confirming approval by the applicable securities regulatory authorities of amendments to IIROC Dealer Member Rules concerning the fair pricing of over-the-counter securities including fixed income securities and confirmation disclosure requirements. This new rule became known as Dealer Member Rule 3300 – *Fair Pricing of Over-the-Counter Securities*.

Rule 3300 is a principles-based rule that requires IIROC Dealer Members to provide or procure fair and reasonable pricing for certain securities transactions – including fixed income securities - where such securities are purchased from or sold to either retail or institutional clients. Among the objectives of Rule 3300 noted in the Rules Notice was that of "ensure[ing] that clients are provided sufficient disclosure regarding the security at issue that will enable them, as well as the clients' Registered Representative, to confirm through other market sources that the price being offered is a reasonable one in relation to prevailing market conditions."

Rule 3300 also requires disclosure by IIROC members on trade confirmations of the yield to maturity for fixed income securities as well as the following statement: "[t]he investment dealer's remuneration on this transaction has been added to the price in the case of a purchase or deducted from the price in the case of a sale." Rule 3300 applies to all securities transactions where the amount of any mark-up or mark-down, or any other service charges, is not disclosed on the trade confirmation sent to retail clients.

These disclosure requirements are to be implemented by all IIROC members by September 4, 2012. It is important to note that requiring disclosure of a dollar amount of fixed income compensation was not included in the final version of Rule 3300 adopted by IIROC and approved by the applicable members of the CSA.

Since Rule 3300 was implemented in 2011, IIROC Dealer Members have had to take steps to ensure compliance with the new Rule by implementing required policy and operational updates, including determining and disclosing the information required by Rule 3300 on trade confirmations.

Notwithstanding the two and a half year rule making process as well as the efforts undertaken by IIROC members since the September 2011 implementation date to meet the new Rule 3300 requirements, the 2012 Proposal with respect to fixed income commissions will require IIROC member firms to once again re-tool in order to meet new regulatory requirements. Regulatory change is a fact of life in the financial services industry. That said, imposing new requirements to a regulatory rule so recently approved by many of the CSA members calls into question the effectiveness of the rule making process.

If the CSA mandates the disclosure of the compensation and/or income earned by registered firms from fixed-income transactions, we agree strongly with the position articulated by IIAC in the IIAC Response that the appropriate amount to be disclosed would be the gross amount paid by the client to the firm - excluding the amount of the profit earned by dealers through the wholesale trading side of their business as this is neither easily ascertained nor meaningful to a client.

The cost of fixed income securities held by firms is not easy to establish. Whether a firm has its own wholesale trading business or not, how internal costs are allocated and the risk and expense of maintaining an inventory of fixed income securities are all factors that make the determination of profit and loss by dealers on such transactions extremely difficult. Moreover, the difficulties in determining profits and losses within a firm make comparisons between firms virtually meaningless. Ultimately, firms' internal structures and cost allocations do not impact the performance or fairness of the price of the security. What would be most meaningful to the client is the gross commission paid to the dealing representative.

B. Expanded Client Statement

The CSA posed the following question in the 2012 Proposal:

We understand that all securities transactions are carried out through an account, even when the securities are not held in that account. We have drafted the Rule on this understanding and invite comments on the practicality of this or other approaches to including the securities listed in section 14.14(6.1) in the client statements and performance reports.

We agree with the comments of IIAC in the IIAC Response that the proposed requirements in section 14.14(6.1) to include securities owned by a client that are held by a party other than the registered dealer or registered adviser in the client statements are problematic. Our concerns with this requirement are twofold; namely, the risks of not being able to confirm the accuracy of assets not held by us as well as our ability to accurately report such assets.

Section 14.14(6.1)(a) requires a firm to include in the client statement a security owned by a client that is held by a party other than the registered dealer or registered adviser "if the registered firm has trading authority over the security or the account of the client in which the security is held or was transacted." Notwithstanding the fact that we may have trading authority over the security or the account where the security is held, the client still retains an ability to transact in such security without notice to us – for example if the security were held by the client in certificate form he or she could sell all or a portion of such holding without our knowledge. In such a situation, the client statement that we would issue – continuing to reflect the holding of such security in client name – would be erroneous. This would create potential legal and reputation risk to us.

As firms are not currently required to include securities not held by the firm in the client statement, we do not necessarily effectively track or retain such data. In order to be

able to report such holdings, we would need to develop and implement technology and other operational solutions to be able to obtain and integrate third party data into our firms' client statement process.

Ultimately, if the CSA intends to implement the requirement that client statements include not just securities held by us then, for the reasons stated above, we strongly recommend that this requirement be implemented on a go forward basis only as we have significant concerns with the accuracy and reliability of historical data. Implementing these requirements on a go forward basis will enable us to put in place the necessary processes and controls to ensure that all data that we will use to generate client statements is both accurate and reliable. Moreover, given the magnitude of the technology and other process changes necessary to meet these requirements, the CSA must adopt a reasonable transition period. Our initial view is that we would require a minimum of three years from the eventual implementation date of the amendments to National Instrument 31-103.

C. Foreign Exchange Spreads

Requiring firms to disclose the dollar value of the foreign-exchange spread as a transaction charge is problematic. Put simply, calculating such an amount is not possible. As currency is fungible, we do not have the capability to determine dollar spreads on a transaction by transaction basis. To put in place a process to be able to come up with an approximate dollar spread would be both complicated and costly and, in the end, would not necessarily be accurate.

Given the foregoing concerns and the relatively minimal value to the client of the disclosure of such dollar amounts, we support IIAC's recommendation that firms instead provide a notification on a trade confirmation or in the annual report of charges that the firm/dealer may have received a foreign exchange spread. This would increase transparency, further the goals of providing easy to understand disclosure, without the unwarranted costs and accuracy issues associated with providing a dollar value.

D. Transition Periods

The time and costs associated with implementing many of the requirements of the 2012 Proposal should not be underestimated. We strongly support IIAC's comments in the IIAC Response that the CSA may not fully appreciate the challenges confronting the industry in meeting many of the requirements in the 2012 Proposal. Our comment is not motivated by a desire to avoid implementing the changes contained in the 2012 Proposal or a belief that the costs of many of the requirements in the 2012 Proposal outweigh the benefits. Rather, it is to highlight the fact that the CSA must be realistic in its expectations as to when firms such as ours will be in a position from a technology and operations perspective to be able to effectively implement the changes required by the 2012 Proposal. We would like to work collaboratively with the CSA and the self regulatory organizations that also regulate our firms to ensure that the transition periods for the many changes required by the 2012 Proposal are feasible. Therefore, before the final version of the amendments to National Instrument 31-103 is published we respectfully submit that the transition concerns articulated by IIAC in the IIAC Response be addressed.

Yours truly,

"Peter Moulson"

Peter Moulson
Vice-President, Wealth Management Compliance