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PERFORMANCE THROUGH INNOVATION
BARCLAYS GLOBAL INVESTORS.

September 27, 2002

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, ON M5H 3S8

e-mail : jstevenson@osc.gov.on.ca

Dear Sirs:

Re: Re: Notice of Proposed Rule 13-502 - Fees, Companion Policy 13-502CP - Fees, Form 13-502F1, Form 13-502F2 and Form 13-502F3 (the "Proposals") – Request for Comments.

We at Barclays Global Investors Canada Limited ("BGI") would like to take this opportunity to comment on the Proposals. We are strong believers in the value of meaningful dialogue between regulators and industry participants and are pleased to be able to continue our dialogue with the Ontario Securities Commission relating to certain aspects of the Proposals.

BGI, which currently manages approximately $40 billion in assets, is one of Canada's largest and fastest growing investment managers. We provide investment advisory services to pension and other institutional clients, and we manage the iUnits family of exchange-traded mutual funds. BGI is part of a global investment managed business that manages over a trillion dollars in assets in the United States, the United Kingdom, Japan and elsewhere, and we therefore have very broad experience in regulatory approaches to the allocation of costs and benefits amongst various securities market participants.

COMMENTS

Support for the Concept Proposal

As noted in our submission in response to the March 30, 2001 Notice and Request for Comments 11-901 (our "2001 Response") and in various prior submissions, we have long believed that the existing fee model does not appropriately reflect the current structure of Ontario's capital markets. The current fee schedule was introduced at a time when corporate finance activities constituted, by far, the most significant aspect of the capital markets. As a result, the fee structure has at its core a "transaction" based approach that focuses on the issuance of securities as the primary "cost driver" of regulation. As Ontario's capital market has evolved, non-corporate finance activities have become a much more significant component of the market. Of particular notice is the dramatic growth in the level of assets managed by registered advisors and the increasing use by those advisors of pooled investment vehicles. As a result, regulation of this component of Ontario's capital markets has become a much more significant part of the

OSC's responsibilities. Notwithstanding that there are significant differences between the cost structure of regulating this type of market activity, the traditional "corporate finance" approach has been applied in setting fees.

We support the OSC's decision to segregate the corporate finance and capital markets components in the Concept Proposal and to introduce the "participation" and "activity" fee approach which quite accurately reflect the underlying regulatory responsibilities of ongoing oversight and activity specific review across Ontario's securities market. Fairness in Ontario's capital markets dictates that the fees charged to market participants reflect to the extent possible the cost of regulating those market participants. The Proposals will result in fees increasing for certain market participants and decreasing for others. We expect that certain market participants whose fees will rise will continue to oppose the Proposals. We ourselves expect that the direct fees we pay to the OSC will rise as a result of the Proposals but we are supportive of any approach that sees fees tied to OSC costs and don't believe this approach can be convincingly opposed on principle.

In recent years, the proportion of OSC revenues (and revenues of other securities regulators, primarily in B.C., Alberta and Quebec) generated as a result of the distribution of pooled and mutual fund securities has significantly exceeded the cost to the OSC (and those other regulators) of regulating those products and their sponsors. In addition to this direct and disproportionate cost, the current fee structure has also tended to distort the means by which investment advisory services have been offered. For example, the imposition of "filing fees" based on the value of units of a fund issued has resulted in reduced returns to investors and acts as an incentive to avoid fund transactions which results in other suboptimal activities and costs. These costs and activities arise directly from the imposition of a fee for investors whose assets are managed on a pooled basis, indirectly from the decision not to pool assets as a result of the filing fee which results in the loss of the economies of scale which pooling offers and in a variety of other ways. The requirement to track and calculate such fees, particularly given the different fee levels in different provinces, is also a costly compliance requirement for investment advisors offering pooled investment funds. We hope that the increased costs we will incur as a result of the Proposals will be at least partially offset by a decrease in these compliance costs as a result of the elimination of these "filing fees" under the Proposal.

While we are generally supportive of the Proposals, we feel it is very important to reiterate the point made in our 2001 Response with respect to the absolute necessity of ensuring that the fee regimes of the various Canadian securities regulatory authorities be harmonized. As noted above, the current "filing fee" regime gives rise to significant compliance costs, results in unduly impacts investment decisions through suboptimal actions and costs and results in subsidization of other market participants by investment managers and their clients. While the Proposal represents an important step in addressing these issues, until the fee regimes in B.C., Alberta and Quebec change in a similar manner, the problems will persist. Therefore, we again urge the OSC to press upon the other members of the CSA, and the securities regulators in British Columbia, Alberta and Quebec in particular, the need for such harmonization. We are copying the regulators in those provinces as we believe the OSC's approach to fees is correct on principle and should be adopted by the other Canadian securities regulators immediately.

One "essential" aspect to the adoption of a similar fee regime by other securities regulators will be consistency in the manner in which regulators calculate fees. It will be essential that all regulators utilize a similar revenue based approach and that **revenue for this purpose be calculated in a manner which does not lead to any duplication of fees**. The Proposal contemplates using the allocation adopted by market participants for tax purposes. We understand the OSC's reasons for adopting this approach but believe there are aspects of the determination of revenue sources for tax purposes that may be inapplicable to the securities law analysis. In particular, we are concerned that where a registrant is located in one jurisdiction and has clients in another jurisdiction, the securities regulatory responsibilities and costs may not be reflected in the tax allocation of revenues. Even if this is not in fact the case for many registrants, fear that it may be the case could deter other jurisdictions from adopting this definition given the concentration of financial services business in Ontario. For this reason, we urge the OSC to consider whether the "Ontario percentage" of revenues used for calculating fees for all registrants should not be defined as revenue "attributable to capital market activities in Ontario" as is the case for registrants without permanent establishments in Ontario. This would permit regulators in other provinces to adopt the same definition as the OSC without requiring a consideration of whether allocation for tax purposes is actually appropriate in all cases. We note that in its response to comments received on the March 2001 Request for Comments, the OSC did not identify any persuasive reason why this alternative approach is unacceptable. If the OSC is disinclined to make this change however, it becomes incumbent upon it to take all steps it can to ensure that the tax based approach to determining the revenue base upon which fees are calculated is adopted by the regulators in the other jurisdictions as well.

CONCLUSION

As noted above, we strongly support the Proposals and urge the OSC to proceed with its implementation at the earliest possible date. We also urge you to continue working with other CSA members to persuade them to adopt the same fee model. Thank you again for the opportunity to comment on the Concept Proposal and if you wish to discuss any of our comments please contact the undersigned or Warren Collier (Phone - (416) 643-4075; Fax - (416) 643-4076; E-mail – warren.collier@barclaysglobal.com) at your convenience.

Sincerely

Gerry Rocchi
President

GR/st
cc: Each of the Canadian Securities Regulatory Authorities
Warren V. Collier, BGI