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December 13, 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 marchés financiers
Financial and Consumer Services Commissions 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
Superintendent of Securities, Nunavut

Attention:

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

Me Anne-Marie Beaudoin
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Dear Sirs/Mesdames,

Re: CSA Notice and Request for Comments
Proposed Amendments to National Instrument 81-105 *Mutual Fund Sales Practices* and Related Consequential Amendments

We are writing in respect of CSA Notice and Request for Comments on Proposed Amendments to National Instrument 81-105 *Mutual Fund Sales Practices* (the "**Proposed NI**") and Related

Consequential Amendments (the "**Proposed Amendments**")[1]. Thank you for the opportunity to submit comments.

Invesco Canada Ltd. is a wholly-owned subsidiary of Invesco, Ltd. Invesco is a leading independent global investment management company, dedicated to helping people worldwide get the most out of life. As of October 31, 2018, Invesco and its operating subsidiaries had assets under management of approximately USD 926 billion. Invesco operates in more than 20 countries in North America, Europe and Asia.

Our letter is organized as follows:

1. We begin with introductory remarks discussing our position on deferred sales charges and embedded commissions;

2. Next, we discuss various criticisms and concerns with the Release itself; and

3. Last, we respond to the questions contained in Annex A of the Release.

Introductory Comments

Deferred Sales Charges

Invesco Canada has been deeply involved in the debate over embedded commissions and advisor compensation, having submitted comment letters on Canadian Securities Administrators ("**CSA**") Discussion Paper and Request for Comment 81-407 *Mutual Fund Fees*[2] and on CSA Consultation Paper 81-408 *Consultation on Banning Embedded Commissions.*[3] We participated as a panelist at the OSC Roundtable Discussion Re Discussion Paper and Request for Comment 81-407 *Mutual Fund Fees* held on June 7, 2013. We have also taken note of the statement by Minister of Finance Vic Fedeli on September 13, 2018 with respect to the Ontario Government's position on the Proposed Amendments, and we submit comments with the hope that they will be helpful to the CSA and the Minister in arriving at an appropriate conclusion to this important debate.

Our position regarding the banning deferred sales charges ("**DSC**") has evolved over time. While we are not enthusiastic about DSC from a business perspective, we could not help but be moved by the presentations of John Adams and Sonny Goldstein at the OSC Roundtable Discussion on the Option of Discontinuing Embedded Commissions held on September 18, 2017 (the "**Second Roundtable**"). We left the Second Roundtable steadfast in our view that the DSC remains a viable and necessary purchase option, although we acknowledge that there are currently abuses of the DSC and these must be addressed. This remains our position today.

Mr. Adams especially made a strong case for the need for DSC among the mass market, i.e. investors with less than $100,000 in investable assets. Ultimately, it is simply not economical for such investors to pay for advice directly and it is unrealistic for a dealing representative to earn a viable living off of accounts that size, given the current direct commission rates. Absent the DSC, then, the alternatives for mass market investors are limited to (1) robo-advisors and (2) banks. We believe that limiting the available options to these two alternatives would lead to suboptimal outcomes.

We do not mean to denigrate robo-advisors, but rather, we note the limitations of their offerings. Robo-advisors almost exclusively offer portfolios comprised mainly of market capitalization (or 1-beta)

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[1] (2018), 41 O.S.C.B. at 7189 (the "**Release**").

[2] http://www.osc.gov.on.ca/documents/en/Securities-Category8-Comments/com_20130412_81-407_adelsone.pdf (the "**2013 Comment Letter**")

[3] http://www.osc.gov.on.ca/documents/en/Securities-Category8-Comments/com_20170609_81-408_adelsone.pdf (the "**2017 Comment Letter**")

exchange-traded funds because these are among the lowest cost products available to retail investors. However, these products do not work in all market environments, and they carry certain risks. For example, we are currently in the middle of an extended bull run (notwithstanding the recent choppiness in the markets) and in such markets, these products tend to be very effective. However, as the markets turn, these products become less effective for a variety of reasons, including the systemic risk inherent in market capitalization-weighted exchange-traded funds and the lack of discretion to deviate from the index (which is what enables the issuer to keep costs low). In that sense, 1-beta can be viewed as an investment style, just as growth or value, and we struggle to understand why mass market investors should be limited to choosing one style over another.

