

June 20, 2007

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
New Brunswick Securities Commission
Securities Office, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Nunavut
Registrar of Securities, Yukon Territory

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario M5H 3S8

-and-

Madame Anne Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal (Québec) H4Z 1G3

Dear Mr. Stevenson and Madame Beaudoin:

Re: Response to Canadian Securities Administrators' (CSA's) Request for Comments on Proposed National Instrument 31-103 – Registration Requirements

Phillips, Hager & North Investment Management Ltd. ("PH&N") is one of Canada's oldest independent investment management firms with assets under management of approximately \$66 billion. PH&N manages investments for corporate and multi-employer pension plans, endowments, non-profit entities, government and private accounts. PH&N acts in many capacities. It is an investment adviser and acts as a fund manager, an investment funds registrar, a mutual fund dealer, and principal distributor for more than 40 PH&N mutual funds.

PH&N is supportive of initiatives to harmonize, streamline and modernize the registration regime across Canada and is especially supportive of initiatives "to create a flexible and administratively efficient regime with reduced regulatory burden". That being said, PH&N is also in general agreement with the comments that have been made by the Investment Counsel Association of Canada (ICAC) and by the Investment Funds Institute of Canada (IFIC) in the letters that they have submitted to the CSA regarding proposed National Instrument 31-103 Registration Requirements (the "Proposed Instrument"). We do, however, have a few additional comments with respect to certain elements of the Proposed Instrument that have not been or have been differently addressed by ICAC or IFIC in their above noted comment letters, which we have set out below.

Business Trigger

It is unclear to us whether the "dealing" business trigger would capture a buy side firm that accesses one or more markets by way of using a direct market access service provided to it by a registered broker-dealer. Clarification of this issue in the next version of the Proposed Instrument would be informative.

Exempt Market Dealer Category

We would support the move to a national exempt market dealer registration category, with appropriate proficiency and capital requirements, in circumstances where there was a demonstrable market problem or risk related to the current misuse of the registration exemptions by portfolio managers who have non-discretionary clients. However, we found no discussion in the Proposed Instrument of any such concerns.

We do not see any regulatory benefit in requiring a registered portfolio manager to also be registered as an exempt market dealer when selling exempt products as a registered portfolio manager is already required to: meet the highest educational proficiency requirements; meet capital requirements; and ensure that the investment products that are used for discretionary and non-discretionary clients meet the client's investment profile and objectives (i.e. KYC and suitability).

If a registered portfolio manager, at the request of a non-discretionary client, purchases units of a pooled investment fund for that client, what additional activities would that portfolio manager be doing while wearing its "exempt market dealer hat" that wouldn't already be captured while acting as a registered portfolio manager? After completing KYC and a suitability analysis for the client, a portfolio manager would do the same as an exempt market dealer, the portfolio manager would pass a trade order through to the registrar of the pooled funds. There would be no additional investor protection actions taking place under an exempt market dealer registration than the review that the portfolio manager would already perform under a portfolio manager's registration. In short, in the absence of a demonstrable investor protection exposure, we respectfully submit that registered portfolio managers should be able to put their discretionary and non-discretionary clients into prospectused and exempt products, subject to meeting KYC and suitability requirements, without having to seek an arguably duplicative and lesser level of registration as an exempt market dealer.

It is unclear to us whether the intent of the Proposed Instrument is that a registered mutual fund dealer will also need to be registered as an 'exempt dealer' in order to sell prospectus exempt mutual funds. Further clarification of this issue would be appreciated.

Rules related to Compliance Officers

We would respectfully submit that it should be clarified in the document that it is the responsibility of the Ultimate Designated Person (UDP) of a registrant to oversee the development and implementation of appropriate policies and procedures so that the firm can discharge its obligations under securities law, but that it is the Chief Compliance Officer (CCO) who is responsible for the development and implementation of such policies and for the day to day monitoring of the firm's adherence to them. As the CCO is subject to proficiency requirements under the Proposed Instrument and the UDP is not, this would seem to make sense. We would suggest that the UDP should be ultimately responsible for ensuring that the registered firm has complied with securities laws.

Finally, we are not convinced that the Partners, Directors and Senior Officers exam of the Canadian Securities Institute would be entirely relevant for Compliance Officers of buy-side Portfolio Managers as the course appears to focus on the broker-dealer or "sell side" environment.

Proficiency Requirements for Individual Portfolio Managers

We are very concerned that the Proposed Instrument does not appear to allow for the grandfathering of portfolio managers who do not meet the proposed proficiency requirements of a CFA Charter or the Canadian Investment Management designation plus four years of relevant investment management experience. If portfolio managers who are presently registered and who have many years of experience but have not written the CFA or CIM examinations cannot avail themselves of a grandfathering provision, we are very concerned that the industry will lose many of its most senior, experienced and qualified people if such individuals cannot meet the examination requirements by the effective date of the Proposed Instrument.

Proficiency requirements for associate advising representatives and client relationship managers

We would appreciate some clarification regarding the scope of the "associate advising representative" registration category. We note that this registration category "will also accommodate individuals who work for a portfolio manager and are in charge of client relationships but who do not perform portfolio management for clients." If such a person is not, in fact, advising clients or making trades on their behalf with the portfolio manager's approval or is not attempting to obtain sufficient experience to become registered as an advising representative but rather is simply assisting the portfolio manager with client relationships, would this individual require registration?

Fund Manager Registration

We note that the proposed insurance requirements for a fund manager do not appear to contemplate a situation where the fund manager does not have custody of the assets of the funds that it manages (i.e. where all assets of the funds are custodied with a registered trust company), whereas the insurance requirements for an adviser appear to contemplate both a custodial and non-custodial situation and different insurance requirements in each circumstance.

We note that there is no requirement in the proposed rule for a fund manager to have professional liability insurance. We would suggest that a requirement to have professional liability insurance should also be in place. Such insurance would provide coverage in circumstances not covered by an FIB bond, such as where NAV miscalculations occur.

Information Sharing

We would suggest that the scope of section 8.1(1) of the Proposed Instrument be limited so that only those registered firms that have previously employed an individual whom another registered firm is considering whether to employ are required to provide all information in their possession that is relevant to the person's conduct or to an assessment of the person's suitability as a registered individual or that is material to the hiring of the person by the hiring registrant. The provision currently casts a much broader net and would seem to require any registrant, if asked, to provide to the inquiring registrant, information regarding a specific person, whether that person had worked for that registrant or not.

Reduction in regulatory burden through adoption of a permanent registration regime and streamlined transfer procedures.

We note that, although registrations would be permanent, there will apparently be no reductions in the registration fees that are charged. One would presume, however, that with the anticipated streamlining and efficiency of the registration process as described in the Proposed Instrument that this would result in some financial relief to the registrants in the form of registration fee reductions.

Thank you very much for this opportunity to provide our input.

Sincerely,

PHILLIPS, HAGER & NORTH
Investment Management Ltd.

(original signed by John Montalbano)

John Montalbano
President