

**Sun**  
**Life Financial**

Dana Easthope  
Counsel  
Law Department

Sun Life Financial Inc.  
150 King Street West  
Suite 1400  
Toronto, Ontario  
M5H 1J9  
Tel: (416) 979-6467  
Fax: (416) 979-3209  
dana.easthope@sunlife.com

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British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Nova Scotia Securities Commission  
New Brunswick Securities Commission  
Office of the Attorney General, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
Registrar of Securities, Government of Yukon  
Registrar of Securities, Department of Justice, Government of the Northwest Territories  
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

c/o Ms Noreen Bent  
Manager and Senior Legal Counsel, Corporate Finance  
British Columbia Securities Commission  
P.O. Box 10142, Pacific Centre  
701 West Georgia Street  
Vancouver, British Columbia  
V7Y 1L2

-and-

Ms Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22 étage  
C.P. 246, Tour de la Bourse  
Montréal, Québec  
H4Z 1G3

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Dear Sirs/Mesdames:

**Request for Comment – Proposed National Instrument 55-104 *Insider Reporting Requirements and Exemptions***

Sun Life congratulates the Canadian Securities Administrators (the “CSA”) for proposing to modernize, harmonize and streamline insider reporting in Canada. We are supportive of the changes outlined in proposed National Instrument 55-104 (“NI 55-104”), with one exception.

The Companion Policy to NI 55-104 clarifies that stock-based compensation instruments will generally constitute “related financial instruments” and will therefore be part of the primary insider reporting requirement set out in Part 3 of NI 55-104. In our view, the purposes of the rule are not served by requiring insiders to report forms of stock-based compensation. Such reporting would do nothing to deter improper insider trading or improve market efficiency by providing investors with information concerning the trading activities of insiders. We believe those are by far the two most important functions of the insider reporting requirements, a view that seems to be supported by the CSA’s specific reference to those functions in Section 5 of the Request for Comments.

Sun Life’s situation is illustrative. Our long-term incentive program includes performance share units (“PSUs”) and restricted share units (“RSUs”) which would be related financial instruments for the purposes of NI 55-104. Each PSU and RSU is equivalent in value to one common share of Sun Life Financial Inc. With the exception of grants to new hires, PSUs and RSUs are awarded to eligible employees as part of the annual compensation process each February. The size of each award is determined by the recipient’s manager or the board of directors. Employees do not make a choice whether to receive PSUs or RSUs, they are simply awarded as part of their compensation. PSUs and RSUs may not be transferred by their holder. While they are outstanding, PSUs and RSUs receive notional dividends at the same time and rate as dividends on common shares and such dividends are automatically reinvested in additional PSUs and RSUs. In each case they vest on a specified future date, usually three years after the date of grant, and are paid out in cash. Employees similarly do not control the timing of disposition of PSUs and RSUs.


The above description shows that at no time does an insider of Sun Life make an investment decision with respect to his or her PSUs or RSUs. Rather, each grant of PSUs and RSUs is a compensation decision made by the person to whom the insider reports or the board of directors as a whole. Similarly, insiders have no control over the vesting dates of their PSUs and RSUs as they are fixed on the date of grant. Thus, we believe that requiring insiders to report PSUs and RSUs would not improve the effectiveness of insider reporting in any way; there is no possibility for improper insider trading that should be deterred, and insiders’ views of Sun Life’s prospects cannot be determined by viewing routine details of the granting and vesting of PSUs and RSUs.

In fact, such reporting may actually decrease market efficiency by obscuring information about actual investment decisions made by insiders.<sup>1</sup>

This letter has necessarily focussed on Sun Life's PSU and RSU plans, but we note that many other issuers in the financial services industry and elsewhere have substantially similar compensation arrangements. We also note that these types of compensation arrangements must be disclosed pursuant to Form 51-102F6 *Statement of Executive Compensation*, and therefore reporting and disclosure through the System for Electronic Disclosure by Insiders seems unnecessary.

We urge the CSA to revise NI 55-104 to exclude from the insider reporting requirements compensation instruments which are non-transferable and which do not involve any personal investment decision by insiders. Excluding such instruments from reporting would not detract from the effectiveness of the other proposals or the insider reporting regime as a whole, while we believe that including them may actually have a negative effect on the market.

Yours truly,

A handwritten signature in black ink, appearing to read "Dana Easthope", with a long horizontal flourish extending to the right.

Dana Easthope  
Counsel

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<sup>1</sup> In addition to PSUs and RSUs, Sun Life's compensation program includes options and deferred share units ("DSUs"). Our insiders currently report options and DSUs in accordance with the existing insider reporting requirements, and we are not suggesting any changes in that regard. However, our view is that options and DSUs are fundamentally different than PSUs and RSUs because insiders are making an investment decision when they exercise options or elect to take a portion of their annual incentive compensation in the form of DSUs rather than cash.