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British Columbia Securities Commission
Alberta Securities Commission
Ontario Securities Commission
Autorité des marchés financiers

John Stevenson, Secretary
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20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario M5H 3S8
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Madame Anne-Marie Beaudoin
Directrice du secretariat
Autorité des marchés financiers
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800, square Victoria
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Dear Sirs and Mesdames:

Re: Request for comments on the consultation paper entitled “Securities Regulatory Proposals Stemming from the 2007-08 Credit Market Turmoil and its Effect on the ABCP Market in Canada”

We are pleased to respond to the Canadian Securities Administrators (“CSA”) request for comments in respect of the consultation paper entitled “Securities Regulatory Proposals Stemming from the 2007-08 Credit Market Turmoil and its Effect on the ABCP Market in Canada”.

TD Asset Management Inc. (“TDAM”) is a wholly-owned subsidiary of The Toronto-Dominion Bank and is one of Canada’s largest asset managers. As of December 31, 2008, TDAM and its affiliates managed approximately \$167.7 billion for mutual funds, pooled funds and segregated accounts and provided investment advisory services to individual customers, pension funds, corporations, endowments, foundations and high net worth individuals. TDAM managed approximately \$46.8 billion in retail mutual fund assets on behalf of more than 1.4 million investors as of December 31, 2008. In particular, TDAM and its affiliates managed approximately \$53.5 billion in money market funds as at the same date.



We are specifically responding to proposal number seven in our capacity as a discretionary investment manager, including for investment funds available to retail and institutional investors.

SPECIFIC COMMENTS

CSA Proposal #7

7. *The Committee proposes to review:*
- i. *whether a concentration restriction in NI 81-102 for money market funds is appropriate, and if so, whether the current 10% concentration restriction is appropriate*
 - ii. *whether to further restrict the types of investments (such as asset-backed short-term debt) a money market fund can make*
 - iii. *whether assets such as asset-backed short-term debt are appropriate as eligible assets in the definition of “cash cover” and “qualified security”, and*
 - iv. *whether short-term debt investments, including ABCP with a specified credit rating, should be permitted to be aggregated in a statement of investment portfolio*

(a) Money market funds

The Committee proposes reassessing the concentration limits for mutual funds to determine whether existing concentration limits are an effective means of ensuring money market funds are adequately diversified, maintain an appropriate low-risk profile, and are able to meet redemption demands.

We are of the view that the 10% concentration restriction should not be reduced to 5%. A money market fund that wishes to maintain very high quality, highly liquid securities might well require a limit in excess of 5%. In periods of relative illiquidity such as current market circumstances, such concentration is necessary in light of the lack of a broad range of high quality, highly liquid securities.

The Committee also proposes consideration of whether our rules should further restrict money market funds from investing in other types of assets, including ABCP.

Given the lack of a broad range of high quality, highly liquid securities, we believe it is not appropriate to implement additional investment restrictions in this environment of diminished investment alternatives. We favour greater degrees of disclosure and transparency by investment funds with respect to their security holdings, particularly with respect to consolidated holdings of securities with the same guarantor.

(b) Cash cover and investment of cash collateral

The Committee proposes reconsidering the types of assets that are eligible for cash cover or as a qualified security, including ABCP

All ABCP should not be disqualified from constituting “cash cover” and “qualified securities”. The term ABCP covers a broad array of investments, so it is important not to curtail investments in high quality ABCP issues by limiting all “ABCP” investments. By placing specific assets within an asset backed structure, market participants are able to manage and mitigate a variety of risks as well as the financing of operations. In our view, the asset backed securities market provides a valuable mechanism for a healthy financial market system. Therefore, we believe that ABCP should continue to be eligible as “cash cover” and constitute “qualifying securities”.

(c) Statement of investment portfolio

The Committee will consider whether it is appropriate to remove the option for investment funds to aggregate disclosure of short-term instruments in the statement of investment portfolio

As in point (a) above, we are of the view that it is appropriate to enhance disclosure so that portfolio holdings are more transparent to those that utilize financial reporting. Increased disclosure will enable investors as well as other market participants to more accurately evaluate the risks inherent in the investment fund’s investments.

(d) Request for comment

Is the SEC proposal to replace the ratings test for money market funds with a “minimal credit risk” test (as determined by the board of directors of the money market fund) for investment eligibility a better approach than relying on credit ratings for investment eligibility? If so, given that most mutual funds in Canada do not have a board of directors, who would perform this function? Would a “minimum credit risk” test make it more difficult to manage a money market fund or create greater uncertainty and unintended risks?

A “minimum credit risk” test would introduce a number of difficulties. Firstly, it could allow money market funds to take on undue risk without the need to comply with minimum credit rating criteria. Secondly, it could make it more difficult for investors and performance rating agencies to compare funds that operated under fewer common investment constraints. Finally, fund portfolio advisers and managers should understand that existing minimum credit rating criteria provide only one minimum criterion for investment rather than a safe harbour for investments made solely on the basis of external credit ratings.

Any minimum credit rating function should be performed by the portfolio adviser. A mutual fund’s independent review committee (“IRC”) should have no responsibility for

this function given that it does not entail a conflict matter, except in limited circumstances of purchasing related party money market instruments in the secondary market. In this limited circumstance, regulatory relief requires IRC oversight of the conflict.

GENERAL COMMENTS

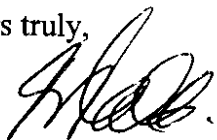
We have reviewed the set of proposals published by the Group of Thirty¹ in the United States that address a broad range of financial and economic issues resulting from the current global financial crisis. In respect of money market funds, the Group of Thirty recommended that money market funds that wish to maintain a stable net asset value (“NAV”) should reorganize as a special-purpose bank and those wishing to remain as money market funds should not be permitted to use amortized cost pricing, thereby having a floating NAV.

While we acknowledge there may be diverging views on this subject amongst the various stakeholders including investment fund managers and institutional and retail investors, we encourage the CSA to create a dialogue on the issues related to stable NAV money market funds versus the potential for money market funds to carry a floating NAV.

Perhaps a compromise between the two choices offered by the Group of Thirty could be reached that addresses the concerns of the various stakeholders. Rules could be considered for two alternative types of money market funds, one with a fixed NAV and the other with a floating NAV. For example, a fixed NAV guarantee program, such as that adopted by the U.S. Treasury Department could be structured for a fixed NAV money market fund. In exchange for a nominal participation fee, the holdings of any eligible retail or institutional money market fund could be insured.

We would be pleased to provide any further explanations or submissions with respect to matters described above and would make ourselves available at any time for further discussion.

Yours truly,



Barbara F. Palk
President

¹ The Group of Thirty, established in 1978, is a private, non-profit, international body composed of representatives from the public and private sectors. Its aim is to deepen the understanding of economic and financial issues, in addition to exploring the consequences of decisions made in the public and private sectors related to these issues.