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July 17, 2013

By Electronic Mail:

Mr. William S. Rice, Q.C.
Chair and Chief Executive Officer
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Ms. Brenda Leong
Chair and Chief Executive Officer
British Columbia Securities Commission

Mr. Don Murray
Chair, Manitoba Securities Commission

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

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

Mr. Gary MacDougall
Superintendent of Securities
Department of Justice
Government of Northwest Territories

Ms. Sarah P. Bradley
Chair, Nova Scotia Securities Commission

Mr. Louis Arki
Superintendent of Securities, Nunavut

Honourable Howard I. Wetston, Q.C.
Chair, Ontario Securities Commission

Ms. Katharine Tummon
Superintendent of Securities, Consumer,
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Prince Edward Island

Mr. Louis Morisset
President and Chief Executive Officer
Autorité des marchés financiers

Mr. Dave Wild
Chair, Financial and Consumer Affairs
Authority of Saskatchewan

Mr. Fred Pretorius
Superintendent of Securities, Yukon

Dear Sirs / Madames:

Re: Request to Permit Flexibility in Money-Weighted Performance Reporting under National Instrument 31-103 ("NI 31-103")

We are writing on behalf of the Members of The Investment Funds Institute of Canada ("IFIC") to request that the Canadian Securities Administrators ("CSA") reconsider the new requirement mandated by the recent amendments to National Instrument 31-103 (Cost Disclosure, Performance Reporting and Client Statements under the Client Relationship Model, referred to as "CRM II") to report performance on a money-weighted rate of return ("MWRR") basis.

We also write to advise that we support the Investment Industry Association of Canada and the Portfolio Management Association of Canada's position regarding the importance and desirability of allowing registrants flexibility in the choice of calculation methodology when reporting performance to their clients.

Our Members support the CSA's goal of providing investors with robust and meaningful information about the performance of their investments. However, we believe that not allowing for the use of certain generally accepted approximations to the Internal Rate of Return approach will significantly disadvantage investors.

1. Client Confusion

Requiring all account performance reporting to be computed using an IRR MWRP calculation could cause significant confusion to investors accustomed to receiving the information computed by other methods. If an investor's ability to understand his or her investments is unclear, providing a different performance reporting metric will not enhance understanding.

Many dealer registrants have already implemented performance reporting measures using methodologies suited to their clients' needs and computationally efficient to produce. These include a common methodology known as Modified Dietz, which is a money-weighted methodology approximating the more computationally intensive IRR money-weighted methodology. The Modified Dietz return expresses an investment's performance as a single, simple rate of return applicable to the beginning market value and all cash flows. This simplified approach can be solved algebraically and is much less intensive than the IRR calculation. It is therefore commonly used to estimate the IRR when an iterative calculation of the IRR would be too computationally intensive to be practical.

It would be unfortunate to bring additional costs to registrants already using a Modified Dietz approach by imposing a standard that is not wanted and would not enhance the understanding of their clients.

We question the statement appearing in the CSA Notice of Assessment Annex B Subsection 15 that "We do not think that Modified Dietz or other approximation techniques are any longer generally accepted.", and ask the CSA to reconsider this approach by allowing firms to use MWRP methodologies that are generally accepted in the securities industry, including Modified Dietz.

2. Operational challenges & implications

Offering the option for registrants to provide more than one performance measure is not a viable option due to operational challenges. Registrants will have to duplicate their statement production processes which will impact the timeliness of information, increase costs that will ultimately be borne by investors, and increase opportunities for error and confusion. Mandating a single performance measure for registrants not currently using that method will result in the same operational challenges and cost implications without necessarily providing any corresponding benefit to investors.

We recommend that the CSA reconsider its position and provide registrants with the flexibility to use MWRP methodologies that are generally accepted in the securities industry, including Modified Dietz, and report in a method that meets their client's needs. Should you have any questions or wish to discuss these comments, please contact me directly by phone at 416-309-2300 or by email at jdelarentiis@ific.ca.

Yours truly,
THE INVESTMENT FUNDS INSTITUTE OF CANADA



By: Joanne De Laurentiis
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