



THE INVESTMENT FUNDS INSTITUTE OF CANADA  
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

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**BY ELECTRONIC MAIL: [rday@osc.gov.on.ca](mailto:rday@osc.gov.on.ca)**

April 27, 2011

Robert Day  
Manager, Business Planning  
Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario M5H 3S8

Dear Mr. Day:

**Re: OSC Notice 11-765 - Request for Comments Regarding Statement of Priorities for Fiscal Year Ending March 31, 2012**

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We are writing to provide the comments of The Investment Funds Institute of Canada ("IFIC") with respect to the proposed Statement of Priorities for the fiscal year commencing April 1, 2011 that was published by the Ontario Securities Commission (OSC) on February 25, 2011.

IFIC is the national association of the Canadian investment funds industry. Our membership is comprised of mutual fund management companies, retail distributors and affiliates from the legal, accounting and other professions from across Canada.

We are pleased to note that as in past years, we share a number of common objectives. We would like to take this opportunity to highlight areas of priority for our industry, and we encourage their progress in the coming year.

**National Instrument 81-102 (NI 81-102), Mutual Funds and Disclosure Reform**

We were pleased to read that one of the OSC's main priorities for the coming fiscal year relates to the modernization of regulatory systems and approaches, in part by responding to emerging issues and trends in product development. Last year the CSA had circulated for public comment proposals to amend *National Instrument 81-102 Mutual Funds and National Instrument 81-106 Investment Fund Continuous Disclosure and Related Consequential Amendments*.

In our submission IFIC supported a number of the proposed amendments, such as, for example, the exemption of members of the Mutual Fund Dealers Association (MFDA) from the commingling restrictions in NI 81-102. Additionally, we also highlighted a series of amendments that the industry requires to provide much needed flexibility, and which would be a step forward in modernizing the NI 81-102 framework of mutual fund regulation.

We continue to press for the critical changes that we enumerated in our letter, such as reform related to three-tiered structures as well as the need to give greater priority to the OSC's undertaking to rationalize the disclosure regime applicable to investment funds, particularly in light of the implementation of the Fund Facts document. We too feel that investors are entitled to, and would benefit from receiving, better information and not just more information.

We fully support the OSC's stated commitment to review the overall disclosure regime for mutual funds to reduce any unnecessary duplication, and we urge that work begin on it in this coming fiscal year. Our association has begun identifying information that is redundant or of questionable value, and we look forward to sharing our findings in the coming months with Commission staff.

### **Money Market Funds**

We recognize that one of the OSC's priorities is to monitor worldwide developments and adopt appropriate regulatory principles from other jurisdictions to Ontario. While we agree it is wise to stay abreast of developments in other jurisdictions, we believe that the foremost consideration regarding the proposal of any changes to regulation in Ontario must be whether such changes are appropriate to the market in Ontario and Canada more generally.

As part of our work as a member of The International Investment Funds Association we know firsthand the significant differences that exist from jurisdiction to jurisdiction in what appear to be similar products to Canadian investment funds, and the regulation of such products. Without meaning to state the obvious, many rules that are put in place in other jurisdictions are to close gaps in existing regulation - gaps which may not necessarily exist in the regulation of similar products in Ontario. In other cases a product in the United States, for example, may have fundamentally different characteristics than its counterpart in Canada.

In this context we raise the CSA's proposed amendments to the portfolio liquidity requirements for money market funds. We maintain that these amendments, although consistent with regulatory reforms in other countries, are not appropriate for the Canadian product since that product is purchased by a primarily retail clientele, rather than an institutional clientele as is the case in the United States. The Canadian market for securities that can be acquired by Canadian money market funds is also much smaller and narrower than that available to U.S. funds. As such, we believe that the proposed liquidity restrictions could actually harm the Canadian money market product and expose it to a risk that is currently not there. We strongly encourage the OSC to reconsider these amendments to focus on the appropriateness in the Canadian marketplace.

### **Incorporated Salespersons**

We recommend that in the coming year the OSC work with provincial governments and other regulators, including the MFDA and IIROC, to resolve this outstanding matter. We believe that salespersons of securities registrants should have the same ability to incorporate as other professionals, such as persons working in the insurance industry. Successful implementation of this initiative would augment salespersons' abilities to organize their business, without detracting from investor protection.

## **National Regulator**

We acknowledge the OSC's statement of support for development of a national securities regulator. As we have noted previously, the current securities regulatory system in Canada, notably the National Instruments and the existence of a CSA Investment Funds Committee and specialized investment funds branches within several of the regulators, recognizes the unique characteristics of mutual funds relative to other retail investment products. IFIC and its members are working with the Canadian Securities Transition Office (CSTO) to ensure that the proposed national regulatory structure continues or improves this recognition, allowing funds to enhance value for investors and providing a consistent investor experience across the country. In this regard, IFIC has made a series of recommendations as to features that should exist in any national regulator structure.

The Chair of the OSC has noted that the establishment of a national regulator is one of the priorities the minister has given him. Ontario in particular always has recognized the importance of an investment funds group, and as the OSC participates in establishing the national office we encourage the Commission to carry that perspective forward by recommending that such a specialized investment funds group be built into the national structure.

Any regulatory structure that does not allow the capital markets to continue to operate seamlessly on a national basis would be extremely detrimental to the markets and to Canada's global reputation as a stable and safe place to raise capital and invest.

Thank you for providing our members with an opportunity to comment. Please contact either me or Ralf Hensel, General Counsel, at 416-309-2314 or by e-mail at [rhensel@ific.ca](mailto:rhensel@ific.ca) should you have any questions or wish to discuss these comments.

Yours truly,

**THE INVESTMENT FUNDS INSTITUTE OF CANADA**



By: Joanne De Laurentiis  
President & Chief Executive Officer