

September 30, 2010

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Dear Mr. Stevenson and Ms. Beaudoin,

RE: Proposed Amendments to National Instrument 31-103

We appreciate the opportunity to comment in several specific areas in the proposed amendments.

Account Activity Reporting

a) Trade confirmations and account statements.

We agree with the proposal for section 14.14(3) that an investment fund manager send an account statement to the security holder, at least once every 12 months if there is no dealer of record for the security holder on the records of the investment fund manager. This requirement is directly related to our response to the questions of putting client name positions on client statements and when should a client no longer be considered a "client".

b) Fair value in account statements.

This is a complex topic. As a Type 2 IIROC dealer with very limited firm inventory, we have limited knowledge with the complexities of valuations of security holdings. Our carrying dealer looks after valuation on client accounts.

However, from the client perspective, we believe these amendments will cause confusion and potential distrust among clients.

Our understanding is that fair value accounting for securities, as required under IFRS was not intended for valuation of positions for client statement purposes. The current system of marking securities as value not available when a market value is not readily available from a reliable source works well. Clients understand that concept better than they will be able to understand "accounting" disclosure regarding valuation methodology used and that fair value is not necessarily representative of the amount the client will receive should they sell

the security. Under IFRS fair value rules, a client with the same position at two investment dealers may well receive two different prices on the same security. The credibility of the statements and trust in the advisor and dealer will be in doubt and disturbing to retail clients who in the majority of cases do not have the financial background to understand the nuances of levels of fair value methodology in IFRS.

The cost of attempting to implement fair value by far outweighs the potential benefits, of which we see very few.

c) Reporting on each security position in the account.

Overall, we support the inclusion of client name positions in client statements. We recognize there is a cost to provide this information, but the potential benefits to the clients are considerable, particularly when taken with the CSA's intention to also require additional reporting. However, we have some important qualifiers to this general support, including use of market value not fair value, and the ability to determine when a "client" should no longer be considered a client. Our comments are limited to client name mutual fund securities. We will address the CSA's specific questions.

1. *Investors may not be aware that securities are held in different ways or understand the implications for account reporting of holding securities in one way or another. To what extent would investors benefit from including client name securities on their account statements? For example, would including client name securities ensure that account statements provide investors with a more complete picture of their portfolio?*

Yes, clients would benefit from having a more complete picture of their portfolio.

2. *If client name securities were required in account statements, we would require registered firms to use IFRS to determine fair value of client name securities. Some securities held in client name are illiquid and do not have a value that can be determined by reference to an active market. Would include the fair value of illiquid securities be useful to investors?*

As stated already, we do not support application of IFRS to client statements, in part because the answer to this question is No. For an average retail client, using fair value with disclosures of valuation methods will cause more confusion and misunderstanding than a nil valuation.

3. *We understand that many registered firms that currently include client name securities in their account statements have arrangements with the issuer to regularly update them on the securities owned by a client. In what circumstances does this practice work? In what circumstances might this practice be impractical or unduly burdensome? How common are these circumstances?*

This practice can work for most Canadian mutual fund companies via Fundserv. For other entities, the process is more costly and time intensive.

4. *Other than entering into an arrangement with the issuer, how else could registered firms collect information on what client name securities a client owns? How would these alternatives work and what costs would be involved?*

No comment.

5. *What changes would registered firms need to make to their account statement procedures to include client name securities? How difficult or costly would these be?*

This would be very costly and challenging for many firms as material changes are needed to systems and procedures to include client name securities.

6. *Under section 14.14, registered firms are only required to provide account statements to "clients". When do you consider a client relationship to start and end? What factors should be considered in determining whether a client relationship has ended?*

A client relationship starts the earlier of when the client begins to pay any compensation, directly or indirectly, to the dealer or an account is opened. We appreciate that the CSA is open to the reality that sometimes the client relationship has in effect, ended, even though the client may not have transferred their investments to another firm. Several examples of when the client relationship should be considered to have functionally ended include:

- o the client will no longer participate with their obligations that the proposed client relationship model proposes, such as to inform the advisor when their circumstances are materially changed
- o when the client refuses to provide answers to questions or paperwork required for their proper administration of their account, such as providing information that the dealer needs to meet their regulatory requirements in a business like manner (such as US citizenship when FACTA legislation comes into force).
- o where the firm's or advisor's business model has evolved over time and the client needs can no longer be met by the advisor or firm, as long as the client is given the opportunity to remain with the firm or advisor through adjustment of their relationship or ample time to move their business elsewhere.

7. *If client name securities were required in account statements, should there be a transition period to give registered firms time to change their account statement procedures? How long should the transition period be?*

Yes, there should be a transition period of three years.

Sincerely,

ROGERS GROUP FINANCIAL



Clay Gillespie, BBA CFP CIM
Managing Director

