



Advancing Standards™

June 3, 2013

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**Re: OSC Notice 11-768 Statement of Priorities - Request for Comments Regarding Statement of Priorities for Financial Year to End March 31, 2014**

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The Portfolio Management Association of Canada ("PMAC"), through its Industry, Regulation & Tax Committee, is pleased to have the opportunity to submit the following comments regarding *OSC Notice 11-768 Statement of Priorities - Request for Comments Regarding Statement of Priorities for Financial Year to end March 31, 2014* (the "Statement of Priorities").

As background, PMAC represents investment management firms registered to do business in Canada as portfolio managers. In addition to this primary registration, some firms are dually registered as investment fund managers and/or exempt market dealers or other registration categories but generally 70% of their income is derived from portfolio manager registration to be members of PMAC. PMAC was established in 1952 and currently represents over 170 investment management firms that manage total assets in excess of \$800 billion (excluding mutual funds assets). Our mission is to advocate the highest standards of unbiased portfolio management in the interest of the investors served by Members. For more information about PMAC and our mandate, please visit our website at [www.portfoliomanagement.org](http://www.portfoliomanagement.org).

**General Comments**

PMAC supports the OSC's commitment to be a more effective, efficient and responsive regulator. We applaud the OSC for making significant strides in this direction. We agree with many of the goals identified in the draft Statement of Priorities and see the underlying theme of investor protection throughout these goals as both necessary and important. We believe that additional research and analysis to support the OSC's ongoing and potential initiatives along with transparency of such research efforts is needed.

Similarly, we believe that outreach to investors and gathering feedback from stakeholders has never been more important. Only through an open dialogue and enhanced communications can the development of effective, relevant and informed regulatory policy be achieved. We recommend that in its effort to consult with investors, the OSC ensures a broad demographic

cross section of investors is consulted which includes those investors who use portfolio managers.

Correspondingly, outreach to registrants and reporting issuers to promote compliance is both needed and welcome. PMAC strives to advance standards among our Members and will continue to work collaboratively with the OSC in achieving an enhanced culture of compliance among portfolio managers.

We are also pleased that the OSC is conducting a number of roundtable consultations this month to ensure that input is received from all interested parties on (i) the potential benefits and competing considerations of introducing a statutory fiduciary, or 'best interest', standard for advisers and dealers when they provide advice to retail clients; and (ii) to explore and discuss the issues identified in CSA Discussion Paper and Request for Comment 81-407 Mutual Fund Fees. PMAC will be participating at both roundtables and looks forward to the consideration and exploration of these important topics.

The OSC indicates in the draft Statement of Priorities that it is committed to enhanced cooperation and information-sharing with the CSA, the provincial government and other agencies, as appropriate. In our view, it is crucial for the OSC to engage in (i) a truly cooperative dialogue with its CSA partners to best achieve harmonization in all areas of securities laws and regulatory policy; and (ii) to work with the provincial and federal governments in making a national securities regulator a reality and priority for the coming year. We were disappointed to note that the Statement of Priorities does not make mention of the OSC's commitment to a national regulator. Canadian investors and market participants have waited too long for this necessary consolidation of our regulatory landscape. Surely, by working together both creatively and with commitment we can ensure that Canada is in line with the rest of the world's securities regulatory regimes. We urge the OSC to continue to take a leadership role in the development of a national regulator and this should be clear and explicit in the Statement of Priorities.

In addition to our views on each of the OSC's organizational goals, we have included below a summary of our recommendations on additional goals and priorities for consideration.

#### **PMAC Recommendations**

- 1. *Transparent commitment to and leadership in moving towards a national regulator*** - The draft Statement of Priorities makes no mention of a national securities regulator. Market participants and investors want to know what the OSC is doing to make this a reality for Canada and we implore the OSC to take a leadership role in this area.
- 2. *Additional consideration of the costs of compliance with regulations*** - Regulatory proposals should include a cost benefit analysis that include both quantitative and qualitative assessments of the costs and benefits associated with the regulatory change. Registrants continue to face significant challenges with increased compliance costs.
- 3. *An improved and coordinated National Registration Search*** - The OSC registrant list should be included in the national registration search so that the names of all registrants (individuals and firms) in Canada, including those registered in Ontario can be searched in one location.
- 4. *Harmonization with life regulators on similar products*** - It is important to work with other sectors of the industry to ensure symmetry with product and services offerings

and the regulation of these products/services. This is increasingly important as significant rules changes over the next few years impact comparable product and service offerings (i.e. CRM II rules on cost disclosure and performance reporting and, for example, segregated funds).

