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April 25, 2008.

Ontario Securities Commission
20 Queen St. W.
Toronto, ON
M5H 3S8

Attention : John Stevenson, Secretary
e-mail jstevenson@osc.gov.on.ca

Re: Proposed National Instrument 31-103 (the “Proposed Instrument”)

DearSirs/Mesdames:

It has come to my attention that you are still considering having mutual fund companies purchase insurance to cover their clients’ investments. **Why?**

Why isn’t it enough to require the mutual funds to keep clients’ funds with an accredited custodian (for example, one of the big 5 banks), who has insurance, as is done now? Why do you believe an extra layer of insurance is needed? How will this extra layer of insurance benefit the small investor who invests in these mutual funds?

Will this extra layer of insurance prevent another Nortel? Will it protect the small investor from another ABCP? Will it provide better protection to the investor from a dishonest broker or dishonest mutual fund sales person? I believe the answer to these questions is there will be NO benefit to the investor nor for that matter, to the mutual fund companies. **I am open to hearing how you plan to have the investors benefit from insurance charges you are proposing.**

The insurance you purpose will be a cost to the mutual fund companies. The mutual fund companies will pass this cost on the investors included in the MER fee.

There are many investment managers here and in the US who believe we are in for several years of below average returns and possibly negative returns as were seen in the 1970s. Currently, the MERs of most of Canada’s equity mutual funds are 2.5% or more. The added cost of the insurance you are proposing will increase the MERs, which in turn, may mean the investors will have little or no positive return over the coming years. This will discourage them from investing in mutual funds. It will encourage them to withdraw what they already have in mutual funds and invest in low cost ETFs. These withdrawals are already happening but will only increase if the MERs are increased.

The big mutual fund companies may be able to withstand a large outflow of money as clients switch to ETFs. The medium and small mutual fund companies will be the ones that suffer the most along with the investors who do not have the investment savvy to buy ETFs. **We read frequently that Canadians do not have enough money saved for retirement. An increase in fees will mean even less money for their retirement.**

This insurance you are proposing is bad for the investor and bad for the mutual fund companies. The only beneficiary of your new proposal, as I see it, will be the insurance company (ies) that write the policies for this unnecessary insurance or will the insurance companies be passing on some of the insurance premium to the OSC?

Your proposal is contained in several hundreds of pages of legalese that even the experts are having trouble wading through and making sense out of it. How will the average investor be able to understand it, assuming the investor has the time to read it?

A few years ago, several mutual fund companies went to the expense of trying to simplify their prospectuses for purchasing their funds. Your proposal is a step backwards in making investment information understandable to the layman. Please answer the above questions directly and not suggest I try to find them in the hundreds of pages the OSC has generated.

It is time to stop generating fees and proposals until a National Regulator is established. At that time, any fee increases proposed should be able to show how the small investor will benefit. If there is no benefit to the investor, there should be no need for a new fee or an increase to an old fee.

At the very least, wait until Tom Hockin's panel reports back to The Honourable Jim Flaherty.

I look forward to receiving a reply to my questions in the near future.

Yours truly,

Barbara Cantlie retired CFP, R.F.P., STEP, Masters of Financial Planning

cc: The Honourable Tom Hockin, Rob Carrick, Jonathan Chevreau, Carlyle Dunbar, William Hanley, , Heather Scoffield, , Investment Funds Institute of Canada, Investment Dealers Assoc.