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September 14, 2012

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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
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Fax : 416-593-2318
Email: comments@osc.gov.on.ca;

-And-

Me Anne-Marie Beaudoin
Corporate Secretary
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Dear Sirs and 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 *Registrant Requirements, Exemptions and Ongoing Registrant Obligations* – Cost Disclosure, Performance Reporting and Client Statements

CI Financial Corp., on behalf of its affiliated registrants, is pleased at the opportunity to respond to the CSA's issues for comment regarding cost disclosure, performance reporting and client statements further to your request for comments published on June 14, 2012. Our comment letter encompasses the experience and represents the views of CI Financial Corp.'s affiliated registrants which include:

(i) CI Investments Inc., an investment fund manager, portfolio manager and exempt market dealer;
(ii) CI Private Counsel LP, a portfolio manager and exempt market dealer;
(iii) Assante Capital Management Ltd., an investment dealer and member of IIROC; and
(iv) Assante Financial Management Ltd., a mutual fund dealer and member of the MFDA and an exempt market dealer.

Issue for comment Is it feasible and appropriate to mandate disclosure of all compensation and/or income earned by registered firms from fixed-income transactions?

Cost Disclosure

The CSA proposes that registered firms be required to disclose the dollar amount of trailing commissions they have received and the dollar amount of commissions paid to dealing representatives on fixed-income transactions. It is our understanding that the rationale for this requirement is to provide clients with more transparent disclosure.

Our concern with respect to the proposed requirement to disclose total compensation paid to a dealing representative on fixed income trades is the cost associated with collecting, storing and reporting data for every fixed income trade in order to provide it to clients on the trade confirmation per section 14.12(c)(1) and annually per section 14.15. This is costly for the dealer who has the obligation to report the information to clients, yet may not necessarily be the same dealer that collects the spread and could then use it to offset the cost associated with reporting. Adding disclosure that a portion of a spread is paid to the dealer may be manageable, but having to be responsible for the collection, storage and reporting of the actual amount by a registrant that is not the dealer in the fixed-income transaction is unfair to the registrant and would inevitably increase administration costs with little to no added benefit for the client. We ask the CSA to clarify which registrant is responsible for reporting this information and under what circumstances.

Furthermore, the inclusion of the general statement from section 14.12(1)(c.1) that "Dealer firm compensation may have been added to the price of the security…" could be miscontrued to imply that the dealing representative or their firm received this compensation which is not necessarily correct. The CSA should provide for greater flexibility for registrants to tailor this disclosure so that it reflects the registants business model or is relevant to the fees it collects.

Further imbalance can be illustrated in relation to deferred sales charges or fixed income spreads, in that the client could presumably receive cost disclosure information at least four times in a given year under the proposed amendments: initially per section 14.2(h); prior to a trade per section 14.2.1; on the trade confirmation per section 14.12(c); and annually per section 14.15(e) compared to banks and insurance participants which do not have similar disclosure obligations. The repetitiveness of this information is unlikely to be considered useful by clients, but rather overly burdensome, and unfair and costly to registrants. The CSA should consider carefully this balance of protecting the consumer versus creating disclosure fatigue for clients. The disclosure clients need to see should be relevant and specific to the nature of activity, product or service being provided at the time, and therefore the CSA should reframe or eliminate duplicative sections of disclosure rules to be clear and specific to the activity.

It should be noted that mutual fund companies may pay a larger percentage of expenses of a dealer's activities than would a bank or insurance company in respect of a sale of an investment product. Where this is the case and the disclosure requirement is in force, it may appear to the investor that the fund company is being overly generous to the dealer/advisor. In reality, the fund company is paying the dealer to facilitate their business. For a bank and insurance companies similar costs would not be as transparent, and although these costs are also ultimately borne by the investor, they would not be subject to the enhanced transparency requirement being proposed by the CSA in these amendments.

From a logistical perspective, we are concerned too that the proposal in general will be very costly to implement, as it requires registered firms to make significant changes in their information technology infrastructure. We expect, in particular, that providing trailing commission information at the account level will be prohibitively expensive and be a cost that may be passed to investors. Currently, most mutual fund companies may provide quarterly payments to registered firms and it is then up to the dealer to divide the proceeds according to the position(s) held.

