



TD Asset Management

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September 23, 2011

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
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

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

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

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Re: Proposed Amendments to National Instrument 31-103: Cost Disclosure and Performance Reporting

On behalf of TD Asset Management Inc. ("TDAM") we appreciate the opportunity to comment on the Canadian Securities Administrators' ("CSA") proposal to amend *National Instrument 31-103 Registration Requirements and Exemptions: Cost Disclosure and Performance Reporting* (the "Proposals").

TDAM is a wholly-owned subsidiary of The Toronto-Dominion Bank and one of Canada's largest asset managers. As of August 31, 2011, TDAM and its affiliates managed approximately \$61 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.

Under the TD Mutual Funds name, TDAM provides a diverse range of over 70 mutual funds and 25 professionally managed portfolios. TDAM managed approximately \$61 billion in retail mutual fund assets on behalf of more than 1.4 million investors as of August 31, 2011. TD





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Mutual Funds are available at TD Canada Trust branches (through TD Investment Services Inc. representatives), TD Waterhouse Canada Inc., as well as unrelated investment dealers, brokers, advisors and financial planners.

We have read and are in agreement with the letter put forward by The Investment Funds Institute of Canada ("IFIC") on September 7, 2011, as these issues have broad impact on our operations, and on the distributors of TD Mutual Funds, the Self-Regulatory Organization ("SRO") members of the Mutual Fund Dealers Association of Canada ("MFDA") and Investment Industry Regulatory Organization of Canada ("IIROC").

We support the general principles of the Proposals to provide clients with clear and transparent reporting on performance and costs. However, we agree with the IFIC letter that the Proposals raise two significant concerns for the industry which need to be taken into consideration before any further work is done on these regulations. Our principal concerns relate to:

- The possible discounting of the Client Relationship Model consultative process under the Registration Reform project where performance reporting and cost disclosure were first delegated to IIROC and MFDA for rule development.
- The overemphasis on disclosure of fees and compensation that are already reflected within the MER and included in reported net returns – an overemphasis which will confuse investors and promote misleading cost comparisons with products that do not require similar disclosures.

Regulatory Coordination:

We believe that the conclusions reached by the MFDA following lengthy public consultation, as reflected in MFDA Rule 5.3.5, are balanced in their application, and should not be set aside by these Proposals. To do so, in our view, would undermine the value of the extensive and valuable work contributed over the last seven years of public consultations, and would raise concerns about the public consultation process itself.

The statement and system changes that will be made to meet the new MFDA Rule 5.3.5, due to become effective in July 2012 would be replaced by the implementation of the Proposals. If dealers are required to make statement reporting changes to meet the MFDA requirement, and subsequently to make changes to implement the Proposals, then over a relatively short time investors would experience two significant statement and reporting changes. Such instability in reporting and statement presentation cannot be in the best interests of the investor. We believe it is in the best interests of investors to have one clear and consistent rule for performance reporting and cost disclosure as developed through accepted practices of public consultation.

We ask the CSA to recognize the SROs' rules for the regulation of performance reporting and cost disclosure for their members, and exempt SRO members from compliance with the Proposals.

Overlap with Point of Sale NI 81-101 Changes:

There is significant overlap with the Point of Sale (POS) disclosure requirements. It is our view that disclosure of mutual fund information should be mandated through changes to NI 81-101,





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and/or NI 81-106, as applicable, and should not also be mandated in advance of Phase 3 of POS through changes to NI 31-103.

Annual Cost Disclosure:

The cost disclosures set out in the Proposal will confuse investors and may lead them to draw misleading cost comparisons.

The new emphasis on aggregating charges and disclosing fees such as trailer fees may cause investors to double count charges that have already been reflected in their investments and are disclosed elsewhere. This practice may inadvertently mislead investors to believe their mutual fund investments are being overcharged relative to other products, and lead them away from suitable mutual fund investments to possibly less suitable and less transparent investment options in other sectors.

Annual Performance Reporting:

The MFDA has an approved rule in place for performance reporting which is in line with the principles of the CRM and represents the balance of interests reflected in the extensive public consultations that preceded its adoption. We believe that the MFDA Rule 5.3.5, which mandates a simple measure with flexibility to provide annual gain/loss information or percentage return, aligns well with the expressed needs of investors and their unwillingness to pay additional fees for more detailed performance information.

We believe that the IFIC recommendations meet the needs of all stakeholders and we recommend that you consider them seriously as you decide on next steps for this initiative.

Yours truly,

Sandra Cimoroni
President, TD Mutual Funds
TD Asset Management Inc.

