



Alternative Investment Management Association - Canada

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December 23, 2008

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen West
Suite 800, Box 55
Toronto, Ontario
M5H 3S8

Dear Sirs/Mesdames:

Re: AIMA Canada's comments on Proposed Revocation and Replacement of OSC Rule 13-502 Fees and Companion Policy 13-502CP Fees

This letter is being written on behalf of the Alternative Investment Management Association – Canada Inc. (“**AIMA Canada**”) representing the Canadian members of the Alternative Investment Management Association (“**AIMA**”) to provide our comments to you on the Proposed Revocation and Replacement of OSC Rule 13-502 Fees and Companion Policy 13-502CP Fees (collectively, the “**Proposed Fee Rule**”).

AIMA is the only professional trade association representing the hedge fund industry with worldwide membership. It is also the only such association which represents all practitioners in the alternative investment management industry – whether hedge fund managers, managers of futures or currency funds or those providing other specific services such as prime brokerage, administration, legal or accounting, auditing and tax advisory services. AIMA is a not-for-profit education and research body. Membership is corporate and now comprises over 1,280 firms in 49 countries. AIMA Canada has 72 members. AIMA's members represent over 75% of global hedge fund assets and over 70% of global fund of funds assets.

The objectives of AIMA are to provide an interactive and professional forum for our membership and act as a catalyst for the industry's future development, to be the pre-eminent voice of the industry to the wider financial community, institutional investors, the media, regulators, governments and other policy makers and to offer a centralized source of information on the industry's activities and influence, and to secure its place in the investment management community.

For more information about AIMA Canada and AIMA, please visit our web sites at www.aima-canada.org and www.aima.org.

This comment letter has been prepared by a working group of the members of AIMA Canada, comprised of managers of hedge funds, fund of funds and accountancy and law firms with practices focused on the alternative investments

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sector.

Upon review of the Proposed Materials, we offer the following comments:

Use of a “reference fiscal year” in calculating participation fees

We welcome the benefits of moving to a fixed historical reference point in determining future fees; namely, the stability it will add to the OSC’s, registrants’, and reporting issuers’ forecasts. Furthermore, we believe that the two year fee cycle is a suitable period as it balances relevance and practicality. However, given the inherent volatility that underlies our businesses, singling out one particular year as the basis for two years of fees increases the risk that resulting participation fees are not right-sized to the registrant or reporting issuer’s longer term average revenues or capital. In particular, we note that using a participant’s last fiscal year ending before January 1, 2008 as the reference fiscal year, in light of the volatility in the markets since then, is likely to be highly distortive to some participants. Our view is that using a multi-year average as the reference point would result in a more equitable allocation of the Commission’s operating costs amongst registrants and reporting issuers. Specifically, we recommend a two-year trailing average ending on the registrant’s last audited fiscal year-end before the beginning of the new fee cycle.

Pending surplus refund

The Proposed Fee Rule outlines the Commission’s plan to refund to registrants and reporting issuers approximately \$22MM of the anticipated March 31, 2009 Surplus. Given the current economic environment we encourage the Commission to consider issuing an interim refund to registrants shortly after March 31st, equal to 80% of the anticipated Surplus based on the filing of an updated Form 13-502F4.

\$23MM holdback due to transition to May 31st payment date

The Proposed Fee Rule sets out a \$23MM holdback from the payout of the Surplus to cover the anticipated reduction in the Commission’s revenues as the fee payment date transitions from December to May as proposed in the summary of comments related to NI 31-103. We are interested in the Commission’s plan for the \$23MM holdback if the implementation of NI 31-103 is delayed or not implemented altogether.

We appreciate the opportunity to provide the OSC with our comments on the Proposed Materials. Please do not hesitate to contact the following members of the

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working group with any comments or questions that you may have:

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Yours truly,

Alternative Investment Management Association – Canada Inc.

By:

Ian Pember
On behalf of AIMA Canada and the Legal & Finance Committee

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