



**CANFIN FINANCIAL GROUP**  
*A qualified approach to wealth solutions*

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

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

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We are writing to provide the comments to the proposed amendments to *National Instrument 31-103 Registration Requirements and Exemptions: Cost Disclosure and Performance Reporting* (the "Proposals").

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MEMBER COMPANIES: ● CANFIN MAGELLAN INVESTMENTS INC. ● CANFIN CAPITAL GROUP INC. ● CANFIN MANAGEMENT INC.  
● CANFIN MORTGAGE AND EQUITY INC. ● CANFIN WORLDWIDE FINANCIAL SERVICES INC

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Canfin Magellan Investments Inc. ("Canfin") is a mutual fund dealer registered in the provinces of Ontario, British Columbia and Alberta. We also have an Exempt Market Dealer registration in the province of Ontario. As a Mutual Fund Dealer and Limited Market Dealer (now Exempt market Dealer) we have been registered since 1997 and are members of the Mutual Fund Dealers Association of Canada. We currently have 90 registered Dealing Representatives with our firm.

We have read and are in agreement with the letter put forward by The Investment Funds Institute of Canada ("IFIC") on September 7, 2011.

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 disregard for the CRM consultative process under the Registration Reform project where performance reporting and cost disclosure were first delegated to IROC and MFDA for rule development and then readdressed in the current Proposals – a practice which ultimately draws into question the integrity of the consultative process;
- The overemphasis on disclosure of fees and compensation that are already paid by the MER and included in net return reporting – an overemphasis which will confuse investors and promote misleading cost comparisons with products that do not require similar disclosures.

**Regulatory Coordination:**

We are concerned that conclusions reached following lengthy public consultation by the MFDA, as reflected in MFDA Rule 5.3.5 are balanced in their application, and believe that they 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 place at risk the credibility of 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, will be overtaken 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 will 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 that the CSA allow the SROs to develop rules for the regulation of performance reporting and cost disclosure of 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, 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 found 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 charged to their investments and are disclosed elsewhere. This misleading practice may cause investors to believe their mutual fund investments are being overcharged relative to other products, and lead them away from suitable mutual fund investments to less suitable and less transparent investment options in the banking and insurance sectors where such detailed requirements are not required.

**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 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,

**Canfin Magellan Investments Inc.**



By: Manuel DaSilva  
President & Chief Compliance Officer