

British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
New Brunswick Securities Commission  
Registrar of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Superintendent of Securities, Newfoundland and Labrador  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Yukon Territory  
Registrar of Securities, Nunavut  
In care of:

John Stevenson  
Secretary  
Ontario Securities Commission  
20 Queen Street West  
19th Floor, Box 55  
Toronto, ON M5H 3S8

Anne-Marie Beaudoin  
Directrice du secrétariat  
Autorité des marchés financiers  
Tour de la Bourse  
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Montréal, Québec H4Z 1G3

Dear Sirs/Mesdames:

Re: Proposed NI 31-103 Registration Requirements

AGF Funds Inc. ("AGF") is writing to provide comments on the Notice and Request for Comment dated February 27, 2007 ("the Notice"), on Proposed National Instrument 31-103 Registration Requirements, Proposed Companion Policy 31-103CP and Proposed Amendments to Multilateral Instrument 33-109 Registration Information published for public comment by the Canadian Securities Administrators ("CSA") (respectively, the "Proposed Instrument" and the "Proposed Companion Policy" and collectively, the "Proposal").

AGF is an international investment fund management firm with head offices in Ontario. We currently manage approximately \$30 billion of assets under management through mutual funds, wrap products and pooled products to retail and institutional clients. AGF has been offering investment solutions to investors in Canada and elsewhere for over 50 years. We have always supported regulatory proposals that provide greater harmonization, a consistent consumer experience, and greater cost efficiencies in process and administration.

In general, AGF endorses the CSA's stated aim of the Proposal - "to create a flexible and administratively efficient [registration] regime with reduced regulatory burden". We also commend the CSA

for its efforts in seeking to achieve a level of uniformity and harmonization within the registration regime.

We have three primary concerns about the Proposal. They are:

1. CCO and UDP Role;
2. CCO Proficiency Requirements;
3. Elimination of International Advisor Registration Category

#### CCO and UDP Role

In reviewing the provisions relating to the CCO and UDP, section 2.8 and 2.9, we believe that the responsibilities stipulated for a UDP versus that of the CCO are reversed. In our experience, the CCO's responsibilities reflect that of the individual responsible for executing the firm's key regulatory compliance obligations. They are responsibilities that properly should be fulfilled by the individual who is "responsible for implementing policies and procedures for the discharge of the registered firm's obligations under securities legislation."

Under section 2.8(1), the above description of responsibilities however is that of the UDP. In contrast, section 2.9(1) describes the CCO's role as "an individual..responsible for discharging the registered firm's obligations under securities legislation."

In our view it is the UDP that sets the corporate culture and that directs the CCO, and all other employees, to execute in their respective roles. For this reason, we believe the language should be amended. We support IFIC's proposal that the language in these provisions should be amended to reflect the view that the CCO's role should be one of administering the compliance policies and procedures, and the UDP's role should be that of discharging the compliance obligations of the firm.

#### CCO Proficiency Requirements

The CCO proficiency requirements set out in the Proposal are limiting and are not reflective of the role of a CCO for a fund manager. Instead, the proficiency requirements proposed reflect those required for an Investment Manager, and require a CCO to have professional designations, or experience that is not applicable in such a role.

A fund manager plays a key role in many elements of the business of managing and offering investment fund products. The activities of a CCO are not purely related to investment management, although we acknowledge it is a significant component of their responsibilities. Areas for example that are not purely investment management focussed, but would be compliance areas for a fund manager, would include transfer agency issues such as foreign order policy and documentation, and fund accounting issues such as NAV error policy and party manager oversight.

It is our recommendation that at a minimum there be grandfathering introduced of the current "relevant experience" requirements. There are many highly talented compliance professionals in this industry that may not meet these current requirements. We encourage this given the dearth of trained professionals today, and the need for such people in our organizations.

Alternatively, we support the recommendations of IFIC to amend the language to be more specific to the fund manager's functions.

## Elimination of International Advisor Registration Category

The rules surrounding an international advisor and the ability of a fund manager to retain international advisors are inadequate. The Proposal contemplates the elimination of the International Advisor category currently in place in a few provinces. As a result of the proposed changes to such regime, Canadian investment funds that have retained international advisors as their portfolio managers will either need to persuade their existing advisors to become sub-advisors, if that is even feasible, or become fully registered, thus assuming all the responsibilities and obligations of a registrant in the jurisdiction. If those efforts fail, such funds will be faced with the result of having to select new advisers.

The suggestion that an international manager must in all cases be registered in order to act as an investment manager of a fund, is a significant commitment to any organization and one that would likely be denied, in our expectation, by many. This is even more likely given the obligations of a registrant as currently set out in the Proposal.

The alternative, which is to move any international portfolio manager function to that of a "sub-adviser" under section 9.17 of the Proposal, will impact on the business of running a fund and of optimizing the talents of an international manager to the benefit of the unitholders. In our view, this requirement interferes with the business relationship between a fund manager and a portfolio manager to the detriment of the unitholders of a fund. This cannot be a desirable outcome.

As a resolution to this issue, we fully support the IFIC submissions and request that there be a harmonized category of registration for international advisers which would duplicate the current Ontario regime. This is by far the most ideal solution; one that is known, tested and proven to protect investors yet provides the fund manager with the opportunity to retain the best investment management talent worldwide.

As an alternative, we believe that this issue can be resolved by amending the conditions of the International Portfolio Manager Registration exemption requirements set out in section 9.14. The list of "permitted international portfolio manager clients" should be amended, at a minimum, to include Mutual funds, or specifically, investment fund offerings under NI 81-102.

## Conclusion

AGF has outlined our primary concerns relating to the Proposal. We fully support the IFIC submission as it relates to other Fund Manager issues, specifically. We thank you for allowing us the opportunity to respond the Proposal and we look forward to an amended release addressing the highlighted concerns.

Yours truly,

Judy Goldring  
AGF Funds Inc.