May 8, 2007

TO: Ontario Securities Commission
c/o John Stevenson, Secritary

To Whom It May Concern,

Re: Proposed National Instrument 31-103

As a Canadian living in Ontario and investing in Canadian securities and mutual funds, I appreciate your important role in protecting investors, especially in light of the recent scandels. This said, I am concerned about the already very high fees associated with investing in mutual funds in Canada (please see Rob Carrick's article in today's Globe and Mail, page ROB 16).

Am I correct in my understanding that the proposed Section 4.18 of Instrument 31-103 would not only increase costs but also duplicate already existing investor protection. I invest in mutual funds managed by AGF and Franklin Templeton among others and understand that these firms do not in fact have possession of my funds but rather they are held by a "custodian" such as a Trust company which maybe wholy owned by a major Bank such as The Royal Bank of Canada. While I think it unlikely that the Royal Bank will seal my investments, it is probably prudent to force the custodian to carry insurance against such an unlikely eventuality. However does it really help to make the mutual fund management company carry extra insurance to cover assets which are not under the control of the mutual fund company but rather held by the custodian?

Carrick suggests in this article (referenced above) that one of the reason for the extremely high mutual fund fees in Canada is the dominance of a few major companies in the mutual fund business. Perhaps rather than trying to increase the barriers of entry to this industry by requiring higher working capital levels, as Section 4.14 seems to do, effort should be made to encourage more competition in the industry with the hope that competition would put downward pressure on fees.

Thank you for taking the time to read and consider the above. I also thank you in advance for your response.

Kindest regards,

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