We also do not mean denigrate the banks or the products offered by the banks. However, we again note the limitations of their offerings (to this market) and, importantly, the longer-term impact of mass market clients turning to the banks. The banks typically offer fund-of-fund products to the mass market and, thus, there is limited ability or incentive to tailor the investment to the individual needs of the client. More importantly, having banks as the only group (other than robo-advisors) able to serve this client base creates an "install base" issue where, as the clients grow and can afford more fulsome advice, they have already been captured by the banks. This will, in turn, limit competition over the longer term, and the CSA ought to be aware of this consequence and ask whether this outcome is desirable given the other options available to fix the issues relating to DSC (which we discuss below).

Mass market investors today are served primarily by banks and independent mutual fund dealers (as opposed to investment dealers) who are dependent on upfront DSC commissions. For a client with $50,000 to invest, this represents $2500 in upfront DSC commissions plus an annual trailing commission of $250 per year. In contrast, most front-end sales are done commission-free so the full compensation would be $500 per year. In the current regulatory environment, a significant amount of time must be spent with or regarding the affairs of the client such that an individual dealing representative could not service enough clients at $500 per year (which is paid to the firm and of which the representative gets a portion) to run an economic business. The reality is that at most fund companies, DSC clients pay the same as Front-End Load ("**FEL**") clients, i.e. those who pay a commission at the time of sale, so it is not clear, beyond the redemption schedule, how the DSC clients are disadvantaged by that purchase option. However, it is clear who wins (banks) and who loses (independent mutual fund dealers) if the DSC is eliminated. We believe that this is ultimately what led the Minister to make his statement, and for this reason, we agree with the Minister.

We also note that the DSC has some important benefits to protect investors. For example, DSC schedules can deter advisors from actively churning accounts as between fund companies for compensation purposes, and DSC encourages a 'buy and hold' mentality, which aligns with the principles of an actively managed mutual fund. Similarly, the full elimination of DSC would likely not result in a 100% shift to a FEL trailing commission series, but rather, some assets would likely move to fee-based accounts, which tend to be more expensive for investors.

This does not mean that we believe in the status quo. The DSC is susceptible to abuse, especially in relation to elderly clients who need the flexibility to get out of investments for reasons that do not typically apply to younger investors. As a rule, we do not believe the DSC is suitable or should be made available to elderly clients and we would therefore propose that the CSA consider certain client-based restrictions on the use of the DSC in order to stamp out such abuses. Other restrictions may be appropriate although we believe that those restrictions are better controlled through the suitability process and strict enforcement. If the client will not need the capital for a lengthy period of time, making an investment via DSC might make the most sense as that is the option that ensures 100% of the investor's available capital is invested as opposed to part of it being used to pay fees. But if a client does not fit that profile and needs flexibility, DSC would simply not be suitable. We would propose that this be conveyed to the industry through specific guidance to NI 31-103 around how CSA members evaluate suitability in the DSC context. This also allows an opportunity for DSC-biased firms to defend this specific practice should they come under scrutiny.

We note that our proposal in this regard would have the added long-term benefit of ensuring some competitive balance and encouraging participants in that market to offer better products and better value to mass market investors. Once a client graduates from the mass market, they may want to explore other options, including remaining with their mutual fund dealer or seeking a different level of advice from a different dealer. Some of these mutual fund dealers do not cater to that type of client and this would make it easier for the client to survey the available choices and make their best decision. The likelihood of that occurring where the client originally could have only invested through a bank is much lower. A competitive market is the best way to ensure quality products continue to be made available and the downward trend in pricing witnessed over the last three years is sustained and continuing.

The Jurisdictional Debate

When the Release was issued, Ontario Minister of Finance Vic Fedeli issued a statement to the effect that the Ontario government was not supportive of the Proposed NI and he expects to exercise his authority to reject the rule. The reaction from a small but vocal minority of stakeholders within the academic and regulatory communities has been remarkable – more so than the unprecedented nature of the Minister's statement – and we would be remiss if we did not comment on the matter.

Canada is a parliamentary democracy where the legislature enacts laws and is accountable to the public through elections. For many reasons, both federal and provincial governments have historically created administrative bodies to oversee the laws enacted by those governments with a rule-making ability, so that the regulator can develop an expertise in its respective area and respond to rapid changes in the market.

