

September 30, 2010

**VIA EMAIL**

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  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Yukon Territory  
Superintendent of Securities, Nunavut

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

Me Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22<sup>e</sup> étage  
C.P. 246, tour de la Bourse  
Montréal (Québec) H4Z 1G3

Dear Sirs/Madames:

**Re: Proposed Amendments to NI 31-103 Registration Requirements and Exemptions**

We are writing on behalf of Manulife Securities Incorporated and Manulife Securities Investment Services Inc. (collectively “Manulife Securities”) to provide comments with respect to the Canadian Securities Administrators (“CSA”) proposed amendments to National Instrument 31-103 – *Registration Requirements and Exemptions* (“NI 31-103”). We thank the CSA for the opportunity to comment on the proposed amendments.

Manulife Securities Incorporated (“MSI”) is a member of the Investment Industry Regulatory Organization of Canada (IIROC) and is registered as an Investment Dealer in all provinces and territories across Canada. Manulife Securities Investment Services Inc. (“MSISI”) is a member of the Mutual Fund Dealers Association of Canada (MFDA) and is registered as a Mutual Fund Dealer or equivalent in all provinces and territories of Canada except Nunavut. MSISI has applied to be registered as an Exempt Market Dealer in all provinces and territories except Nunavut and the Northwest Territories.

The following outlines Manulife Securities’ comments on the proposed amendments:

#### Section 41. Restrictions on acting for another registered firm

Proposed section 4.1(1)(b) of NI 31-103 restricts an individual registered as an advising representative from being registered as an advising representative with another registered firm including affiliate firms. It is our view that valid business reasons exist for dual registration as long as individuals have sufficient time to carry out their duties and are not in a conflict of interest which cannot be managed. Manulife Securities has dually licensed individuals and has controls in place to ensure any conflicts are managed. Manulife Securities is of the view that dual licensing should be permitted for advising representatives of affiliated firms and recommends that section 4.1 be amended to permit dual registration as long as it is with affiliated firms and provided those affiliated firms have adopted policies and procedures to ensure that any conflicts of interest are addressed.

#### Sections 13.8 – 13.10 – Referral arrangements

NI 31-103 prohibits a registered individual from entering into a referral arrangement with another person or company unless: (1) there is an agreement between the registered firm and the person or company making or receiving the referral; and (2) the fees (and having nothing to do with the individual securities business) are recorded by the registered firm. The registered firm is also required to ensure that the person or company has the appropriate qualifications to provide the services under the referral arrangement. Pursuant to section 13.7, a client includes a prospective client.

Many registered individuals are also licensed to sell insurance products. Based on the wording in section 13.7, a referral made by an individual acting in his/her capacity as an insurance agent could be caught by this provision as arguably a client who is a client of a registered individual for insurance is a prospective client on the securities side.

Previously, under MFDA rules, registered individuals were free to enter into referral arrangements directly with other entities (i.e. outside the dealer) where such an arrangements were not related to securities-related business. In such cases, the registered dealer was required to inform the client that the referral was not being provided through the dealer and the dealer was required to establish and maintain procedures to address potential conflicts of interest.

The provisions in NI 31-103 relating to referral arrangements and the rules made by IIROC and the MFDA in order to conform with NI 31-103 could result in the unintended consequence of

regulating business arrangements of registered individuals acting in the capacity of a licensed insurance agent outside their dealer that are not related to securities-related business. Manulife Securities is of the view that the referral arrangement provisions within section 13 be clarified to clearly exclude services provided by registered individuals outside of the dealer that are not securities-related business.

#### Section 14 - Account activity reporting

##### (a) Trade confirmations and account statements

Section 14.14(2) of NI 31-103 requires that account statements for registered dealers (other than mutual fund dealers) be delivered monthly if there are transactions in an account or the client otherwise requests. Many mutual fund dealers are also registered as exempt market dealers. Under this section, the requirement to deliver monthly statements would apply to the dealer's registration as an exempt market dealer but not to the dealer's registration as a mutual fund dealer creating a misalignment in timing of delivery of statements. Dealers with dual registration will be required to undertake systems development to ensure that when exempt products are sold in the month account statements for the mutual fund accounts are generated.

