

October 26, 2006

British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Securities Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Securities Office, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland and Labrador  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Nunavut  
Registrar of Securities, Yukon Territory

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

and

Madame Anne-Marie Beaudoin  
Directrice du secrétariat  
Autorité des marchés financiers  
800, square Victoria, 22e étage  
C.P. 246, Tour de la Bourse  
Montréal (Québec) H4Z 1G3

**RE: NOTICE OF PROPOSED NATIONAL INSTRUMENT 23-102  
USE OF CLIENT BROKERAGE COMMISSIONS AS PAYMENT FOR ORDER  
EXECUTION SERVICES OR RESEARCH (“SOFT DOLLAR” ARRANGEMENTS)**

Dear Sirs and Mesdames:

The CPP Investment Board is a professional investment management organization based in Toronto. Our purpose is to invest funds received from the Canada Pension Plan with the objective of maximizing returns without undue risk. Income from the money that we invest today will be used by the Canada Pension Plan to help pay the pensions of working Canadians who will begin retiring 16 years from now. We were incorporated as a federal Crown corporation by an Act of Parliament in December 1997 and made our first investment in March 1999.

According to the 21st Actuarial Report of the Canada Pension Plan, which was tabled in Parliament on December 8, 2004, the Chief Actuary of Canada expects that our assets will grow to \$250 billion within a decade. We are a major participant in the Canadian marketplace, and as such, we are interested in assisting in efforts to ensure that the regulatory structure of the Canadian marketplace reflects global best practices.

The mandate of the CPP Investment Board is to invest in ways that continuously improve total portfolio efficiency, having regard to the immediate and long term financial obligations of the CPP. Implicit in this mandate is to achieve best execution when we transact in the financial markets.

We believe that more transparency in the use of soft dollars is in the best interests of investors. We support the Canadian Securities Administrators' efforts to shed more light on this practice and are providing responses to some of the questions in the request.

*Question 1:*

*Should the application of the Proposed Instrument be restricted to transactions where there is an independent pricing mechanism (e.g., exchange-traded securities) or should it extend to principal trading in OTC markets? If it should be extended, how would the dollar amount for services in addition to order execution be calculated?*

As a general principle, the application of the Proposed Instrument should be extended to principal trading in OTC markets where practical. Soft dollar information should not be hidden from investors because of the type of product, transaction or market. If at this time, it is too difficult or onerous to determine the dollar amount for services in principal trades where order execution is bundled with other proprietary services by dealers then the CSA should consider only requiring disclosures of other principal trades where it is reasonably practicable. For example, we understand that advisors and dealers maintain records of amounts of money that arise from principal trades that are to be allocated to third parties. The CSA should require the disclosure of these soft dollar payments to third parties.

*Question 6:*

*Should raw market data be considered research under the Proposed Instrument? If so, what characteristics and uses of raw market data would support this conclusion?*

Commonly used raw market data, such as securities' prices and previous trades, should not be considered as research. Some raw market data, such as that used for developing trading algorithms, could be considered as research. Furthermore, there is merit in the Security and Exchange Commission's belief set out in its guidance on soft dollars to "promote innovation by money managers who use raw data to create their own research analytics." The CSA should have a similar general policy goal in Canada.

*Question 9:*

*Should mass-marketed or publicly-available information or publications be considered research? If so, what is the rationale?*

Mass-marketed or publicly-available information or publications should not be considered as research. There may be some specialized publications that could be considered research, but the CSA should be concerned if some specialized publications that should be considered part of advisors' continuing education or professional development are included in this category.

*Question 12:*

*Are the proposed disclosure requirements adequate and do they help ensure that meaningful information is provided to an adviser's clients? Is there any other additional disclosure that may be useful for clients?*

Disclosure is only truly useful if those responsible for the funds are required to evaluate the information and ensure that it is a reasonable use of the clients' commissions. It is not reasonable to expect that the average "person in the street" will read or effectively evaluate these disclosures. However, trustees, board of directors, or others with fiduciary responsibilities should be required to evaluate these disclosures and ensure that the use of soft dollars is acceptable.

Thank you for providing us with this opportunity to comment.

Respectfully submitted on behalf of the CPP Investment Board,

A handwritten signature in cursive script that reads "Dan Chiu".

**Daniel Chiu**  
**Director – Capital Markets**  
**CPP Investment Board**