FRANKLIN TEMPLETON INVESTMENTS

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October 17, 2002

Ms. Denise Brosseau, Secretary
Commission des valeurs mobilieres du Quebec
800 Victoria Square, Stock Exchange Tower
P.O. Box 246, 22nd Floor
Montreal, Quebec
H4Z 1G3

Dear Ms. Brosseau:

RE: Notice of Proposed Amendments to National Instrument 81-102 and Companion Policy 81-102CP Mutual Funds and to National Instrument 81-101 Mutual Fund Prospectus Disclosure and Form 81-101F1 Contents of Simplified Prospectus and Form 81-102F2 Contents of Annual Information Form (the "Proposed Amendments")

Franklin Templeton Investments Corp. ("FTI") welcomes the opportunity to make written submissions with respect to the Canadian Securities Administrators ("CSA") Proposed Amendments.

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 Proposed Amendments provides that the CSA have based the Proposed Amendments on the fundamental principle that a mutual fund is one of many potential investments that a portfolio advisor may make with the assets of a top fund. FTI supports this principle adopted by the CSA. However, we are concerned that the Proposed Amendments do not go far enough, and in their current form, the Proposed Amendments will prevent portfolio advisors from treating investments in mutual funds just like investments in any other security.

We have had the benefit of reviewing and participating in the preparation of the comment letter dated October 17, 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 issues.

Qualification of bottom fund in the local jurisdiction;
Investment in funds other than those to which NI 81-101 and NI 81-102 apply

We believe that the proposed requirement that a bottom fund be qualified for distribution under a simplified prospectus in all the same local jurisdictions in which the top fund is qualified for distribution, is unduly restrictive. Further, we believe that permitting a top fund to invest only in bottom funds qualified in one of the same local jurisdictions to be too restrictive. We believe that a portfolio advisor to a top fund should be permitted to invest in mutual funds or pooled funds domiciled in any jurisdiction within or outside of Canada. Portfolio advisors are in the best position to evaluate the benefits and risks associated with investing in a mutual fund that may or may not be qualified in the jurisdiction in which the top mutual fund is sold.

Actively managed mutual funds are not required to invest solely in securities which are prospectus qualified in the jurisdiction where the mutual fund itself is prospectus qualified. This is true of mutual funds with U.S., global, international or emerging market mandates. Professional portfolio managers with expertise in investing in such foreign markets are in the best position to evaluate the benefits and risks associated with a particular investment in securities of an issuer that is not subject to Canadian securities laws. Provided that a top fund provides prospectus disclosure of the risks associated with an investment objective that would include purchasing bottom fund units which are not qualified in the same jurisdictions as the top fund, we do not feel that the it is necessary to impose such restrictions.

At a minimum, the CSA should consider exempting mutual funds that are registered with the Securities and Exchange Commission and pooled funds offered in Canada or for distribution in the United States.

Requirement to be a top fund and removing existing 10% provision in section 2.5 of NI 81-102

We do not perceive any benefit in requiring a mutual fund to select between being a top fund or bottom fund. This requirement decreases a portfolio advisor's flexibility in selecting the best possible investment for a fund by precluding a bottom fund from investing any portion of its assets in another mutual fund as part of its investment strategy.

For example, a mutual fund that is not a "top fund" by definition may have an investment objective to invest primarily in Canadian equities. This Canadian equity fund may also be used as a bottom fund within the related fund complex or by third parties and would be required to declare itself a bottom fund. The Canadian equity mutual fund may have been investing up to 10% of its assets in a foreign mutual fund to gain foreign content exposure. This fund would now be precluded from utilizing this investment strategy as it would now be considered a bottom fund and would not be permitted to invest in any other mutual funds. The investment strategy utilized by the bottom fund would have permitted portfolio advisors to focus on their areas of expertise, namely Canadian securities while leaving foreign content diversification to expert portfolio advisors in international and global securities.

Another example of use of a fund on fund structure as part of an investment strategy, rather than as a fundamental investment objective, would be investment of residual cash held by a mutual fund (top fund) into a money market fund (bottom fund). The requirement to declare oneself a top fund or bottom fund would not make sense in this context as the top fund would only hold relatively small positions in the bottom money market fund.

The requirement to be a top fund and the removal of the existing 10% provision in section 2.5 of NI81-102 will prohibit mutual funds from adopting fund on fund structures as part of an investment strategy rather than as a fundamental investment objective. Accordingly, we do not support the requirements to be a top fund or the removal of the 10% provision in section 2.5 of NI81-102.

If you require further clarification on any of the issues raised in this letter, please feel free to contact me by telephone at 416.957.6051 or by e-mail at lisa-johnson@franklintempleton.ca.

Yours truly,

"Lisa Johnson"

Lisa Johnson
Franklin Templeton Investments Corp.
Vice-President and Chief Counsel, Canada