Further clarity is required for the proposed section 14.15(1)(g), specifically in regard to referral fees. The Companion Policy indicates this disclosure is to be made by the firm receiving the payment. If a registrant refers a client to another firm, it is not always the case that the client also has an account or will remain a client of the referring registrant. For example a dealer that refers a client to a discretionary portfolio manager may not necessarily maintain a dealer account for the client. It would be unreasonable to expect that the referring registrant receiving the payment send annual disclosure reports to the client who may not have any business with the registrant. Since referral fees are plainly and fully disclosed at the time of the referral there is no perceivable benefit in continuing to remind clients that the referring dealer is receiving a referral fee. The cost and work involved in reporting this information should not be trivialized. It is expensive to systematize the reporting of referral fee data, especially since the amount will change from quarter to quarter and the fee is collected manually as is the case with most referral payments. This disclosure is duplicative and the CSA should consider what value clients receive in exchange for the costs that the industry bears.

We appreciate that the CSA wishes to provide clients of registered firms with greater cost disclosure. We recommend that the CSA work with regulators of our competitors to bring about a uniform, total cost of ownership disclosure requirement that places all firms on an equal playing field with respect to this cost disclosure, which results in consistent disclosure for consistent activity, thereby reducing investor confusion and enhancing understanding.

Issue for comment Is it practical to include securities not held in an account in client statements and performance reports for that account? Are there alternative approaches?

Client Statements

The CSA proposes that registered firms be required to provide clients with a statement that includes three sections. In the first section, transactions carried out during the period would be displayed. In section two, positions held in nominee or certificate form by the registered firm recorded would be displayed and finally, in the third section, securities held in client name that meet certain parameters would be displayed.

The principal concern with respect to this proposal is cost. We expect this to require a significant investment in terms of money and time to develop, test and implement. We wonder whether the expected benefit for the investor is sufficient to warrant the additional reporting and whether clients want the additional reporting on their regular statements. In particular, client reporting teams of registered firms may need to work with third party image/print vendors who process client mailings to ensure these changes are actualized correctly. It is unlikely that such vendors are apprised of the regulatory requirement or compelled via a contractual obligation to make changes at their expense in the same way as those vendors who keep the books and records of a registered firm. Facilitating these changes is an added cost of doing business for registered firms, which may ultimately be passed to investors.

The proposed section 14.14(5)(g) raises concerns with respect to reporting logistics and cost. The wording of the section suggests that the counterparty is to be disclosed in any purchase of a security. This is a very broad and an onerous requirement with seemingly no benefit to the client. We question what the purpose of this disclosure is, whether it should be limited to related transactions, and whether it is reasonable. Furthermore, clarity is required in defining "party"; does this refer to an individual security holder or the firm?

With respect to non-marketable securities, there is a concern with respect to accuracy of reporting. Where data is not readily available, how does one identify what is reasonable in assigning a value to a non-marketable security. It would seem that the requirement to include such products in a client statement might permit discrepancies in valuations, both intentional and unintentional. Specifically, further clarification is required with respect to use of benchmarks. What does "benchmark" refer to for this purpose? What is required to be reported to the client? If the intent is to use an aggregated performance index (e.g., Dow Jones Industrial Average), who determines what is the appropriate Index to provide for each fund? Has the CSA considered the cost of obtaining such benchmark information, where not readily available through mainstream financial sources and who will ultimately bare the cost of such information?

We encourage the CSA to provide a clearer definition of "account". In a nominee environment, a dealer may identify an account as that belonging to an accountholder who may hold a number of positions offered through different entities (e.g., mutual fund companies). Conversely, where assets are held in client name, via a mutual fund company, an account would be assigned for each client that holds funds with the mutual fund company. If dealers are required to aggregate accounts for the purposes of producing these enhanced client statements, there could be significant operational challenges in providing consolidating reporting, especially where client name positions must be aggregated across various entities. We encourage the CSA to clarify the definition of an *account* and to address how this clarified definition applies to entities that may offer nominee, client name and/or both types of client accounts.

Where the CSA chooses to implement a requirement with respect to the provision of such a comprehensive statement to clients, we recommend that additional guidance be provided with respect to the valuation and reporting of non-marketable securities for which there may be little, market-based, valuation information.

We understand the CSA intends to require registered firms to provide a more detailed client statement that includes securities held in client name. We recommend the CSA consider again whether the expected benefit to those clients who want more information on their statements outweighs the costs to registered firms (and ultimately their clients) in implementing the substantive changes proposed.

