CARDINAL CAPITAL MANAGEMENT, INC.

October 18, 2018

VIA EMAIL

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marches financiers
Financial and Consumer Services Commission of New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

c/o The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, ON M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marches financiers
800, Square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, QC H4Z 1G3

Dear Sirs and Mesdames:

Re: Canadian Securities Administrators Notice and Request for Comments: Proposed Amendments to National Policy Instrument 31-103 – Registration Requirement, Exemptions and Ongoing Registrant Obligations and to Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations Reforms to Enhance the Client-Registrant Relationship (Client Centered Reforms).

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General Comments:

Thank you for the opportunity for Cardinal Capital Management Inc., (CCM) to comment on the Proposed Amendments. As we have discussed with yourself and other industry participants, since our inception in 1992, we have always operated in the client's best interest. Therefore we will always support proposals that we feel will encourage a client's best interest first approach.

We support the more prescriptive approach used by the CSA in the Proposed Amendments. In particular, the Proposed Amendments codify the CSA's expectations for maintaining ongoing suitability, an emphasis on a portfolio based approach, KYP, providing minimum standards for the collection of specific KYC content, detailing prescribed time intervals and conditions for reviewing a client's KYC, continued efforts to curb the use of misleading and/or confusing titles and designations, and reinforcing the need for ongoing compliance training of staff. However, as with any proposed regulatory change, we have concerns with regards to two areas of the Proposed Amendments: misleading communications, and the proposed definition of referral fees.

Misleading Communications:

Previous amendments required all registrants to produce an annual report outlining all fees and costs paid by the client to the registrant, as well as prescribed investment performance calculated in a standardized manner. However, in the Portfolio Manager (PM) space, we would be comfortable with a more stringent approach to reporting performance. For example, the CFA Institute's Global Investment Performance Standards (GIPS) represent the highest level ethical, full disclosure reporting available. We feel that a PM firm that produces GIPS verified performance reports demonstrably puts the client's best interests first. While the actual verification process is optional and involves cost, we feel that a client's best interest approach would include requiring performance reporting that are more closely aligned to the GIPS standard.

Referral Fees:

We do not agree that the revised definition of a referral fee in the Proposed Amendments is consistent with a client's best interest approach. We feel that the CSA has failed to realize the fact that legitimate client centered services are being provided by the referring party, and such activities warrant payment. We propose that in situations where the referring party does not provide any measurable service to the client, and/or does not have an ongoing professional services relationship with the referred client, that the proposed definition may

apply. However, in all other cases, it should not. The referral arrangement is a contract for specific services that is signed by all parties – including the client. The party receiving the referral should be required to monitor the agreement to ensure that the prescribed services are being provided to the client.

The proposal requiring the party making the referral to be securities registered to receive a referral fee is also problematic. Such a proposal ignores the fact that there are many advisors in Canada that are fee only financial planners that are not currently required to be registered. Such advisers are often licensed for insurance so they can provide a suite of financial services designed to allow their clients to plan for retirement, business succession, estate planning, risk management, access to expert legal and or tax services, and much more. A crucial part of the services provided includes access to discretionary money management that is currently provided thought referral arrangements with PMs. Firms such as CCM are a component of an overall advisory service structure that is quarterbacked by the fee only advisor.

We also strongly object to the unequal playing field that will inevitably be created by the proposed referral rules. Investment Council firms and MFDA/IIROC firms alike partner with independent financial planners as a way to grow their businesses and efficiently serve clients. By allowing these partnerships to be pursued and facilitated with commissions in the MFDA and IIROC environment, but restricting referral arrangements, the effect of the rule is to not only create an unfair competitive landscape, but also to introduce the incentive for regulatory arbitrage. Already, we are beginning to see investment council firms hedge their regulatory risks by merging with MFDA and IIROC firms. We cannot imagine how clients will be better off if more investment council firms are incentivized to shift parts of their client base into what is in effect a less client friendly environment of higher fees, deferred sales charges and away from the fiduciary standard of putting the client's interest first.

Furthermore, we agree with other comments that if the proposed definition of referral arrangement is enacted, the CSA will have dealt PM firms and clients a catastrophic blow by effectively removing billions of dollars from PM's, firms that have attained the highest level of security licensing, lowest cost, total fee transparency, and with the highest level of fiduciary responsibility, and returning it to higher cost, less transparent investments such as mutual funds so the referring advisor can be compensated for the work they do.

We appreciate the opportunity to comment on the Proposed Amendments and welcome additional opportunities to work with the CSA to achieve the best possible investing environment for clients.

Sincerely,

Evan Mancer, CFA
President & Chief Investment Officer