Until the 1990s, however, it was not always clear where rule-making jurisdiction began and ended and that uncertainty was clarified in the seminal case of *Ainsley*[4], where the court ruled that a policy statement issued by the securities regulators (the Ontario Securities Commission ("**OSC**") in that case) did not have the force of law and an enforcement action could not be taken on the basis of non-compliance with a policy statement. The reason for this was clear: the legislature, accountable to the public, has the power to make laws; the regulators, unaccountable to public, do not. This led to introspection and study which culminated with the current Notice and Comment regime.

Under the Notice and Comment regime in Ontario, the legislature gave the OSC the authority to make rules on 85 different subject matters[5] but provided that any rule was subject to the approval of the Minister of Finance. This has been the law for over 20 years. This framework provides for parliamentary accountability and it makes clear that the OSC is not, in fact, independent of government. Indeed, it is the ability of the Minister of Finance to intervene on behalf of the democratically elected government that gives the rule-making authority its democratic legitimacy.

Further, it has been suggested that the Minister should have only made his views known at the end of the rule-making process. In our view, whether the Minister is involved at the beginning or the end of the process is of no consequence, especially when one considers that in certain Canadian Securities Administrators ("**CSA**") jurisdictions, ministerial approval is required *prior* to publication of a proposed rule for comment. This may be a better approach and Ontario should consider implementing such a change.

We have therefore been quite surprised by the negative reaction regarding the Minister's intervention. That the Minister stood up for what he and his party believe should be applauded. In our view, it is always better to know the positions of key stakeholders earlier in the process rather than later. We also applaud recent announcements from the OSC that it would work together with the Minister to find an appropriate solution to this important issue.

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[4] *Ainsley, infra* note 8.

[5] *Securities Act* (Ontario), R.S.O. 1990, c.S.5, as amended by, among others, S.O. 1994, c.33, s.2; S.O. 2017, c.34, Sched. 37, s.2; s.143(1).

Embedded Commissions

We have long championed embedded commissions, or trailing commissions, as a good deal for Canadian investors and we applaud the CSA for leaving this form of compensation largely intact. Further, we applaud the CSA for proposing to ban embedded commissions in situations where it is not warranted. In our view, the CSA has struck the right balance on embedded commissions.

We support embedded commissions, especially with CRM2 in effect, because we believe investors should have choice in how they compensate their dealer. The reality is that trailing commission rates are generally materially lower, at 1% of assets, than asset-based fees, typically 1.25%-1.50% for the mass affluent market and, regardless of any real or perceived conflicts of interest, 1% is a significantly better deal. In our view, the issue historically has really been more about the perception that investors receive "free" advice rather than compensating their dealers with trailing commissions. However, between CRM2 and the media attention given to this topic, it seems to us that a reasonable investor knows or ought to know that they are paying for advice. The CSA has done everything possible to illuminate this issue for investors, and the law should not be made to help those who do nothing to educate themselves.

While we have offered Series D in the discount channel, which pays a reduced 0.25% trailing commission, we are supportive of the proposed ban on trailing commissions where no suitability determination is made. We note that Invesco was one of the first companies to attempt to offer a trail-free series in the discount channel, but we were ahead of our time and such innovation threatened our core business. We are pleased to see that such conditions no longer prevail and we look forward to switching clients of Series D to Series F.

Comment and Criticism of the Release

The CSA asserts the following in the Release:

> "We further expect that, since fund organizations will no longer incur the cost of financing upfront sales commissions to dealers on DSC mutual fund sales, the management fees charged to the mutual funds who previously offered the DSC option will be correspondingly reduced."[6]

We do not agree with this statement.

In most cases, a fund company offers Series A units with a FEL purchase option and between one and four DSC purchase options. Whether the client purchases DSC or FEL, the management fee is the same. A handful of companies split FEL and DSC options into different series of the same fund, in which case the FEL series typically carries a slightly lower management fee. While one would expect the management fee difference to be explained by the absence of DSC financing costs for the FEL series, we find that the cost difference is typically not sufficient to account for the actual DSC financing costs. In other words, the FEL series would need to have a *lower* management fee than at present for the difference to be explained by the DSC financing costs alone. For those firms, then, if the CSA dictate above were followed, the FEL series would have a higher management fee than the former-DSC series, which is an odd and absurd result.