- 5. Further evaluation of dispute resolution service providers** - We recommend this be clearly identified in the Statement of Priorities. We strongly urge the OSC to undertake more analysis and consideration of dispute resolution service providers and the needs of investors before embarking on a one-size fits all approach with mandating OBSI.
- 6. Progress report on prior year's Statement of Priorities** - We recommend the OSC publish a corresponding progress report to each year's Statement of Priorities that identifies where progress has been made along with any initiatives that are no longer on the OSC's agenda and/or priority list. This would ensure greater transparency and address investor and registrant expectations.
- 7. Joint CSA Statement of Priorities** - Many of the goals identified in the draft Statement of Priorities relates to CSA initiatives. In this regard, we believe that as a part of the OSC's commitment to enhanced cooperation with the CSA, a joint CSA Statement of Priorities which encompasses all of the joint policy initiatives and cooperative goals would be ideal.

Included below are our specific comments on the OSC's organization goals as set out in the draft Statement of Priorities.

### **Goal #1 -- Deliver Strong Investor Protection**

**Investor Outreach and Focus** -- As a general comment, PMAC applauds the OSC's continued efforts regarding consultations on regulatory initiatives with market participants and industry. We believe that open dialogue with stakeholders facilitates responsive regulation and the OSC should be responsive to the input, expertise and recommendations of those they seek to regulate; this will ensure that the OSC is focused on the right issues to protect investors interests. As stated above, we are pleased to participate in several upcoming roundtables where we hope to contribute to the discussion of various important issues impacting investors and registrants.

We also support the OSC's Office of the Investor (OI) and the work the OI is doing to strengthen investor engagement to better identify areas of concern and relevant issues. We agree that investor confidence must be improved. Advisers play a key role in ensuring the trust and confidence of investors. For this reason, PMAC has been working with its members to "advance standards" for over 60 years and through our education and advocacy work, we continue to support portfolio managers in raising the bar when it comes to servicing their clients.

**Adviser Responsibilities to Investors** -- We support the OSC's efforts in exploring the impact of imposing a best interest duty (referred to in this letter as a "fiduciary duty") on dealers and advisers. PMAC supports<sup>1</sup> the notion of implementing a statutory fiduciary duty across all jurisdictions in Canada that applies equally to advisers and dealers who are providing

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<sup>1</sup> Certain PMAC Members have concerns with a statutory fiduciary duty being applied broadly to advisers and dealers (for example, Members who are affiliates of dealers) and in view of that, the comments included in the PMAC submission may not reflect the views of these Members, which has been expressed in their individual submissions and/or other industry association submissions. See PMAC submission dated February 22, 2013.

investment advice. Portfolio managers already owe a fiduciary duty to their clients under common law and under the statutory provisions of certain provinces. Accordingly, portfolio managers conduct their businesses pursuant to this high standard. We believe that all persons providing investment advice about securities to clients (regardless of the level of the client's sophistication) should be subject to the same high standard of care. We believe there should be a harmonized statutory duty for advisers and dealers across Canada with legal certainty on what a fiduciary duty means. We also recognize that this uniform standard will require the CSA and other applicable regulators to implement a robust oversight program to ensure all registrants are applying the fiduciary duty consistently.

Regarding the OSC's intention to conduct a "mystery shop" sweep relating to its continued focus on suitability, we query whether a parallel effort will include a review of suitability practices by dealers. We believe it's important to review the practices of both dealers and advisers when evaluating the potential impact of imposing a best interest duty on dealers and advisers. We look forward to reviewing the OSC's initial assessment of the application of a fiduciary duty including a regulatory impact analysis. We would be pleased to meet with OSC staff as required to assist in this process as needed.

**Disclosure to Investors --** We agree that disclosure to investors is important. We believe the recent amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) and to 31-103CP (Cost Disclosure, Performance Reporting and Client Statements, also known as CRM II) will assist investors in understanding the costs associated with their investment choices and advice provided. PMAC has expressed its support for the principles of and many of the requirements in CRM II. However, as a general concern, disclosure is only helpful if it is easily understood, streamlined and read by investors. While many of the rules identified in the Statement of Priorities are aimed at achieving this, there are still some areas that should be revisited. For example, in the new CRM II rules, we do not believe that mandating a performance reporting method (i.e. money weighted rate of return) that is inconsistent with international performance reporting standards is helpful to investors.

