

May 31, 2001

To: Ontario Securities Commission
c/o John Stevenson, Secretary
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario M4H 3S8

Re: OSC Notice 11-901 – Concept Proposal to revise Schedule 1 (Fees) to the
Regulation to the *Securities Act* (Ontario)

This submission is made jointly by Manulife Financial Corporation, The Manufacturers Life Insurance Company, Sun Life Financial Services of Canada Inc., Sun Life Assurance Company of Canada, Canada Life Financial Corporation and The Canada Life Assurance Company in response to the request for comments issued on March 30, 2001 by the Ontario Securities Commission (“OSC”) in respect of OSC Notice 11-901 – Concept Proposal to revise Schedule 1 (Fees) to the Regulation to the *Securities Act* (Ontario) (the “Concept Proposal”). As requested, this submission has been prepared in duplicate, and an e-mail attachment containing an electronic copy of this submission in Windows format has also been submitted.

Introduction

We are pleased to have this opportunity to comment on the Concept Proposal. Our submission deals specifically with the proposed participation fee for reporting issuers. In particular, we are concerned that certain Canadian life insurance companies that adopted a holding company structure following their demutualization, for federal financial institution regulatory purposes, will be assessed what amounts to a duplicate participation fee as compared to other reporting issuers. It is also our submission that the Concept Proposal and any fee schedule implemented by the OSC should be considered in the context of the overall fees that would be payable by an issuer to the Canadian Securities Administrators (the “CSA”).

Comments

Participation Fees Payable by Certain Demutualized Life Insurance Companies

Under the Concept Proposal, market participants are required to pay an annual participation fee based on their size. In particular, a reporting issuer with securities listed on a Canadian stock exchange must pay a participation fee ranging from \$750 to \$75,000 based on the reporting issuer’s market capitalization. For reporting issuers that do not have listed securities and are not foreign issuers, an equivalent book value calculation is used to determine market capitalization. The Concept Proposal, therefore, contemplates different calculations for market capitalization for different types of reporting issuers.

However, for certain Canadian life insurance companies, these calculations would result in two participation fees being assessed on the basis of one market participant's size.

In the past few years, several Canadian life insurance companies have converted from mutual companies to companies with common shares. In the case of three of these companies, The Manufacturers Life Insurance Company ("Manulife"), Sun Life Assurance Company of Canada ("Sun Life") and The Canada Life Assurance Company ("Canada Life") (collectively the "Operating Companies"), all the outstanding shares are owned by a parent holding company (collectively, the "Holding Companies"). Each of the Holding Companies has publicly traded common shares. Because each of the Operating Companies and its respective Holding Company are reporting issuers in each of the provinces and territories of Canada, each of them would be subject to a participation fee.

We believe it would be inequitable, and not justifiable based on the OSC's expenses in respect to the Holding Companies and the Operating Companies, to charge duplicate fees for both our Holding and Operating Companies, which were set up for financial institution regulatory purposes and have substantially the same revenues and assets. As well, Manulife and Canada Life each applied for and obtained a Document from local securities regulatory authorities under the Mutual Reliance Review System, permitting them to rely on the continuous disclosure documents and annual information form of its Holding Company. Accordingly, neither Manulife nor Canada Life are currently required to file continuous disclosure documents, nor are they required to pay continuous disclosure filing fees.

In light of the foregoing, it is our submission that each of Manulife, Canada Life and Sun Life should not be required to pay a separate participation fee so long as its assets and liabilities are substantially the same as those of its parent company and a participation fee is paid by its parent company.

Overall Fee Structure

The Concept Proposal is a significant departure from the fee schedule currently in place in each of the CSA jurisdictions. The Concept Proposal states that the OSC is taking the lead in discussions with the CSA with respect to revisions to the fee schedule in each of the CSA jurisdictions.

We are concerned that the CSA will revise their fee schedules in a manner similar to the OSC such that a large participation fee will be required in each of the CSA jurisdictions. In many cases, the participation fee payable under the Concept Proposal is largely offset by a reduction in activity fees. This schedule is workable in Ontario where the OSC is the primary regulator and Ontario is the jurisdiction whose capital markets are accessed regularly by a market participant. However, a similar schedule in other jurisdictions may simply result in a substantial increase in fees in that jurisdiction that is not justified by the services provided or expenses incurred by the CSA in that jurisdiction. Accordingly, it is our submission that any fee schedule implemented by the OSC should be coordinated

with the fee schedules of the other CSA jurisdictions such that the overall impact on issuers is taken into consideration.

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We are pleased to have had this opportunity to review and comment on the Concept Proposal. If you have any questions or comments, please do not hesitate to contact either Richard Lococo, Vice President and Deputy General Counsel, Manulife Financial, at (416) 926-6620, Eric Weinheimer, Assistant Vice President and Associate General Counsel, Sun Life Financial, at (416) 979-4825 or Andrew Brands, Vice President and General Counsel, Canada Life Financial Corporation, at (416) 597-1440 ext. 5717.

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