

July 11th, 2013

Mr. William S. Rice
Chair and Chief Executive Officer
Alberta Securities Commission

Ms. Brenda Leong
Chair and Chief Executive Officer
British Columbia Securities Commission

Mr. Don Murray
Chair
Manitoba Securities Commission

Mr. David G. Barry
Chair and Chief Executive Officer
New Brunswick Securities Commission

Mr. Douglas J. Connolly
Superintendent of Securities
Service Newfoundland and Labrador

Ms. Sarah P. Bradley
Chair
Nova Scotia Securities Commission

Mr. Gary MacDougall
Superintendent of Securities
Government of Northwest Territories

Mr. Louis Arki
Superintendent of Securities
Government of Nunavut

Honourable Howard I. Weston
Chair
Ontario Securities Commission

Ms. Katharine Tummon
Superintendent of Securities
Consumer, Corporate and Insurance Services
Office of the Attorney General

Mr. Mario Albert
President and Chief Executive Officer
Autorité des marchés financiers

Mr. David Wild
Chair
Financial and Consumer Affairs Authority

Mr. Fred Pretorius
Superintendent of Securities
Yukon

Dear Sirs and Mesdames:

Request to Permit Time-Weighted Performance Reporting under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103")

BMO Investments Inc. ("BMOI" or "we") supports many of the core principles of the Client Relationship Model ("CRM") and has expressed this support publicly through the comment process leading up to the publication of the final rule released by the Canadian Securities Administrators ("CSA"), *Notice of Amendments to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and to Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations (Cost Disclosure, Performance Reporting and Client Statements)* (the "Reporting Rule"). However, we are very concerned that the Reporting Rule mandates the use of a dollar-weighted rate of return ("DWRR") in performance reporting calculations. Therefore, for the reasons expressed during the comment process leading up to the Reporting Rule and for the reasons outlined below, we support the Investment Funds Institute of Canada's ("IFIC") request that the Reporting Rule be amended to permit the use of either a DWRR or a time-weighted rate of return ("TWRR") for performance reporting under NI 31-103.

BMOII agrees with the CSA that reporting on the performance of investments is an important investor-protection initiative and has been proactively providing performance reporting to all of its clients using a TWRR methodology. BMOII does not currently provide its clients with an alternative measure of portfolio performance using a DWRR calculation because it would be confusing to its customers. Therefore, should the CSA mandate DWRR as the performance reporting standard, BMOII will discontinue the practice of providing its clients with the already familiar TWRR reporting and will provide DWRR reporting instead.

Switching from TWRR to DWRR performance reporting will be extremely costly and operationally complex. The estimated cost of switching to DWRR is approximately \$1.2 Million. As well as the added cost, maintaining a DWRR performance tracking system will be more difficult operationally because DWRR calculations are more involved than TWRR calculations. As the history of an account increases, the calculation of DWRR becomes more complex and labour-intensive.

The intended goal of the Reporting Rule is to provide investors with clear and meaningful investment performance reporting that will assist them in making decisions about meeting their performance goals and objectives, and in evaluating the investment advice they receive. However, introducing DWRR reporting in the place of the TWRR reporting our clients already receive will cause client confusion. Clients are comfortable with our current reporting and can understand the defined TWRR methodology. Even with comprehensive disclosure on how performance was calculated using DWRR, which as previously noted is far more complex than TWRR, clients may be confused by the perceived change in the performance of their accounts resulting from the DWRR reporting.

Finally, the purpose of providing performance data is in large part to allow a client to compare his or her portfolio performance with alternative investment options. TWRR is presently used to calculate performance numbers for mutual funds, exchange traded funds, index funds, common benchmarks and insurance defined contribution plans. In addition, the CFA administered Global Investment Performance Standards, which has a mission to build a level field of comparison by standardizing the way managers calculate and present performance to clients, recommends the use of a TWRR.

Thank you for taking the time to consider BMOII's request. While we understand the Reporting Rule is final, given the enormous financial, operational and customer service impacts that a switch from TWRR to DWRR is likely to have, we respectfully request that we not be mandated to provide performance based on DWRR and lend our support to the industry's request that we be permitted to provide performance based on either a DWRR or a TWRR methodology. We would be pleased to discuss this issue further or provide additional input, as required.

Yours very truly,



Darcy Lake
Chief Compliance Officer
BMO Private Client Group