In our view, mandating disclosure that may in fact cause more confusion to investors works against the OSC's objectives. Mandating the use of only one among two credible rate of return calculation methods will disadvantage investors. As stated in the Statement of Priorities, investors need to determine the value of the professional advice they receive and "*whether they are getting good value from their adviser*" [emphasis added]. Investors should be given information that helps them understand whether they have realistic expectations for their investment returns. This can only be done rationally and objectively if investors are provided with information on the performance of their investments on a time-weighted rate of return basis, which:

- allows comparisons to other investments advisers;
- simplifies the investors ability to compare returns on alternative investments in and outside Canada;
- allows comparisons to benchmarks (S&P and FTSE); and
- is presented in accordance with the Global Investment Performance Standards (GIPS).

While CRM II does not prevent portfolio managers from also providing performance reports on a time-weighted rate of return basis (in addition to money-weighted rate of return reports), we believe this will cause an unnecessary duplication of work from both the registrant perspective (costs of maintaining two separate performance tracking systems) and the investor (who may be confused by the difference presentations and overwhelmed by the documentation). We recommend the OSC reconsider this new requirement in light of these prevailing concerns.

**Mutual Fund Fees** -- Regarding the review of mutual fund fees, we continue to believe that it is not the right time to focus on this review and we recommend deferring this review to the next fiscal year.<sup>2</sup> We believe there are other pressing priorities and time required for the implementation of various other rules (CRM II, Point of Sale and Fund Facts) which address fee disclosure and transparency. Without the full implementation of these new rules, a regulatory impact analysis in this area would be premature.

We believe the key focus at this stage should be on the disclosure of costs and transparency of fees paid by investors. Coupled with that, we strongly encourage the OSC to continue its investor education efforts to assist investors in understanding the disclosure they receive and their role in making investment decisions. While the transparency of fees and awareness of the costs associated with investing is critical, investors also need a corresponding understanding of what services they are receiving for the fees they pay. In this regard, educating investors on fee levels and the types of services available should have a positive impact and work to drive fees down by increased competition and product innovation. If investors have clear, transparent information on the costs of investing, they can choose the appropriate level of service (and fee model) to suit their needs.

**Follow-up items from last year's Statement of Priorities** -- Following the publication on November 15, 2012 of proposed amendments to NI 31-103 regarding dispute resolution service, we note that the draft Statement of Priorities makes no mention of this proposal. In last year's Statement of Priorities for the fiscal year ending March 31, 2103, the OSC stated its commitment to continuing to work with the Ombudsman for Banking Services and Investments (OBSI) and the CSA to support a sustainable and robust system of informal dispute resolution for investors.

We have concerns with mandating OBSI as the only dispute resolution option for investors and do not believe that a monopoly on this important service is optimal nor desirable for investors. In our lengthy and comprehensive submission dated February 15, 2013,<sup>3</sup> we stated our concerns with mandating one external complaint body to meet the needs of all investors given the myriad of complaints that may arise among various types of investors. Although we applaud the strides OBSI has made since its inception in growing and evolving as an ombudsman service, we do not believe it is the appropriate time in its business lifecycle, nor in the best interest of the evolving needs of all investors, to expand its mandate beyond its current scope. OBSI's founding mandate has been to provide no cost, ombudsman / investigation services to retail banking and investment customers, with a mandate of disputes under \$350k. While its structure, mandate and services may be suitable for its current client base, we believe there are a number of limitations on its ability to expand services beyond its core mandate, particularly to clients of portfolio managers and any expansion in mandate would be to the detriment of investors.

Of note, the portfolio management sector experiences a very low volume of complaints, and little to no usage of third party dispute resolution services. From the portfolio manager standpoint, the OBSI Proposal is, in effect, mandating a solution to a sector of the industry where no problem exists. We recommend the OSC take a broader review of dispute resolution options and broaden its mandate beyond just considering OBSI. In this regard, we support the Federal government's approach to allowing choice in dispute resolution service provider

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<sup>2</sup> See PMAC submission dated April 12, 2013 in response to CSA Discussion Paper and Request for Comment 81-407 Mutual Fund Fees.

<sup>3</sup> See PMAC submission dated February 15, 2013 on Proposed Amendments on National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations – Dispute Resolution Service.

provided such a service provider is an "approved external complaints body" as per Federal regulations.<sup>4</sup>

We also recommend this proposal be clearly identified in the Statement of Priorities as more analysis and consideration is imperative before a decision is made on this issue.

### **Goal #2 – Deliver Responsive Regulation**

**Capital Markets Accessibility** -- We support and applaud the OSC for indicating its commitment to a more evidenced based policy making approach. We believe that any consultation paper published by the OSC and/or CSA should clearly and explicitly state the problem it is trying to solve with any proposal being considered. These should be objectively based on evidence gathered and analysis completed by the regulators instead of broader evaluations based on international trends that may or may not be appropriate in the Canadian context. In our view, in being a responsive regulator, thorough research on international developments, direction and regulatory policy will inform (but not necessarily dictate) where we go in the Canadian securities regulatory environment.