For companies that combine the purchase options in one series, the calculus is different. As highlighted in CSA Consultation Paper 81-408[7], the FEL subsidizes the DSC, in part. Put differently, the DSC is priced too low to fully cover the financing cost. As such, eliminating the DSC would likely not result in a commensurate lowering of the management fee applicable to that series, and such a reduction would grant an unwarranted windfall to Series A investors.

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[6] Release, *supra* note 1 at 7192.

[7] Consultation Paper 81-408 – *Consultation on the Option of Discontinuing Embedded Commissions*, January 10, 2017, published by the CSA, at 13.

Given the above, we were rather surprised that this statement made its way into the Release, and hope that it is based on assumptions regarding how the industry will react to the proposed regulatory changes, rather than it being a definitive CSA view that could lead to enforcement if not met. Since CSA members do not have authority to regulate fees, and given that the statement has no force of law (at least in Ontario, as per *Ainsley*[8]), we suspect the latter is the case, but would appreciate confirmation, given that this statement made its way into an official CSA publication.

Responses to Questions in Annex A

Definition of "member of the organization"

1. Under the Proposed Amendments, we propose to expand the definition of "member of the organization" in NI 81-105 to capture an "associate", as defined under securities law, of the investment fund manager, of the principal distributor or the portfolio adviser of the mutual fund. Aside from potential future modernization amendments contemplated further below, are there additional immediate changes or updates we should consider making to the definition in connection with the implementation of the Proposed Amendments? For example, would paragraph (e) of the definition still be relevant further to the elimination of the DSC option?

   Response: With the repeal of s.3.1 of NI 81-105, it would not make sense to maintain paragraph (e) of the definition of "member of the organization" so this should be repealed. No other changes to the definition are necessary.

Repeal of section 3.1 of NI 81-105

2. The proposed repeal of section 3.1 of NI 81-105 would prohibit fund organizations from paying any sales commissions to participating dealers. We expect the prohibition on fund organizations from paying upfront sales commissions to dealers for mutual fund sales made under the DSC option would effectively eliminate the DSC option, including its individual features, such as the redemption fee schedule and the related redemption fee. Would the proposed repeal of section 3.1 of NI 81-105 have the expected effect of eliminating all forms of the DSC option? If not, what other measures should be taken to ensure that all forms of the DSC option are eliminated?

   Response: The key element of the DSC is the payment of the upfront commission from the fund company to the dealer, as that commission rate is ordinarily higher than an upfront commission rate that a dealer would receive directly from the client. Since section 3.1 authorized payments of commissions from fund companies to dealers, the conflicting element of the DSC would be eliminated. It would still be theoretically possible to have a DSC whereby the client pays a commission for an "early" redemption, although it is not clear how a client working through a dealing representative would be put in such a series in a manner consistent with suitability. Accordingly, no additional changes are required to eliminate DSC.

3. Would there be any sales practices and/or compensation arrangements with a redemption fee schedule and redemption fee that could exist despite the repeal of section 3.1 of NI 81-105? If so, are rule changes required to specifically prohibit redemption fees that are charged for purposes other than to deter excessive or short-term trading in funds?

   Response: See our response to question 2. We do not believe, as a practical matter, that a compensation arrangement could continue to exist once the upfront commission is eliminated.

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[8] *Ainsley Financial Corp. v Ontario (Securities Commission)* (1993), 14 O.R. (3d) 280 (Ont. Gen. Div.), affirmed by (1994), 21 O.R. (3d) 104 (Ont. CA).

4. We do not expect that the repeal of section 3.1 of NI 81-105 will have any impact on the availability and use of other sales charge options, including the front-end load option as it currently exists today.

   (a) Are there any unintended consequences on the front-end load option with the repeal of section 3.1 that we should consider?

   Response: As there is no payment from the fund company to the dealer but effectively a facilitation of a payment from the client to the dealer, which is specifically contemplated in proposed s.4.1.2 of 81-105CP, we foresee no unintended consequence as applied to the front-end load option.

   (b) Are there any other types of sales charge options that will be impacted by repealing section 3.1?

   Response: No.

Amendment of section 3.2 of NI 81-105

5. We expect that fund organizations will make available a trailing commission-free class or series of securities of a mutual fund to participating dealers who do not make suitability determinations. Would fund organizations have any issues with making available a class or series of securities of a mutual fund without trailing commissions to such dealers?

   Response: We would have no such issues.

