

August 23, 1999

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Office of the administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland
Securities Registry, Government of the Northwest Territories
Registrar of Securities, Government of Yukon Territory

All c/o Daniel P. Iggers, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, ON

Dear Sirs/Mesdames:

**Re: Proposed National Instrument 81-104 and
Proposed Companion Policy 81-104CP, Commodity Pools**

In June, 1997, the Canadian Securities Administrators (“CSA”) released proposed National Instrument 81-104, Commodity Pools, (“Proposed National Instrument”) and proposed Companion Policy, 81-104CP (“Proposed Companion Policy”) for comment (collectively, the “Proposed Instruments”). As a result of further consideration of the Proposed Instruments by the CSA, further amendments have more recently been proposed.

AGF Funds Inc. (“AGF”) distributes over 40 mutual funds and is the manager/trustee of the 20/20 Managed Futures Fund, a commodity pool fund (the “Fund”). In our capacity as manager/trustee of the Fund, we have reviewed the Proposed Instruments and provide you with the following submissions.

Background

As the manager/trustee of the Fund, we believe that the current provincial regulatory regime has resulted in inconsistent regulatory requirements across the country. For the distribution of a fund like 20/20 Managed Futures Fund, this has resulted in confusion over proper registration requirements, and ultimately, constraints on the distribution of the Fund.

We believe that the Proposed Instruments will help significantly in clarifying the requirements and other restrictions for the management and distribution of the Fund. However, our review of the Proposed Instruments gave rise to several questions.

Submissions

By reference to the section of the Proposed Instruments, we provide you with the following remarks:

Section 3.2, New Commodity Pools

We support the policy of a minimum investment by promoters, as well as a \$500,000 investment capital requirement. We question the policy behind requiring that a promoter's minimum investment remain with the commodity pool, until the dissolution or termination of the fund. If the fund were to become very large, such as size of the Fund managed by AGF, it would seem irrelevant and restrictive to require the original investment to remain in the fund.

In addition, the mechanism to require the initial minimum investment, but not to allow the issuance of shares or units until the minimum capital requirement of \$500,000 has been met, appears to be inconsistent. We question how an investor can put in seed money but not take back units or shares of the commodity pool, as no units or shares can be issued by the commodity pool until there is \$500,000 of outside capital investment?

Section 5.1, Proficiency and Supervisory Requirements

We accept and support the clarification on registration requirements. However, there is no penalty defined, either by reference to the *Securities Act* or other legislation.

It has always presented difficulties for the mutual fund dealer to monitor whether the dealer or salesperson is properly registered. We believe that the National Instrument should provide clear direction that the onus to ensure proper registration is on the salesperson prior to the purchase of any assets. To that end, clear liability on the failure to comply must be set out in the policy itself or by reference to a stated provision.

Section 7.2, Required Notice of Redemption

Is it intended that a change in policy is a material change, requiring a unitholder meeting if the policy is amended?

Section 7.3, Payment of Redemption Proceeds

We support the additional time period to permit redemptions. As a point of clarification, is this 15 business days or 15 calendar days?

Part 7 & Part 8 – Redemption and Calculation of NAV

Generally, while we understand the policy rationale for the inclusion of these provisions, it will result in significant back-office system changes. This will require time and money and may be difficult for certain distributors of funds.

Section 9.2, Interim Financial Statements

We believe that the filing of Interim Financial Statements every three months is not appropriate. Again, while we appreciate the policy rationale behind such a provision, it is onerous and costly to produce and mail out such a statement on a quarterly basis. Instead, we would suggest the issuance of Interim Financial Statements on a semi-annual basis, but require the publication of an investment update every three months. This would provide relevant disclosure to the unitholder, while not imposing onerous obligations on the distributor.

Thank you for your time in considering our submissions. Should you have any questions arising out of our submissions, please feel free to contact the writer.

Yours very truly,

Judy Goldring
Vice President and General Counsel

cc: Ms. Rebecca Cowdery, Ontario Securities Commission