Manulife Securities recommends that the timing of statements for exempt market dealers align with the statement requirements of mutual fund dealers to maintain consistency.

##### (b) Fair value in account statements

Under the proposed amendments, registered dealers will be required to report fair value of holdings on statements. Currently most dealers represent estimated market value of individual holdings on statements. Account statements are the record of transactions by investors and provide the estimated market value at a point in time so that an investor has an understanding of what could be realized on the sale of a holding. Fair value takes into account the implicit and intrinsic value of an asset and is not representative of what a client could realize on the sale of a security in an account. An investor's concern is not the fair value of a holding but what an investor could realize on a sale of a holding on the open market. Additionally, we do not believe that fair value is commonly understood by investors and would not be of assistance to investors in understanding their portfolio. Further, dealer systems are not currently set up to report fair value as the calculation of fair value is based on a number of assumptions and can be calculated in different ways. To develop such systems would be cost prohibitive and the benefit provided by reporting fair value to clients would not justify the cost involved. Manulife Securities is also concerned that reporting fair value may have the unintended consequence of impacting the coverage available to investors in respect of CIPF and the MFDA Investor Protection Corporation as coverage is currently based on market value and would further impact dealers' risk profile in respect of these investor protection funds.

##### (c) Reporting on each security position in the account (e.g. including client name securities on account statements)

The CSA has requested comments as to whether registered dealers should be required to include client name securities on account statements and has posed a number of questions for comment. Manulife Securities is of the view that reporting client name securities on account statements would benefit the investor and provide the investor with a more holistic view of his/her portfolio. By including client name holdings on one statement, as opposed to one statement from the dealer and a number of different statements from fund companies for the client name holdings, an investor can have certainty regarding his/her holdings at a point in time and have a more holistic view of his/her holdings. Further, the dealer through its monitoring of statements would be alerted to any unsupervised trading sooner thereby providing further safeguards for the investor.

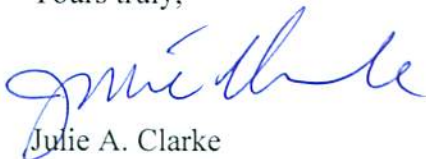
Reporting client name holdings by the dealer would reduce the number of statements that a client receives. This not only has an obvious environmental benefit, but it also reduces the costs to produce statements for fund companies, which savings could ultimately be passed on the investor through reduced management fees. There would be incremental added costs to dealers to reconfigure statements and additional costs dependent on the number of holding reported. The feeds from the fund companies are already available for most dealers and as such, reporting would not be difficult to develop and implement. Manulife Securities is of the view that these added incremental costs should be borne by the fund companies. If dealers are required to report client name assets on account statements, NI 81-102 should be amended accordingly to permit such incremental charges to be charged back to the fund companies.

Manulife Securities is in favour of including client name securities on dealer official account statements if the added costs are borne by the fund companies. As stated, there would be some additional costs to reconfigure statements and some systems development, however the costs would not be prohibitive and the ongoing costs would be less than current costs to produce statements from both the dealer and fund companies which should reduce costs for investors.

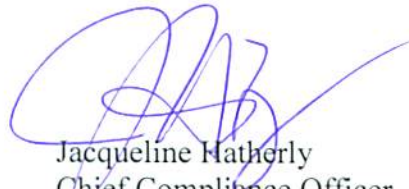
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Thank you for providing us the opportunity to comment on the proposed amendments. Should you have any questions, please do not hesitate to contact us.

Yours truly,



Julie A. Clarke  
Assistant Vice President & Chief Counsel  
Manulife Securities



Jacqueline Matherly  
Chief Compliance Officer  
Manulife Securities