Issue for comment The CSA is seeking comment on benefits and constraints of the proposal to mandate use of the dollar-weighted method, in particular as they relate to providing meaningful information to investors.

Performance Reporting

The CSA proposes that registered firms report performance returns to clients using a dollar-weighted method in calculating the percentage return on a client's account or portfolio. It is our understanding that the introduction of this requirement is to facilitate consistency and comparability of investor reporting from one registrant to another.

The introduction of the dollar-weighted reporting requirement is our greatest concern with respect to the Cost Disclosure, Performance Reporting and Client Statements proposal. The basis for this concern is that it appears the CSA is mandating a reporting method that differs from the standard across the investment industry. Currently, the following performance reporting is published via a time-weighted standard:

- Index benchmarks
- Mutual fund company performance
- GIC returns and other investment product return reporting
- Portfolio reporting by entities that adhere to the CFA Institute's Global Investment Performance Standards (GIPS)

GIPS are a time-weighted standard for performance reporting requirement that is promoted in over 35 countries by the CFA Institute. The Institute is seen as setting the benchmark for reporting of portfolio performance for those persons/entities that manage money.

How will investors compare the performance of their account or portfolio, reporting on a dollar-weighted basis against published investment reporting benchmarks that report performance based on a time-value approach? Will the possible discrepancies in investment returns between those provided by financial media and those under this new requirement cause undue confusion among investors? Is the CSA looking to mandate a performance reporting requirement that does not reflect the reporting provided with respect to indices, mutual fund published reports and other investment product reporting?

In addition, though noted in the CSA proposal, we continue to assert that mandating the introduction of a dollar-weighted reporting requirement where advisors do not control account cash flows may unfairly penalize Advisors for actions (or inaction) of a client with respect to their portfolio. For example, Advisors may be penalized where securities that perform poorly are transferred-in by the client, where no recommendation was made by the Advisor to purchase. We also ask if there is a risk that Advisors may be tempted to manage a portfolio to optimize the best short-term results under the dollar-weighted method rather than do what is best and most suitable for the client given this new emphasis on dollar-weighted return reporting.

As the CSA considers imposing this new mandate, how will firms manage the transition from a reporting perspective, particularly for non-registered accounts where a change in reporting may have an impact on numbers provided to clients for tax reporting purposes? We assume that should this requirement be implemented, that clients who hold mutual funds, for instance, will receive dollar-weighted reporting from their dealer and that an identical report is not also required to be produced by the mutual fund manager. Should this be a requirement, we question if inconsistency in reporting may be an issue, if both a fund company and dealer, for instance, provide the same report to the client.

We suggest that the CSA provide guidance with respect to the timing of delivery of this new reporting to clients. There is a requirement to send out client statements by the end of the month following the last day of the period. Clarity is required surrounding the timeframe for sending out performance reports as the enhanced reporting may lead to delays.

Finally, we ask if the expected benefit to clients is commensurate with the expected cost to implement and potential for confusion that may arise from clients who must reconcile one set of numbers published in the financial media and another performance number on their statements. We anticipate a significant number of queries from clients who may not understand the basis for the difference between the time-weighted, published performance numbers and a client's, account-specific dollar-weighted return.

We would like to provide a time-weighted vs. dollar-weighted rate of return comparative scenario and background that we believe demonstrates the challenges in using a dollar-weighted return requirement. The scenario is as follows:

> Time-Weighted Rate of Return (TWRR) is a measure of the compound rate of growth in a portfolio. Because this method eliminates the distorting effects created by inflows

of new money, it is used to compare the returns of investment managers. This is the industry standard and is also used to calculate the return of comparison benchmarks that are available to the public. This is also called the "geometric mean return," as the reinvestment is captured by using the geometric total and mean, rather than the arithmetic total and mean. Dollar-Weighted Rate of Return or Internal Rate of Return (IRR) captures the distorting effects created by the flows of money. For illustrative purposes, the following calculations shows how the TWRR for a manger would not be influenced by an investor's decision to invest either $300 at the beginning of a 3-year period or $100 at the beginning of each year within that same period. It also clearly demonstrates how the returns are distorted when the IRR methodology is used as these are directly influenced by the timing and amounts of the various cashflows.

