



CPP
INVESTMENT
BOARD

Canada Pension Plan Investment Board
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June 30, 2007

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, 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
19th Floor, Box 55
Toronto ON M5H 3S8

Anne-Marie Beaudoin, Directrice du secretariat
Autorité des marchés financiers
Tour de la Bourse, 800, square Victoria
C.P. 246, 22 étage
Montréal, QC H4Z 1G3

Re: National Instrument 31-103 *Registration Requirements*

Dear Sirs and Mesdames:

The Canadian Pension Plan Investment Board (“CPP Investment Board”) is an investment management organization with a legislated mandate to achieve “a maximum rate of return without undue risk of loss, having regard to the factors that may affect the funding of the Canada Pension Plan and the ability of the Canada Pension Plan to meet its financial obligations on any business day.” As a fiduciary acting on behalf of 16 million contributors and beneficiaries in seeking to invest our substantial assets, we seek out quality advisers and funds for each of our investment mandates, wherever located.

We are pleased to have the opportunity to comment on the proposed National Instrument 31-103 Registration Requirements (“NI 31-103”), issued by the Canadian Securities Administrators (“CSA”). CPP Investment Board supports the broad objective of greater investor protection sought to be achieved in NI 31-103 proposes. We do not propose to comment specifically on the questions raised in the CSA’s notice; rather the focus of our comments is on the implications and

necessity of certain requirements in relation to CPP Investment Board seeking to retain quality advisers and invest in their funds.

We currently retain both domestic and foreign advisers. We look for the adviser to be subject to a recognized regulatory regime in its home jurisdiction and we understand that most, if not all, of the regulatory oversight will come from that jurisdiction. Most, if not all, of the non-Canadian advisers retained by us currently are registered as international advisers in Ontario. While we do not object to the current requirements for foreign advisers to be registered as international advisers in Ontario, as noted above, the Ontario registration is not our main focus in respect of such foreign adviser. As a result, we do not object to the change in NI 31-103 from an international adviser registration category to an exemption for "international portfolio managers" who only have "permitted international portfolio manager clients".

We generally pursue a process of identifying advisers managing portfolios with the particular mandate we are looking for, seeking responses to our requests for proposals and performing other due diligence activities in the selection process. In doing so, it is helpful to us that information is available and provided to us from many sources, including direct solicitations from advisers or others on their behalf. We note that one of the proposed conditions of the international portfolio manager exemption in NI 31-103 is that the international portfolio manager exemption is not available if such portfolio manager has engaged in solicitation activities. Solicitation is an uncertain concept at best and introduces another element, which is not focused on the key issues of concern for CPP Investment Board in retaining an adviser. It appears anomalous that we need the protection of Canadian registration of the adviser where we are solicited but not if no solicitation occurred. A permitted international portfolio manager client is recognized as having sufficient sophistication to retain non-resident advisers and should be able to entertain solicitations from such advisers. Although the increased regulatory burden of having to become registered in Canada would appear to be more of a concern to the adviser than to its clients, our ability to retain the adviser could be slowed down by the adviser having to go through a substantive registration process. In summary, easy access to advisers with quality skills and subject to acceptable regulatory regimes is our goal and our reason for making this comment.

When we invest in funds, our process is very similar. We gather all the relevant information and perform due diligence on the adviser and other key aspects of the fund. We engage in numerous discussions and negotiations with the fund sponsor. We do not seek, or desire to, have a dealer involved in the trade. The current rules require a dealer to be interposed in the transaction in part because of the "look through" approach in Ontario which requires the adviser to the fund to identify an exemption on which it can rely. Currently, Ontario Securities Commission Rule 35-502 provides an exemption for funds offered primarily abroad on condition that an Ontario registered dealer is involved in the trade to CPP Investment Board. Further, as such purchases are generally under the private placement exemptions, Ontario's requirement that market intermediaries are denied the dealer exemption also leads to the requirement to interpose a dealer.

This status is continued in NI 31-103 but compounded further by requiring a "look through" to the international investment fund manager of the fund. (We note that many of the foreign funds

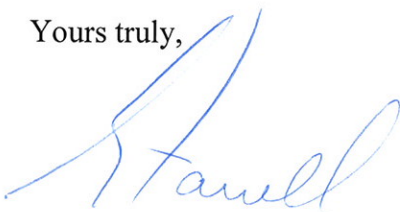
are corporations and do not have a separate entity that acts as a manager, which further complicates the situation.) The exemption from the requirement to register as an investment fund manager if the manager otherwise qualifies as an international investment fund manager is also premised on the interposition of a dealer as one of the conditions of the exemption.

As a result, NI 31-103 does not really change much with respect to international portfolio managers and foreign funds, other than compounding the problem with the addition of the investment fund manager category. What it does present is an opportunity for CPP Investment Board to raise the need for a registered dealer to be inserted into the process, whether under the current laws or the proposed NI 31-103. The discussions and negotiations are all made between CPP Investment Board and the fund's sponsor and the search for the dealer is only commenced when trying to close the transaction in accordance with existing laws. The dealer clearly does not add any level of protection as we are not in need of a dealer to assess the suitability of the trade to us. We can understand why a dealer may be desirable in the context of other types of investors. We believe the regulatory regime should distinguish the need for a dealer on a trade in the private placement market according to the nature of investor.

We are informed that other regulatory rules relieve a dealer from the suitability requirements where the account is through a registered portfolio manager. In essence, institutional investors, such as CPP Investment Board, function like portfolio managers. In the public markets, a dealer is necessary for purposes of execution of CPP Investment Board's trades. In the private placement markets, there is no execution role needed or desired for institutional investors of a nature similar to CPP Investment Board.

Thank you for considering our comments. If you would like to discuss this further, please contact Eleanor Farrell at 416-868-6377 or efarrell@cpiib.ca.

Yours truly,



Eleanor K. Farrell
Corporate Governance and Legal Manager