We look forward to receiving further information on the next steps identified in CSA Staff Notice 45-310 - Update on CSA Staff Consultation Note 45-401 Review of Minimum Amount and Accredited Investor Exemptions. We understand that given the number of comments and the diversity of the feedback provided, staff will need further time to complete their review and consider the feedback before making any recommendation about these exemptions. In this regard, we were pleased to review OSC Staff Consultation Paper 45-710 Considerations For New Capital Raising Prospectus Exemptions published in December 2012. As indicated in our various submissions and in-person consultations with OSC staff members,<sup>5</sup> we strongly urge Ontario to prioritize harmonizing its capital raising exemptions with those exemptions provided by the other provinces and territories. In particular, the managed account exemption should be expanded in Ontario to permit purchases of securities of investment funds. We strongly believe this exemption should be harmonized across Canada. We also believe the OSC should prioritize the implementation of one harmonized offering memorandum (OM) exemption that is applicable in all CSA jurisdictions. We do not support the adoption of a different OM exemption in Ontario to what is currently available in other jurisdictions.

We look forward to seeing the OSC's assessment of feedback on the exempt market. This is an important area for investors, stakeholders and small business. In our view, it's both an important issue economically and from a regulatory perspective.

**Market Structure Evolution** -- This continues to be a live issue not only for the regulators but for registrants who strive to keep pace with market developments to ensure their clients are being serviced efficiently and with integrity. In regards to the regulation of fixed income securities, we suggest the OSC identify the key regulatory gaps and risks before embarking on any regulatory proposals and ensure that before it develops any proposals in this area that there is sufficient evidence that a problem exists and/or specific risks are identified.

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<sup>4</sup> See Federal regulatory impact analysis statement issued on July 14, 2012. <http://www.gazette.gc.ca/rp-pr/p1/2012/2012-07-14/html/reg2-eng.html>. Access to an effective and efficient complaint handling system, competition, disclosure, limits on practices not beneficial to consumers, and the consumer's right to exercise informed choice are key pillars of a financial services consumer protection framework.

<sup>5</sup> See PMAC submission dated March 8, 2013 in response to OSC Staff Consultation Paper 45-710 Considerations for New Capital Raising Prospectus Exemptions.

### **Goal #3 -- Deliver Effective Enforcement and Compliance**

As a general observation, we agree with the OSC's goal of proactive compliance by credible deterrence and early detection. We also believe that the OSC's focus on its enforcement program will be a signal to market participants of the serious consequences of breaching securities law requirements.

**Compliance Focus on Suitability** -- We agree that the growth and range of investment products now available to investors has led to increased investor reliance on financial advice. In our view, the value and importance of advice in this economic landscape has never been higher. This was also a key result from the Investor Advisory Panel (IAP) report titled "Strengthening Investor Protection in Ontario - Speaking with Ontarians": investors believe that their financial advisers have a positive impact on investment continuity and better financial returns (a majority of investors (56%) see value in having an adviser with 70% of investors claiming to have remained in the market despite volatility because of their adviser).<sup>6</sup>

We are supportive of initiatives that help investors understand the value of advice.

The OSC can better educate investors about receiving advice from a qualified adviser who is duly registered along with the risks associated with unregistered entities and advisers. The National Registration Search webpage on the CSA website is one of the key ways that investors can conduct due diligence and make informed decisions when hiring an investment adviser. We believe there are some significant limitations with the service as it is currently being provided with the key drawback being that registration information from the OSC is not currently included. We do not believe it is efficient to search Ontario registered firms and individuals in a separate location (on the OSC website under OSC Registrant List) and we believe the names of all registrants (individuals and firms) in Canada should be included in one search engine. In our view, it is unacceptable that investors currently need to conduct two separate searches to secure Canada-wide information. We receive frequent calls from investors located in both Canada and the U.S. who are looking for information on adviser registration and the consistent response we get is confusion as to where and how this information can be obtained. We would also support more accessible information to investors on the proficiency requirements required for individual registration categories to enhance their understanding of the expertise of investment professionals.

