August 30, 2013

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
Email: comments@osc.gov.on.ca

Dear Sirs/Mesdames:

Re: Arrow Capital Management Inc.'s Comments on Canadian Securities Administrators' ("CSA") Proposals for the Modernization of Investment Fund Product Regulation – Alternative Funds Framework (the "Alternative Funds Proposal") in National Instrument 81-104 ("NI 81-104")

Arrow Capital Management Inc. ("Arrow") is a founding member of AIMA Canada, and was a participant in the development of the AIMA Canada comment letter submitted August 23, 2013. As such, we agree with the comments submitted on behalf of the AIMA Canada members, and also applaud the CSA's initiative to make alternative funds more readily available to Canadian retail investors.

Arrow Capital Management was founded in 1999. Arrow's expertise in active portfolio management and manager selection is evident in its strong, diverse platform, which provides our clients with access to a global selection of outstanding alternative investment funds. Arrow is one of the most experienced alternative investment fund companies in Canada and has always believed that alternative investment funds that utilize proper risk mitigation techniques are important investment vehicles that should be made available to a broader investor population in Canada.

With its' affiliates, Arrow manages over CAD $1 billion of assets, comprised of both single manager and multi-manager portfolio funds. Arrow's investment research, portfolio management and trading operations are located at head office in Toronto. Arrow has sales offices in Calgary and Vancouver, as well as research and sales offices in London, United Kingdom with their partner Generation Asset Management.

General Comments

Arrow believes that the initiative to open up the availability of alternative funds to Canadian retail investors is meaningful and an important step, however, we share the concerns expressed in the AIMA letter that the proposed approach suggested by the CSA will severely limit the scope of alternative funds that would qualify under the proposed 81-104 guidelines. Assuming that the purpose of the proposed initiative is to make a relatively broad range of alternative funds that employ risk mitigation strategies available to retail investors, then Arrow believes that the following three elements need to be recognized: i) the measurement of each of the investment restrictions in isolation is less meaningful that when all elements are examined in concert; ii) the definition of leverage must be altered so as to allow alternative funds to properly employ meaningful risk mitigation techniques; iii) all investment funds (81-102 and 81-104) should be placed on a level playing field with respect to such matters as offering, operation, and distribution requirements.

The current proposed changes to 81-104 put forth by the CSA, in particular the investment restrictions relating to selling securities short and how leverage is measured will result with the majority of alternative strategies that use core risk mitigation techniques to qualify. In Arrow's opinion, these types of strategies are precisely the ones that should be fundamental additions to balanced portfolios. These strategies, which include market neutral and hedged credit strategies for example, require a broader definition of leverage and short selling in order to properly employ hedging techniques that insulate the portfolios from specific risks including but not limited to market risk and interest rate risk. The implementation of the proposals suggested by AIMA Canada will appropriately address this issue, resulting in the ultimate inclusion of a broader scope of funds that utilize risk control strategies under the new 81-104 framework.

Closed End Funds

Arrow has also successfully launched two closed end funds (CEFs) trading on the TSX. We have reviewed the comment letter on the Proposals submitted by BMO Capital Markets, CIBC, National Bank Financial, RBC Capital Markets, Scotiabank and TD Securities (the "Dealers"). There are two main issues that we would like to highlight from that letter that we strongly agree with.

Organizational Costs

CEFs have different cost structures, which are largely imposed by regulation and, to that extent, are not discretionary. For example, it is significantly more expensive to launch a CEF on a long form prospectus, pursuant to a process that involves registered investment dealers and their counsel, an auditor, and a thorough due diligence review– costs generally associated with investor protection efforts – than it is to launch a conventional mutual fund. We agree with the Dealers position that non-discretionary organization costs should continue to be borne by the CEF.

Grandfathering

We also agree with the Dealers that existing CEFs should be grandfathered from the provisions of proposed NI 81-102 and NI 81-104 and that a transition period for existing CEFs is not appropriate. We won't reiterate the reasons they have provided, but we do agree with them.

In Conclusion

Once again Arrow applauds the initiative of the CSA in its attempt to broaden the access of Alternative Funds to Canadian retail investors, and hopes that the suggestions put forth in the attached letters are implemented for what we believe will be for the ultimate benefit to investors and the Canadian investment industry as a whole.

Sincerely,

Robert Parsons	Robert Maxwell	Mark Kennedy
Managing Director, COO	Managing Director, CFO	Director, Legal & Compliance, CCO