

Attn: Mr. John Stevenson
John Stevenson
Secretary to the Commission
Ontario Securities Commission
20 Queen St. West
19th Floor, Box 55
Toronto, Ontario
M5H 3S8

Re: Proposed NI 31 -103

Dear Mr. Stevenson:

I am writing to express my concern over the proposed changes in NI 31 - 103. I am a Calgary resident and a mutual fund investor. I tried to read through the proposed changes and had a difficult time understanding the implications of the proposal, so I had some help interpreting it. I expect the only people who are able to fully interpret all the implications of the proposed instrument are lawyers, or more specifically the lawyers working for mutual fund companies. The document was definitely not written for ordinary investors like me or even financial advisors.

Please explain to me how the changes will help the OSC fulfill its stated mandate to:
Provide protection to investors from unfair, improper and fraudulent practices
Foster fair and efficient capital markets and confidence in their integrity

After having some help interpreting the proposal, I don't see how the requirements for additional insurance and working capital for fund managers will do anything other than increase the already high management costs of mutual funds in Canada, especially for funds which already pay for external custodial services. I don't see any value in the manager having additional working capital or insurance coverage where the assets are held by a third-party custodian. Perhaps I am mistaken, but I presume that the auditor's responsibility includes verifying that the assets, as stated by the fund manager, do exist without encumbrances and that this is confirmed regularly by the custodian.

As a mutual fund owner, my concerns are:

1. The investment management skills of the fund manager;
2. The costs of managing and administering the fund;
3. The safety of the fund's assets as held by the fund's custodian;
4. The thoroughness of the audit on the assets of the fund as performed by the independent auditor.

The proposed OSC rules only serve to: 1. increase the costs of managing and administering a fund and 2. distract fund management from seeking out and evaluating investment opportunities. Have you considered the costs of this instrument, NI 81-107 and NI 81-108 combined? Unless the OSC is able to force mutual fund managers to absorb these costs (which I expect would require another NI), these costs will be borne by investors through increases to the already high management expense ratios of Canadian mutual funds. It may not be "improper" or "unfair" if every company is doing it, but the rules definitely do not foster efficient capital markets.

I would prefer to see efforts by the OSC in investigating, enforcing and obtaining convictions of those who apparently 1. violate tipping and insider trading rules (Andrew Rankin / Daniel Duic); 2. issue false press releases (John Felderhof); and 3. mislead shareholders (and directors?) about stock option issue dates (Jim Balsillie). Faster reaction to, and timely prosecution of cases like these seem to me to be much more likely to improve the reputation of Canada's capital markets than imposing additional costs on mutual fund managers and investors.

While I am not an Ontario resident, the rules imposed by the OSC tend to become effective across the country and I have therefore taken the time to express my concerns.

Best regards,

John Plant