**"Mystery-Shopping"** -- We are supportive of the OSC's compliance focus on suitability. However, in order for a "mystery shop" approach to confirm that the advice investors are receiving is indeed suitable and unbiased, we believe the scope and process of such a sweep needs to be carefully assessed. For instance, we continue to have concerns with the approach of calling investors directly to ascertain this information. We are concerned that a call from a regulator will continue to impact investor confidence in both the markets and the portfolio manager without any proof of misconduct. In addition, given that portfolio managers are in a fiduciary relationship with their clients and clients have delegated the management of their assets to the portfolio manager, many clients are not actively involved in monitoring their portfolio performance, asset mix, and trading activity. Much of the KYC related discussions by phone or in person may not be top of mind nor easily recalled as a result of a phone inquiry by an OSC compliance officer. We would therefore question the reliability and validity of the information gathered by this process.

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<sup>6</sup> The study, conducted on behalf of the IAP and the Investor Education Fund (IEF), explores the views of more than 2,000 Ontario investors regarding their relationships with their financial advisers and how they perceive and use investment product information and advice.

In light of the above key concerns, we suggest the OSC consider its approach in conducting a "mystery shop" and take the learning's from last year's suitability sweep to determine the best process.<sup>7</sup> Some of our Members were reviewed during this sweep and also had OSC staff contact their clients directly to determine whether the advice being provided was suitable. We heard feedback from our Members that there were varied practices during the sweep. For example, some firms were given notice that their clients would be contacted while others were not. Some firms wanted to notify their clients in order to address any potential issues / questions clients may have (i.e. one firm had concerns with several clients being contacted due to the client's health and the fact that the account was being overseen by someone else in the family). Generally, most clients reported to the adviser that they had been contacted and did indicate some confusion as to who was calling and why they were being contacted. Some clients had concerns with privacy issues (high net worth individuals who primarily value the privacy of having their funds managed discreetly).

In summary, we were pleased to see that the results of this sweep indicated only 5% of those portfolio managers reviewed (2 out of 42 in total) had suitability deficiencies.

Finally, related to the OSC's goal of advancing registrant proficiency, PMAC is in the process of considering how it can support its Members in obtaining enhanced proficiency. We note that the current professional standards and industry examinations could be improved and streamlined so they are more targeted and directed to the various registrant categories. We would be pleased to work collaboratively with OSC staff on reviewing the current standards and exploring options for the improvement of portfolio manager proficiencies.

#### **Goal #4 – Support and Promote Financial Stability**

We support the OSC's efforts to develop, implement and promote adherence to internationally recognized and consistent standards of regulation. However, we feel this needs to be done at a national level as well. Only through a national securities regulator can Canada's capital markets be protected from systemic risks both domestically and internationally.

We support work being done to further Canada's G20 commitments regarding derivatives regulation. We agree that there needs to be greater transparency of OTC markets and harmonized standards. This is particularly important given the current provincial fragmentation with derivatives rules. One of the key issues remains defining derivatives for the purposes of creating a national framework. In addition, any set of rules proposed and implemented for an OTC derivatives regulatory framework should operate within the existing securities registration framework. For instance, any compliance and risk management functions should be harmonized and work in tandem with the requirements and principles in NI 31-103 (i.e. such as UDP, CCO and record keeping requirements).

#### **Goal #5 - Run a Modern, Accountable and Efficient Organization**

One of the stated objectives of the OSC in the next fiscal year is to invest in IT infrastructure to provide better tools to gather and use data and information provided to support, among other things, rulemaking. We agree that this should be a priority for the Commission so that it can meet the ongoing demands of market developments and meet the pace of change domestically and internationally and we applaud the OSC for the strides it has already made in this direction.

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<sup>7</sup> See OSC Staff Notice 33-740 – Report on the results of the 2012 targeted review of portfolio managers and exempt market dealers to assess compliance with the know-your-client, know your-product and suitability obligations.



We also agree that the OSC should work to improve its regulatory capacity through the development of staff and expertise. We recommend the OSC hire more people with direct industry experience and we encourage more hiring from industry with specific CFA expertise. Alternatively, we recommend offering staff greater opportunities for additional training and qualifications. The OSC's commitment to the use of secondments is an excellent way to ensure a broader experience level and expertise exchange among staff. We encourage the development of secondments both internally on a branch to branch basis as well as externally so that OSC staff can gain ground floor experience from the registrants they regulate.

**Reliance on Data and Analysis** -- We encourage the OSC to make significant investments in IT infrastructure to provide better tools to gather and use market data and information to further its approach to investor protection and correspondingly, rule-making. For instance, we are already seeing the OSC's commitment to IT improvements in its recent notice to mandate electronic filings.<sup>8</sup> We congratulate the OSC on its priority to substantially reduce manually-filed information.

