

April 29, 2007

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
By e-mail: jstevenson@osc.gov.on.ca

Re: Proposed National Instrument 31-103

Dear Sir:

Thank you for the opportunity to provide commentary on proposed National Instrument 31-103. I am an Ontario resident, mutual fund investor, and a mother of three small children currently on maternity leave. As an investor, I ultimately bear the costs of the requirements these instruments impose on investment fund managers.

I was surprised to read that section 4.18 does not have an exemption for those investment fund managers who use insured third-party custodians for the assets. The text as proposed will require double insurance. This needlessly increases costs. Similarly, section 4.14, should also have an exception for investment fund managers that do not hold assets and use third-party custodians. Again, this needlessly increases costs.

As you construct these new rules, please take some care to help investment fund managers improve returns by reducing the fees that investors eventually end up paying. I note that Canada had the highest mutual fund expenses of 2.87 per cent of all the countries, significantly higher than 1.71 per cent in the United States and 1.99 per cent in Japan (See: http://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID901023_code32528.pdf?abstractid=901023&mirid=1).

I am concerned that Ontario is becoming an uncompetitive jurisdiction for investing for the general public. I recognize that the OSC's publicly stated mandate is to foster efficient capital markets, yet the facts lead me to conclude that this is not being achieved:

1) Have you calculated how much the management fees will increase as a result of these new requirements? Have you calculated how much the management fees have increased as a result of the recently implemented NI 81-106 and NI 81-107? I believe these costs are not being borne by managers, rather being passed along to investors like me.

2) I am concerned that this red tape and higher costs will speed the trend of good investment fund managers to cease offering funds by prospectus to the public. Rather, to avoid the costs of excessive regulation they will only offer funds by offering

memorandum, which are only available to the rich. This is creating a two-tier system where the general public is getting the inferior tier.

In summary, I am very interested in understanding what the OSC is doing to achieve its mandate of enhancing capital market efficiency by creating a simple regulatory environment with low fees. Accordingly, please respond to the above questions by return e-mail.

Thank you,

Jeannette Kudela
416-712-7839