

November 2, 2006

Via facsimile

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services 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 Mr. 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

Dear Sirs and Mesdames:

**Re: Response to Canadian Securities Administrators' (CSA's) Request for Comments on
Proposed National Instrument 23-102 – Use of Client Brokerage Commissions as Payment
for Order Execution Services or Research**

Phillips, Hager & North Investment Management Ltd. (“PH&N”) is one of Canada’s oldest independent investment management firms with assets under management of over \$60 billion. PH&N manages investments for corporate and multi-employer pension plans, endowments, non-profit entities, government and private accounts.

PH&N supports the CSA’s initiative to provide further guidance to the industry on the use of client brokerage commissions as payment for order execution services or research. However, we would like to take this opportunity to offer a few specific comments on the level of disclosure contemplated in Proposed National Instrument 23-102 (the “Proposed Instrument”).

We are concerned that the extensive disclosure requirements in the Proposed Instrument will result in an inordinate amount of largely unnecessary administrative cost. We have hundreds of institutional clients, thousands of private clients and tens of thousands of mutual fund clients, and yet only 5 clients expressed an interest to us in the past year in receiving any detailed disclosure regarding soft dollars. Clearly our client base, which we believe to be representative of the industry's, has indicated that detailed soft dollar disclosure is not relevant to them. Since soft dollars are largely fungible, one individual's report may not be representative of a money manager's total use of soft dollars and therefore would be of no real relevance to that individual client.

Given that providing this extent of disclosure would be a very expensive undertaking for little (if any) additional value to the client, we respectfully submit that disclosure at the firm level would meet the needs of the vast majority of investors. We would prefer to (a) provide meaningful, detailed, disclosure of soft dollar arrangements to a specific client if requested to by that client, and (b) provide a general initial and annual disclosure to all clients of the availability of client specific disclosure regarding soft dollar arrangements on request. We believe, very strongly, that such an approach would be preferred by all of our clients as they already receive a considerable amount of regulatory-related and professional standards-related disclosures from our firm throughout the year.

In order for advisers to be able to provide the types of disclosure that are anticipated in the Proposed Instrument, we believe that the amount of effort required to develop the administrative processes and systems to produce a report at the granular level the Proposed Instrument contemplates for each and every client would be complex, expensive and onerous to ourselves and the industry. We further submit that it would take far longer to develop and implement such systems and processes than the Proposed Instrument envisions.

Systems and processes aside, in general the implementation period set out in the Proposed Instrument is too short and an appropriate transition period should be provided. Many traditional soft dollar arrangements are negotiated on an annual basis, for example.

Thank you for this opportunity to address our major concern regarding the level of disclosure. There are a number of other minor objections that other industry members have raised and, in general, we share and are sympathetic to those concerns. We would be pleased to discuss our comments with you.

Yours truly,

PHILLIPS, HAGER & NORTH
Investment Management Ltd.

Original signed by "John S. Montalbano"

John S. Montalbano
President