We understand that plans are underway to replace the core CSA national systems with updated systems which will improve functionality and usability. We are supportive of enhancements to these systems that reflect the needs of market participants. The information collected through National Registration Database (NRD) is vital to the OSC's understanding of its registrants. Therefore, we recommend significant improvements be made to modernize this reporting tool.

**Improved Cost-Benefit Analysis in OSC Rule Proposals** -- As identified in our submission last year,<sup>9</sup> we continue to believe that additional consideration of the costs of compliance with regulations is needed. We note that the OSC should have regard to the fundamental principle that "business and regulatory costs and other restrictions on the business and investment activities of market participants should be proportionate to the significance of the regulatory objectives sought to be realized".<sup>10</sup> In this regard, we believe it is worthwhile for the OSC to conduct more research and analysis in this area, particularly, when it is proposing policy initiatives and/or amendments to securities regulations.

We recommend the OSC take an aggregated review of the overall costs of compliance for registrants. We believe the rising costs of compliance, particularly for smaller firms, presents a barrier to entry and stifles industry growth. Changing client expectations and demands along with shifts in the competitive landscape are reshaping the playing field for many portfolio managers. We believe the OSC should acknowledge the consumer demand for the services provided by smaller firms and take this into account when assessing the costs of compliance on such firms.

**OSC Transparency and Accountability** -- We welcome increased transparency to demonstrate improved accountability and, in particular, performance reporting against OSC priorities and we applaud the OSC's commitment to publish a year end performance report. As noted above, we believe that transparency and communication by regulators is fundamental to the oversight function they provide.

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<sup>8</sup> See Proposed OSC Rule: 11-501 - Electronic Delivery of Documents to the Ontario Securities Commission and Proposed Consequential Policy Amendments.

<sup>9</sup> See PMAC submission on dated May 29, 2013 regarding OSC Notice 11-766 — Statement of Priorities – Request for Comments Regarding Statement of Priorities for Financial year to End March 31, 2013.

<sup>10</sup> See section 21(6) of the *Securities Act* (Ontario), R.S.O. 1990, Chapter S.5.

As indicated, we were disappointed that there is no mention in the draft Statement of Priorities of a national regulator. We recommend the OSC continue to work cooperatively and transparently with its CSA colleagues to make a national regulatory a reality in this decade. PMAC has long advocated that Canada adopt one national securities regulator to:

- Protect against unfair and improper practices and ensure better enforcement against fraud and white-collar crime;
- Provide consistency for businesses operating across Canada's provinces through a clear set of rules that apply from coast to coast;
- Strengthen the financial system by developing faster policy responses to emerging trends;
- Reduce inefficiencies and duplication inherent in operating 13 regulatory structures: minimizing red tape will encourage foreign issuers to include Canada when offering securities; and
- Streamline the registration process for advisors and other registrants by having one national process.

While the OSC has indicated its commitment to continue to work cooperatively with its CSA colleagues and other regulators to make the regulatory system more efficient, we recommend that the OSC also work collaboratively and actively with the Department of Finance and CSTO to develop a more national solution to securities regulation in Canada. We hope the OSC continues to be a catalyst and driver in the process towards really becoming a "national" modern, accountable and efficient organization.

**Update CSA National Systems --** We are supportive of increased efficiencies for market participants, including reductions in overall fees payable by registrants. The CSA's proposed amendments facilitating CSA information technology arrangements describe the proposed new system fees, which when implemented, will yield benefits in the form of lower system costs. In addition, the CSA projects that based on recent filing patterns, system fees will decline in approximately 40% of SEDAR filing situations and in approximately 24% of NRD filing situations. In respect of NRD filers, we understand that this will be accomplished by reducing the charges associated with the filing fee required to be paid if the filer is registered in more than one jurisdiction. We support these reductions in filing fees particularly since many of our Members are registered in multiple jurisdictions.

Notwithstanding, there are considerable inefficiencies with NRD that registered adviser firms currently rely on to meet their filing obligations under NI 31-103 and related instruments. Over 10 years has lapsed since the inception of NRD and we believe it is time to modernize its functionality in order to address some of the common issues identified by our Members and other filers. We have highlighted some of these inefficiencies below for your consideration:

- **Limited Functionality** - This includes the inability to access or update F6 forms (Firm Information) through the system – having two separate systems for updates (individual updates through NRD and firm updates by emailing the OSC); limitations on making a submission if another submission is outstanding; inconsistency between the forms as they appear in the applicable rule (NI 33-109) and the form as it appears on NRD; resetting passwords for authorized firm representatives (AFR); and issues relating to the print function in regard to printing reports, etc.
- **Passport system is not always clear** - Depending on the reviewer, some individual NRD updates may need to be approved by all regulators and some may require approval by merely the principal. We are aware of updates that wait in limbo for over a month because the reviewing officer in another jurisdiction did not approve an outside business activity in a timely manner.