6. Would fund organizations encounter any issues, including any operational challenges, in confirming whether a participating dealer has made a suitability determination, and is thus eligible to be paid a trailing commission in compliance with subsection 3.2(4) of NI 81-105? If so, please explain.

   Response: This prohibition covers two types of clients: clients of discount brokers, and permitted clients who have waived suitability. However, the assignment of dealer codes for discount brokerage accounts is inconsistent, and therefore system edits would only be effective in certain cases, and would be difficult to maintain. It would be even more difficult for permitted clients since there is no way for the fund company on its own to know, absent disclosure from the dealer or the client, that the client is a permitted client and that suitability has been waived. Under NI 45-106, the issuer of securities to an accredited investor is required to engage in due diligence to ensure the individual is an accredited investor. This is a cumbersome process and expanding that to ordinary mutual fund sales for permitted clients would be onerous as there is no systematic way to confirm eligibility in the manner required by NI 45-106. Accordingly, the fund company should be able to rely on the dealer's representation that the client is a permitted client. Dealer reliance should be permitted as the dealer is receiving no trail, i.e. there is no conflict of interest for the dealer in a waiver of trailing commission.

Transition Period

7. Are there any transitional issues for fund organizations and participating dealers with implementing the Proposed Amendments within the proposed 1-year transition period? If so, please provide details of the relevant operational, technological, systems, compensation arrangements or other significant business changes required, and the minimum amount of time reasonably required to operationalize those changes and comply with the Proposed Amendments.

   Response: No.

8. With the implementation of the Proposed Amendments, would the required changes to the disclosure in the simplified prospectus and fund facts documents within the proposed 1-year transition period necessitate amendments outside of a mutual fund's prospectus renewal period? Would these changes be considered to be material changes under NI 81-106?

   Response: Whether a prospectus amendment is filed is determined by the issuer or, in the case of mutual funds, the manager. Regulators have repeatedly said that it is the responsibility of the manager to determine if there has been a material change and/or if a prospectus amendment is required, although Staff sometime venture an opinion if asked. Because of this, there may be diverging practices in the context of the NI 81-105 amendments and it would be in the best interests of clients if the regulators asserted themselves on this topic and say whether or not an amendment is required. In our opinion, none should be and 1 year will in most cases be sufficient to change the prospectus and Fund Facts document.

9. By the effective date of the Proposed Amendments, the CSA expect that those dealers who do not make suitability determinations in respect of a client will have switched any existing mutual fund holdings of such client to a trailing commission-free class or series of the relevant mutual fund.

   (a) Switching a client from a class or series of securities of a mutual fund that pays a trailing commission to one that does not pay a trailing commission would trigger the delivery requirement for the fund facts document. As a transitional measure, should there be an exemption from the fund facts document delivery requirement for such switches? Such an exemption would mean that the investor would not have the right of withdrawal from the purchase, however, the investor would continue to have a right of action for rescission or for damages if there is a misrepresentation in the prospectus of the mutual fund, including any documents incorporated by reference into the prospectus, such as the fund facts document. In some jurisdictions, investors have a right of rescission with delivery of the trade confirmation for the purchase of mutual fund securities and this right would remain unchanged with such an exemption.

   Response: There should be an exemption from delivery of the Fund Facts document in this situation as there is nothing to be gained by the investor from a new Fund Facts document and, therefore, the cost of producing and mailing the Fund Facts document is not warranted. While it is true that the management fee to the client would be reduced, this is beneficial to the client and it would not be rational that a client be able to exercise a right of withdrawal on that basis. The CSA should also emphasize that it is the dealers' responsibility to identify accounts were no suitability determinations have been made in respect of a client (for the reasons noted above), and therefore such dealers should carry the responsibility to execute the switch to an appropriate series of the fund.

   (b) Are there any other types of exemptions from CSA or SRO rules that we should consider to facilitate switches to trailing commission-free classes or series of mutual funds? If so, please describe.

   Response: Other than as referred to in paragraph (a) of this question, there should be an exemption from obtaining client instructions or directions to carry out the switch since the switch is mandated by regulation and absence of a direction would result in non-compliance by the dealer through no fault of its own.

10. At this time, the CSA is allowing redemption schedules on existing DSC holdings as of the effective date of the Proposed Amendments to run their course until their scheduled expiry, and fund organizations to continue charging redemption fees on those existing holdings that are redeemed prior to the expiry of the applicable redemption schedule. Should the CSA propose amendments to require existing DSC holdings as of the effective date of the Proposed

Amendments to be converted to the front-end load option or other sales charge option? If so, are there any transitional issues for fund organizations and participating dealers with converting existing DSC holdings to another sales charge option? What would be an appropriate transition period?

