



**BNP PARIBAS
INVESTMENT PARTNERS**

January 13, 2011

Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, ON M5H 3S8

Attention: John Stevenson, Secretary

Via E-mail: jstevenson@osc.gov.on.ca

On behalf of the Canadian Securities Administrators:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services 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
Superintendent of Securities, Yukon Territory
Registrar of Securities, Nunavut

Dear Sirs and Mesdames:

Re: Proposed Amendments to National Instrument 31-103

We are writing to provide the comments of BNP Paribas Investment Partners Canada Ltd. ("BNP") with respect to the Canadian Securities Administrators ("CSA") Notice of Proposed Amendments to National Instrument 31-103 regarding registration of international and certain domestic Investment Fund Managers.

BNP Paribas Investment Partners, the investment management arm of the BNP Paribas Group, is a global investment solution provider with a network of investment partners that have specific product and market expertise. BNP Paribas Investment Partners is a majority-owned subsidiary of BNP Paribas SA, a publicly traded company.

BNP is registered in Ontario as a Portfolio Manager, Exempt Market Dealer, Investment Fund Manager and Commodity Trading Manager as well as in certain other Canadian jurisdictions in some of these categories. Several BNP affiliates also provide services to Canadian institutional clients pursuant to registration exemptions.

We have participated in the development of the comment letter submitted by the Portfolio Management Association of Canada and support the comments and concerns raised in that letter.



International Investment Fund Managers

The current proposals would create an exemption from Investment Fund Manager registration for an international manager if it meets the conditions set out in proposed section 8.29.1. We agree with the proposal to create such an exemption. However, we strongly object to the conditions set out in proposed section 8.29.1(4). The conditions are neither fair, workable nor consistent with the other international exemptions set out in NI 31-103 and in particular create an unnecessary hurdle for international managers responding to the needs of Canadian institutional investors.

The C\$50 million threshold contained in the proposal was surprising, particularly given that it is inconsistent with the exemptions already functioning well in NI 31-103, the International Dealer exemption in section 8.18 and the International Adviser exemption in section 8.26. The International Fund Manager exemption should mirror these exemptions as much as possible.

BNP has served the Canadian institutional market for over a decade and it is quite common for these investors to require special purpose funds to be set up to hold their investments. This provides them with an added level of comfort and protection. Under the proposals, such a structure would require that the fund's manager become registered in Canada. This barrier to entry will serve to limit the choice and services available to permitted clients in Canada.

We submit that the International Investment Fund Manager Exemption mirror or at least be consistent with the threshold triggers already established for the International Adviser exemption. We propose removing the seemingly arbitrary triggers of (i) 10% per fund limit; and (ii) the \$50 million CAD limit. We propose that these limits be replaced with a threshold consistent with s. 8.26(4)(d). The limit we propose would be based on Canadian client AUM. Specifically, we suggest the trigger for registration be that the AUM held by Canadians be 10% of the total fair value of net assets of the foreign funds for which an international IFM and its affiliates act as IFM (i.e. including all of its affiliates and its affiliated partnerships but excluding those that it may have registered in Canada).

Where an international fund manager is unable to rely on the proposed exemption, or decides it wants to register, we would also recommend that the CSA consider implementing some flexibility around the following items:

- (a) the International Fund Manager should not be required to be convert its financial statements to Canadian GAAP, but should be able to file in Canada the same financial statements it prepares for filing in its home jurisdiction;
- (b) the specific Canadian proficiency and experience requirements for the Chief Compliance Officer of the International Fund Manager should not apply to any CCO duly registered with its principal foreign regulator; and
- (c) Insurance & Capital Requirements of the international fund manager should not apply to any company duly registered with its principal foreign regulator.

Domestic Investment Fund Managers

Under the draft amendments, an Investment Fund Manager that has a head office in Canada would be required to register in another province or territory "if the domestic fund has security holders that are local residents and the domestic fund manager, or the fund it manages, has actively solicited local residents to purchase the securities of the funds." This registration would be in addition to the presently required registration in the province where the fund manager's head office is located. This would result in the need to be registered as an Investment Fund Manager in each province and territory of Canada.



We believe that the requirement to register in the local jurisdiction should not be based on whether the investment funds have security holders that are local residents or the fact that the funds or their managers have actively solicited local residents to invest in the funds. Rather, we believe that a fund manager should only be required to register in its principal jurisdiction and any other jurisdiction in which it carries out some material element of Investment Fund Manager activity or in which the investment fund under management is located. Therefore, we believe that the correct approach is the current one: an Investment Fund Manager must register in the jurisdiction where it is carrying out the activities as an Investment Fund Manager, which for most managers will be the jurisdiction where their head office is located and the funds are actually managed.

We appreciate the opportunity to comment on the proposals and would be pleased to discuss these matters further.

Sincerely,

Simon Segall
Chief Executive Officer

Copy to: Michael Valihora
Chief Compliance Officer, BNP Paribas Investment Partners Canada