

January 31, 2011

*Via Electronic Filing*

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  
Superintendent of Securities, Yukon Territory  
Registrar of Securities, Nunavut

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**Re:** Proposed Amendments to National Instrument 31-103 Registration  
Requirements and Exemptions – Registration of International and Certain  
Domestic Investment Fund Managers

Dear Madame Beaudoin and Mr. Stevenson:

The Investment Adviser Association (IAA)<sup>1</sup> welcomes the opportunity to comment on the Proposed Amendments to National Instrument 31-103 Registration Requirements and Exemptions – Registration of International and Certain Domestic Investment Fund Managers issued by the Canadian Securities Administrators (CSA). The IAA is a not-for-profit US association that represents the interests of investment adviser firms registered with the US Securities and Exchange Commission (SEC). IAA’s membership consists of investment advisory firms that manage assets for a wide variety of institutional and individual clients, including pension plans, trusts, investment funds, endowments, foundations, and corporations, and many of our members manage assets on behalf of clients in Canada.

We understand that regulators in the G20 countries have been making efforts to regulate and obtain more information about entities that manage funds that are sold privately in their jurisdictions.<sup>2</sup> Most jurisdictions also recognize that it is reasonable to exempt from registration requirements certain fund managers that do not have a significant presence in the jurisdiction. We appreciate that the CSA shares this view and has proposed to exempt certain international investment fund managers from registration if the funds they manage are distributed only to permitted clients and certain other conditions are satisfied.

We are concerned, however, that the conditions for international investment fund managers to qualify for the proposed registration exemption are drafted too narrowly. This may result in international investment fund managers that do not have a significant presence in the Canadian market to have to register as an investment fund manager in Canada. In particular, we understand that the proposed threshold of \$50 million of sales to permitted Canadian clients would effectively prevent international fund managers from relying on the exemption because many of the large Canadian institutional investors often look to invest in excess of that amount in a fund. Thus, this threshold may be too low to permit international (non-resident) investment fund managers to provide their funds to permitted clients under this registration exemption. International managers without a significant presence in Canada may determine not to offer these funds to Canadian investors rather than take on the burdens associated with registering in the fund manager category.

We believe that Canadian investors – particularly permitted clients – benefit when investment managers with expertise regarding a particular market can manage those assets from abroad. We are concerned that Canadian investors would lose the benefits of international diversification if investment managers were required to register in Canada even if they did not have a significant presence in Canada. We understand that there have been various proposals to replace the proposed conditions with other requirements. In adopting alternative conditions to the current proposal, we are of the view that the CSA should ensure that the international fund manager exemption is consistent with, and does not undermine, the other exemptions that are relied upon by international asset managers, including the

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<sup>1</sup> For more information, please visit our web site: [www.investmentadviser.org](http://www.investmentadviser.org).

<sup>2</sup> The IAA has long advocated in the United States that private fund managers be required to register with the SEC and be subject to regulation.

international adviser exemption that has been adopted by the CSA.<sup>3</sup> We would be pleased to discuss further with the CSA the feasibility of different alternatives to the conditions proposed to best achieve the CSA's policy goals while balancing the interests of investors and fund managers.

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The IAA understands the CSA's efforts to provide appropriate oversight of fund managers that privately place funds in Canada. We request that the CSA reconsider the conditions for exempting certain international investment fund managers that do not have a significant presence in Canada from registration to preserve the benefits that overseas managers can provide to investors in Canada.

We appreciate the opportunity to provide our views on these issues and would be pleased to provide any additional information. Please contact me at (202) 293-4222 with any questions regarding these matters.

Respectfully submitted,

/s/ Jennifer S. Choi

Jennifer S. Choi  
Associate General Counsel

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<sup>3</sup> Section 8.26 of the Canadian National Instrument 31-103 does not require international advisers to permitted clients to register if the adviser does not advise in Canada on securities of Canadian issuers and certain other enumerated conditions are satisfied. One of the conditions of the exemption requires that the adviser not have more than 10% of the aggregate consolidated gross revenue of the adviser, its affiliates and its affiliated partnerships derived from the portfolio management activities of the adviser, its affiliates and its affiliated partnerships in Canada during its most recently completed financial year.