- **NRD Fees and Fee Reports** - Particularly for permitted individuals (directors and major shareholders), these fees remain too high (i.e. \$75 + HST per province for each registered and permitted individual to have an NRD profile (up to a maximum of \$375 + HST). There are a number of issues with NRD Fee Reports including the time periods for which a report can be obtained along with the format of the report. Fee reports for NRD submissions can only be obtained for periods of two months. Sometimes this requires several reports to be obtained before specific fee information can be located. We recommend access to fee reports for longer periods. In addition, the format of the fee report should be more concise and user-friendly. It contains several columns of information that, in our view, are irrelevant.

For further details and other recommendations on these issues, please refer to our submission dated April 24, 2013 in response to CSA Notice and Request for Comment on Proposed Amendments Facilitating CSA Information Technology Arrangements.

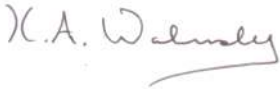
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We commend the OSC for its progressive attitude and commitment to being an effective and responsive securities regulator. We support the Commission's efforts to expand its outreach and engagement with the industry and investors in the coming months and we look forward to working collaboratively and assisting, where possible, with some of the goals identified in the draft Statement of Priorities.

If you have any questions regarding the comments set out above and/or any of our recommendations, please do not hesitate to contact Katie Walmsley at (416) 504-7018 or Julie Cordeiro at (416) 504-1118.

Yours truly,

**PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA**



Katie Walmsley  
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## **PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA MEMBERSHIP LIST 2013**

Addenda Capital  
Adroit Investment Management Ltd.  
Aegon Capital Management Inc.  
AGF Investments Inc.  
Aldersley Securities Inc.  
Alitis Investment Counsel Inc.  
AMG Canada  
ATB Investment Management Inc.  
Aurion Capital Management Inc.  
Avenue Investment Management Inc.  
Barometer Capital Management Inc.  
Barrantagh Investment Management Inc.  
Baskin Financial Services Inc.  
Beaujolais Private Investment Management  
Bellwether Investment Management Inc.  
Beutel, Goodman & Company Ltd.  
BlackRock Asset Management Canada Limited  
Bloom Investment Counsel, Inc.  
BMO Asset Management Inc.  
BMO Harris Investment Management Inc.  
BNP Paribas Investment Partners Canada Ltd.  
BNY Mellon Wealth Management, Advisory Services, Inc.  
Brandes Investment Partners & Co.  
Bull Capital Management Inc.  
Burgundy Asset Management Ltd.  
Bush Associates Ltd.  
C.A. Delaney Capital Management Ltd.  
Campbell & Lee Investment Management Inc.  
Canoe Financial L.P.  
Canso Investment Counsel Ltd.  
Cardinal Capital Management, Inc.  
Celernus Investment Partners Inc.  
CGOV Asset Management  
CIBC Global Asset Management Inc.  
CIBC Private Investment Counsel  
Cockfield Porretti Cunningham Investment Counsel Inc.  
Coerente Capital Management Inc.  
Coleford Investment Management Ltd.  
Connor, Clark & Lunn Investment Management Ltd.  
Cordiant Capital Inc.  
Cougar Global Investments LP  
Covenant Capital Management Inc.  
Crestridge Asset Management Inc.  
Crystal Wealth Management System Ltd.  
Cypress Capital Management Ltd.  
Davis-Rea Ltd.  
De Luca Veale Investment Counsel Inc.  
Dixon Mitchell Investment Counsel Inc.  
Doherty & Associates Investment Counsel  
Dorchester Investment Management  
Duncan Ross Associates Ltd.  
Echlin Investment Management Ltd.  
18 Asset Management Inc.  
Empire Life Investments Inc.  
ETF Capital Management  
Evans Investment Counsel  
Excel Investment Counsel Inc.  
Exponent Investment Management Inc.  
Falcon Asset Management Inc.  
Fiera Capital Corporation  
Focus Asset Management  
Foster Asset Management Inc.  
Foyston, Gordon & Payne Inc.  
Galibier Capital Management Ltd.  
Galileo Global Equity Advisors Inc.  
Genova Private Management Inc.  
Genus Capital Management Inc.  
GFI Investment Counsel Ltd.  
GLC Asset Management Group Ltd.  
Global Wealth Builders Ltd.  
Globeinvest Capital Management Inc.  
Gluskin Sheff + Associates  
Greystone Managed Investments Inc.  
Groundlayer Capital Inc.  
Gryphon Investment Counsel Inc.  
Guardian Capital LP  
Heathbridge Capital Management  
Hélène Dion Investment Management Inc.  
Hesperian Capital Management Ltd.  
Heward Investment Management Inc.  
Highstreet Asset Management Inc.

