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**Sent by Email**

Mr. John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West  
19<sup>th</sup> Floor, Box 55  
Toronto, Ontario  
M5H 3S8

RE: Comments re Proposed NI 31-103 Registration Requirements

Dear Mr. Stevenson:

SHSC Financial Inc. (SHSCFI) is the Manager of the Social Housing Investment Funds and is currently an unregistered investment fund manager. The opinion from our legal counsel is that SHSCFI would be required to become a registered investment fund manager under the proposed regulatory changes.

I would like to take this opportunity to raise one major issue with respect to the proposed changes having to do with the requirement to “designate an individual” as a Chief Compliance Officer meeting specified proficiency requirements. Specifically, our comment is that there should be some latitude given to the meaning of “designate an individual” to allow for alternatives other than a full-time staff position with SHSCFI under the new rules.

**Background**

SHSCFI currently offers 4 specific funds (being the Social Housing Investment Funds) to social housing providers in Ontario for the investment of their capital reserves. These Funds, and our program, became operational in early 2003 and arose out of the mandate given to SHSCFI under the Social Housing Reform Act (Ontario, 2000). The total assets under management of the Funds is approximately \$371-million. The Funds are offered by prospectus and there are approximately 850 social housing providers participating as investors. Each of these social housing providers is a legal, non-profit corporation.

SHSCFI, as Manager, currently outsources portfolio management and distribution to a major portfolio advisor and principal distributor through two legal agreements. Custodial services for the Funds are in turn contracted by the portfolio advisor with a major supplier of custodial services who is also the Trustee. The Funds have been audited

since inception by a major auditing firm. The simplified prospectus and annual information form is available on SEDAR if you need additional background information.

SHSCFI is the overall Manager of the program and performs the overall management and regulatory oversight for the Funds and the outsourced services.

SHSCFI has an Independent Review Committee (IRC) that has been fully operational since October 24, 2007. In cooperation with the OSC, SHSCFI has also developed a comprehensive compliance policies and procedures manual that arose out of an OSC field review in the spring of 2007. These two major initiatives are important to recognize as they demonstrate SHSCFI's familiarity with and commitment to appropriate compliance policies, procedures and internal systems and the intended duties of the Chief Compliance Officer as set out in Section 5.25.

### **Issue of Concern with the proposed CCO requirement**

The concern of SHSCFI is not with the requirement to have a qualified chief compliance officer but with the latitude, or lack of latitude, that may be given to how this requirement can be fulfilled. Given the substantial compliance processes that are already undertaken by SHSCFI arising from the normal prospectus filing, etc. obligations, corporate due diligence, the IRC and our own comprehensive compliance policy and procedures manual, it is clear that SHSCFI would still not require a full-time staff position to carry out the duties of the CCO as set out in 5.25 and in light of the outsourced service arrangements under which it operates.

If the only implementation alternative is the hiring of a designated CCO as a full-time employee of SHSCFI, this would create costs in excess of what is actually required and would require SHSCFI to consider blending the CCO job duties with other duties which in turn might be difficult to find in a single person. In addition, it has also been suggested that finding people in the market place, meeting all of the requirements, might prove to be difficult, at least in the short-term, for firms captured by the new registration requirements.

We would like to suggest that the operational interpretation of "designate an individual" be broad enough to permit part-time employees and a further option to be able to outsource these compliance services to either a firm or individual meeting the principal proficiency requirements. At the very least, there should be latitude in the new rules to allow for case by case review of satisfactory alternatives. We would suggest that the desirable regulatory approach should be the specification of compliance "performance" of registered investment fund managers with latitude being given to how this is achieved, depending on the specific structure, size and circumstances of the individual investment fund managers.

I hope these comments and suggestions will be useful to you.

Yours truly,

David Millar, General Manager  
SHSC Financial Inc.

