



**Franklin Templeton Investments Corp.**

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September 30, 2002

Mr. John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West  
Suite 1903, Box 55  
Toronto, Ontario  
M5H 3S8  
Email: [jstevenson@osc.gov.on.ca](mailto:jstevenson@osc.gov.on.ca)

Dear Mr. Stevenson:

**RE: Ontario Securities Commission Proposed Rule 13-502 – Fees**

Franklin Templeton Investments Corp. (“FTI”) welcomes the opportunity to make written submissions with respect to the Ontario Securities Commission (“OSC”) Proposed Rule 13-502 Fees (the “Fees Proposal”).

FTI is a wholly owned subsidiary of Franklin Resources, Inc., a global investment organization operating as Franklin Templeton Investments. Through its subsidiaries, Franklin Templeton Investments provides global and domestic investment advisory services to the Franklin, Templeton, Bissett and Mutual Series funds and institutional accounts. In Canada, FTI has more than 650 employees providing services to more than 1.8 million unitholder accounts and more than 200 pension funds, foundations and other institutional investors.

**General Comments**

The Notice of the Proposed Rule states that the OSC has three primary objectives in developing the Fees Proposal. FTI applauds the OSC in adopting these objectives as a basis for the Fees Proposal. However, we are concerned that the Fees Proposal, in its current form, will jeopardize the OSC’s ability to achieve these objectives.

We have had the benefit of reviewing and participating in the formation of the comment letter dated September 26, 2002 submitted by the Investment Funds Institute of Canada (“IFIC”). We agree with, and support, all comments made by IFIC in its letter. We also wish to offer our own comments with respect to the following issue.

**Gross Revenue Attributable to Ontario**

We believe that additional research is needed by the OSC to understand the impact of imposing a participation fee based on the gross revenue of a market participant. While we understand that simplicity is important in developing a new fee structure, we believe that the Fees Proposal, in using gross revenue as a basis for charging participation fees, is

too simplistic and may have negative or unintended impacts on the investment funds industry.

In our view, the use of gross revenue as a basis for charging participation fees equates to a revenue tax that will likely cause mutual fund managers to re-evaluate and restructure their organizations as they seek to reduce the revenue subject to such tax. This could result in a number of unintended negative consequences, including:

- reduced revenue for the OSC;
- increased costs to mutual fund managers (and possibly unitholders) to effect any changes;
- an inability to account for different current and future business models used by mutual fund managers; and
- an uneven playing field for market participants that is driven by corporate structure.

We believe that using gross revenues as a basis for charging participation fees ignores the reality that revenues of a registrant are not necessarily directly correlated with the usage of regulatory services by that registrant.

### **Summary**

We believe that the issues raised in both the IFIC letter and this letter merit further consideration and should be addressed by the OSC prior to the implementation of a new fees structure.

We would appreciate an opportunity to meet with you in person to discuss our concerns in greater detail. We will contact you to determine your availability for such a meeting.

In the interim, please feel free to contact me by telephone at 416.957.6002 or by e-mail at [james.cook@franklintempleton.ca](mailto:james.cook@franklintempleton.ca) or my colleague, Lisa D.K. Johnson, Vice-President & Chief Counsel, Canada at [416.957.6051/lisa-johnson@franklintempleton.ca](mailto:416.957.6051/lisa-johnson@franklintempleton.ca).

Yours truly,

“James Cook”

James Cook  
Senior Vice-President and Chief Financial Officer