Highview Asset Management Inc.  
 Hillsdale Investment Management Inc.  
 Horizons Investment Management Inc.  
 Howard, Barclay & Associates Ltd.  
 HSBC Global Asset Management (Canada) Limited  
 IA Clarington Investments Inc.  
 Independent Accountant's Investment Counsel Inc.  
 Integra Capital Ltd.  
 J.C. Hood Investment Counsel Inc.  
 J. Zechner Associates Inc.  
 Jarislowsky, Fraser Limited  
 Jones Collombin Investment Counsel Inc.  
 Kerr Financial Advisors Inc.  
 LDIC Inc.  
 Legg Mason Canada Inc.  
 Leith Wheeler Investment Counsel Ltd.  
 Leon Frazer & Associates Inc.  
 Lester Asset Management  
 Letko Brosseau & Associates Inc.  
 Longview Asset Management Ltd.  
 Lorne Steinberg Wealth Management Inc.  
 Louisbourg Investments Inc.  
 Macdonald, Shymko & Company Ltd.  
 Mackenzie Global Advisors  
 Manitou Investment Management Ltd.  
 Manulife Asset Management  
 Marquest Asset Management Inc.  
 Martin, Lucas & Seagram Ltd.  
 Mawer Investment Management Ltd.  
 McElvaine Investment Management Ltd.  
 MD Physician Services Inc.  
 MFS McLean Budden  
 Milestone Investment Counsel Inc.  
 Mirador Corporation  
 Montrusco Bolton Investments Inc.  
 Morgan Meighen & Associates Limited  
 Morguard Financial Corporation  
 Newport Private Wealth Inc.  
 Nexus Investment Management Inc.  
 Northwood Family Office LP  
 NT Global Advisors, Inc.  
 Pacific Spirit Investment Management Inc.  
 Patient Capital Management Inc.  
 Patrimonica Asset Management Inc.  
 Perennial Asset Management Corp.  
 Picton Mahoney Asset Management  
 Pier 21 Asset Management Inc.  
 PIMCO Canada Corp.  
 Portfolio Management Corporation  
 Portland Investment Counsel Inc.  
 Rae & Lipskie Investment Counsel Inc.  
 RBC Phillips, Hager & North Investment Counsel Inc.  
 Rempart Asset Management Inc.  
 Richmond Equity Management Ltd.  
 Ridgewood Capital Asset Management Inc.  
 Rogan Investment Management Ltd.  
 Rondeau Capital Inc.  
 RP Investment Advisors  
 Russell Investments Canada Ltd.  
 Scotia Asset Management L.P.  
 Sharp Asset Management Inc.  
 Silver Heights Capital Management Inc.  
 Sionna Investment Managers  
 Sprung Investment Management Inc.  
 Standard Life Investments Inc.  
 Stanton Asset Management Inc.  
 State Street Global Advisors, Ltd.  
 Steadyhand Investment Management Ltd.  
 Stonegate Private Counsel  
 Strathbridge Asset Management Inc.  
 Stylus Asset Management Inc.  
 Successful Investor Wealth Management Inc.  
 Summerhill Capital Management Inc.  
 T.E. Investment Counsel Inc.  
 Taylor Asset Management Inc.  
 TD Asset Management Inc.  
 TD Harbour Capital (Division of TD Waterhouse Private Investment Counsel Inc.)  
 TD Waterhouse Private Investment Counsel Inc.  
 Tetrem Capital Management Ltd.  
 TFP Investment Counsel Corp.  
 Thornmark Asset Management Inc.  
 Toron Investment Management  
 TriDelta Investment Counsel  
 Tulett, Matthews & Associates  
 UBS Global Asset Management (Canada) Co.  
 University of Toronto Asset Management  
 Vancity Investment Management Ltd.  
 Venable Park Investment Counsel Inc.  
 Vestcap Investment Management Inc.  
 Vision Wealth Management Ltd.  
 W.A. Robinson & Associates Ltd.  
 Waterstreet Family Capital Counsel Inc.  
 Watson Di Primio Steel Investment Management Ltd.  
 Watt Carmichael Private Counsel Inc.  
 West Face Capital Inc.  
 Wickham Investment Counsel Inc.