Case 1

Time	New Investment	Total Invested	Period Return	End of Period Value
Beginning of Year 1	300	$ 300.00	25%	$ 375.00
Beginning of Year 2	0	$ 375.00	20%	$ 450.00
Beginning of Year 3	0	$ 450.00	-15%	$ 382.50
	TWRR		8.4%	
	IRR		8.4%	

In the initial case, the TWRR and the IRR will produce the same return value as there are no cash flows other than the initial investment.

Case 2

Time	New Investment	Total Invested	Period Return	End of Period Value
Beginning of Year 1	100	$ 100.00	25%	$ 125.00
Beginning of Year 2	100	$ 225.00	20%	$ 270.00
Beginning of Year 3	100	$ 370.00	-15%	$ 314.50
	TWRR		8.4%	
	IRR		2.4%	

In the second case, the TWRR and the IRR will produce different values. The TWRR figure will be the same as in the initial case as it accurately captures the period returns generated by the portfolio manager. However, the IRR is biased downward by the cash flows seen during the different periods.

The above illustrates the distorting effects that using a dollar-weighted performance reporting method has on conveying investment performance to clients. The timing of cash flows that are under the control of the client may have a significant effect on the overall return and thus perception created as to the Advisor's performance in managing the portfolio.

We recommend the continued adoption of the time-weighted approach to portfolio performance reporting.

Pre-trade disclosure of Charges

The CSA proposes that registered firms must disclose to clients the charges a client will incur arising from providing an instruction to purchase or sell a security in a non-managed account and whether the firm will receive a trailing commission. It is our understanding that the rationale for this heightened disclosure is to ensure that in every instance of a trade, a client is advised before placing the order, as to the charges that s/he may incur upon execution of that order.

Given that the prospectus, Fund Facts and fee schedule provide clients with fee/charge information already, is it beneficial to again provide this information at the time a client is providing order instructions to a registered firm? Will the proposed cost disclosure requirements duplicate the disclosure to be provided through Fund Facts pursuant to the Point of Sale initiative with respect to the sale of mutual funds?

Registered firms may provide clients with a brief description of charges during the pre-trade disclosure and encourage clients to refer to the prospectus, Fund Facts, fee schedule or other offering documentation for more details. For example, would it be permissible to indicate that a DSC charge of X% or $X is payable upon sale of fund X and then indicate that for a full explanation of the DSC schedule, please refer to the prospectus?

Appendix D of the CSA Proposal makes reference to compensation “we” receive. Is it possible that in reviewing such a statement that a client may incorrectly assume that his/her Advisor is the recipient of the full compensation amount? Would it be helpful to include a disclosure that compensation refers to that received by the entity and may not necessarily reflect the amount shared with your Advisor?

We understand the rationale for the CSA’s proposal to implement an update to requirements relating to cost disclosure, performance reporting and client statements. We encourage the CSA to continue to consider the adoption of a total cost of ownership disclosure requirement, in co-operation with other regulators, to develop a uniform standard with respect to cost disclosure for all investment products. We also especially recommend that the CSA re-consider the utility of mandating registered firms to adopt a dollar-weighted performance reporting requirement.

Conclusion

We have a number of concerns with respect to the disclosure requirements throughout section 14 of NI 31-103 which imposes a disclosure requirement on registered firms that is not imposed on some of our principal competitors (i.e. banks and insurance companies). The implementation of these requirements comes at a disproportionately high cost to the mutual fund industry and is unlikely to provide the perceived benefit to investors.

We encourage the CSA to consider these cost disclosure requirements when the regulator for the banks and insurance companies also propose similar requirements. Consideration of adoption of a uniform standard across all investment service providers is consistent with the Ontario Securities Commission's Statement of Priorities commitment to co-operation with regulators to support common standards and reduce the opportunities for regulatory arbitrage. In this way, registered firms would be on an equal playing field relative to our non-registered competitors with respect to cost disclosure.

Where the CSA favours full cost disclosure, we suggest the CSA consider a total cost of ownership disclosure approach that would include such non-dealer charges as custody fees, credit assessments, etc. so that the total cost of ownership is captured in any disclosure to clients. Where cost disclosure includes the true, total cost of ownership, this helps create an equal playing field for all registered firms.

Thank you for the opportunity to provide comments with respect to this proposal. If you have questions or wish for us to clarify any comments, please contact David C. Pauli, the undersigned below, at 416-681-6542.

Sincerely,

CI Financial Corp. and its affiliated registrants

"David C. Pauli"

David C. Pauli
Executive Vice-President and
Chief Operating Officer

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