Response: DSC schedules are established so the fund company is indifferent between a DSC sale and front-end sale. This indifference is dependent on the redemption charge payment the schedule. If a switch to front-end were required immediately, it would be grossly and fundamentally unfair to not permit the fund company to charge any applicable redemption fee based on where the client is on the schedule. This would also be an *ex post* alteration of a deal that was perfectly legal at the time it was entered into, which runs contrary to all notions of fairness. In other words, why should these clients get a "free ride" but clients who bought front-end do not?

Regulatory arbitrage

11. We understand that the elimination of the DSC option may give rise to the risk of regulatory arbitrage to similar non-securities financial products, such as segregated funds, where such purchase option and its associated dealer compensation are still available. Please provide your thoughts on controls and processes that registrants may consider using, and on specific measures or initiatives that the relevant regulators should undertake, to mitigate this risk.

    Response: As long as dual licensing is permitted, this cannot be prevented. Please refer to the comment letter on the Client Focused Reforms submitted by the Federation of Mutual Fund Dealers for a fulsome discussion on this issue.

Modernization of NI 81-105

12. Given that NI 81-105 aims to restrict compensation arrangements that can conflict with registrants' fundamental obligations to their investor clients, and given that the proposed Client Focused Reforms introduce the requirement for registrants to address conflicts of interests, including conflicts arising from third-party compensation, in the best interests of clients or avoid them, should the modernization of NI 81-105 entail a consolidation of its requirements into the registrant conduct obligations of NI 31-103?

    Response: Yes. NI 81-105 should represent a comprehensive code for compensation arrangements, even where that means duplicating what is in other instruments.

13. NI 81-105 currently applies only to the distribution of prospectus qualified mutual funds. In our view, the conflicts arising from sales practices and compensation arrangements that are addressed by the provisions in NI 81-105 are not unique to the distribution of prospectus qualified mutual funds and also arise in the distribution of other investment products, either sold under a prospectus or a prospectus exemption. Are there other types of investment products that are not currently subject to NI 81-105, such as non-redeemable investment funds, certain labour-sponsored investment funds, structured notes and pooled funds that should also be subject to NI 81-105? If not, why should these investment products, their investment fund managers and the dealers that distribute them, remain outside the scope of NI 81-105?

    Response: NI 81-105 should be re-purposed as a 31-series instrument and apply to all interactions between product manufacturers and product distributors, including affiliated manufacturers and distributors. There is no principled reason for it to only apply to mutual funds.

14. We seek feedback on whether we should change the term "trailing commission" to a plain language term that investors would better understand and would better describe what a trailing commission is. If so, what are some suggested terms?

Response: We have no opinion on this other than to say that investors do not typically read legislation or rules so this lack of understanding, if any, is not an issue. There has been much discussion of trailing commissions in the media so it is a fair assumption that investors understand the term generally.

15. The definition of "participating dealer" in NI 81-102 carves out a principal distributor. As a result, principal distributors are not subject to the provisions of NI 81-105 that apply to participating dealers. Should the modernization of NI 81-105 contemplate the inclusion of principal distributors in the application of all the provisions of NI 81-105? Alternatively, are there specific provisions in NI 81-105 that should also apply to principal distributors? Please explain.

    Response: Part 4 of NI 81-105 applies to principal distributors but not to participating dealers. This distinction has no effect on Part 3 of NI 81-105 as a result. However, this does impact Part 5 of NI 81-105. Specifically, section 5.6 of NI 81-105 only applies to participating dealers and not principal distributors and, therefore, it would appear that the related fund company can lavishly entertain the representatives of the principal distributor without consequence in respect of proprietary products. We do not believe this to be the intent and would suggest the rule be modified accordingly.

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Conclusion

We would be pleased to discuss our responses in greater detail with any CSA member at such CSA member's convenience.

Thank you for the opportunity to comment on this important matter.

Yours truly,

Invesco Canada Ltd.

Shalomi Abraham
Vice President, Legal

cc. Peter Intraligi, President, Invesco Canada Ltd.
Jasmin Jabri, Chief Compliance Officer, Invesco Canada Ltd.