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**Chris von Boetticher**

*Vice-President, General Counsel and Secretary*

September 24, 2010

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

Dear Sirs/Mesdames:

**Re: Request for Comments**  
**Proposed Amendments to National Instrument 81-102 – *Mutual Funds* and**  
**National Instrument 81-106 – *Investment Fund Continuous Disclosure***

We are providing this letter in response to the Request for Comments of the Canadian Securities Administrators (the “CSA”) on the proposed amendments to National Instrument 81-102 – *Mutual Funds* (“NI 81-102”) and National Instrument 81-106 – *Investment Fund Continuous Disclosure* published on June 25, 2010 (the “Amendments”).

### **Background to the CI Financial Group**

CI Investments Inc. (“CI”) and its affiliates (collectively, the “CI Financial Group”) are the managers of a wide range of investment products and services, including mutual funds and segregated funds. As of August 31, 2010, CI and its affiliates had aggregate assets under management of approximately \$66.7 billion. The CI Financial Group also

includes several registered investment dealers and mutual fund dealers, including Assante Financial Management Ltd., Assante Capital Management Ltd and Assante Estate and Insurance Services Inc., which had aggregate assets under administration of approximately \$21.2 billion as of August 31, 2010. As a result of the size and breadth of investment products and services provided by CI Financial Group, CI has significant experience dealing with the current registration requirements and exemptions from the perspectives of investment fund managers, portfolio managers and dealers. We are pleased to draw upon such experience in order to provide you with our comments on the Amendments, set out below.

### **NI 81-102, Section 2.3 – Restrictions Concerning Types of Investments**

Sections 2.3(e), (f) and (h) restrict mutual funds from purchasing gold, physical commodities and specified derivatives the underlying interest of which is a physical commodity other than gold.

We note that the Ontario Securities Commission has granted approval for exemptions from these sections in the matters of *Sprott Gold Bullion Fund*, March 10, 2009, *Dynamic Strategic Gold Class*, July 13, 2009 and *Mackenzie Universal Gold Bullion Class*, December 18, 2009. We ask the CSA to consider amending Section 2.3 on terms similar to those decisions.

### **NI 81-102, Section 2.18 – Money Market Fund**

#### **Money Market Fund on Fund**

Section 2.18 (v) allows money market funds to hold securities issued by other money market funds, subject to Section 2.5. We support this initiative as it allows the direct investing in money market instruments to be handled in one portfolio rather than across several portfolios. This allows for better monitoring of credit, interest and other risks within the portfolio.

However, the restrictions in Section 2.5 would restrict any fund on fund holding to 10%. Given the low risks in money market funds, we submit that Section 2.5 be amended to allow greater than 10% holding of another money market fund.

#### **Revised Dollar-Weighted Average Term to Maturity**

Section 2.18 (b) (i) amends the current dollar-weighted average term to maturity limit to add a new dollar-weighted average term to maturity limit of 120 days that is calculated based on the actual term to maturity of all securities in a money market portfolio including floating rate notes. This revision effectively restricts the list of eligible products for money market funds. Specifically, products such as Asset Backed Securities (“ABS”) and Commercial Mortgage-Backed Securities (“CMBS”) which have a longer term to maturity would no longer be held in money market funds. We appreciate that Staff are aiming to mitigate credit and liquidity risk.

The term to maturity amendment would also severely restrict a money market fund's ability to hold floating rate notes ("FRN") which generally carry an average term to maturity of 2 years and typically mature in 5 years. FRNs offer a premium for investors due to their longer term to maturity, but are highly liquid and can be easily sold in the secondary market at par. In the current low interest rate environment, FRNs become a valuable product, in that they will benefit from any positive increase in their coupon rate as a result of rising interest rates.

Many FRNs are issued by large investment grade corporations or are government guaranteed, so there is little credit risk in these types of FRNs. These are suitable investments for conservative investors.

We submit that the interests of unitholders are best served by not limiting FRNs in money market funds, but restricting poor quality FRNs in money market funds. FRNs issued by governments or Canadian financial institutions, or FRNs with minimum credit ratings should be unrestricted. This solution balances the interest rate risk with spread risk for the money market fund and enhances return to unitholders.

#### Liquidity Requirements

Section 2.18 (d) provides for additional liquidity requirements. We appreciate that Staff want to better enable a money market fund to meet redemption requests; however, these liquidity requirements effectively limit eligible securities in money market funds to Treasury Bills, Term Deposits, Bankers Acceptance (BA) and cash. This will reduce returns for unitholders.

This will impact the financial services industry as a whole. Financial institutions will endure additional duration risk as a result of money market funds' demands for Treasury Bills, Term Deposits, and BAs. Financial institutions will be forced to shorten duration of its offerings.

We submit that the Canadian money market fund industry had adequate funds to meet redemption requests in the height of the latest financial markets crisis, and that additional liquidity requirements are not required and would not serve the best interest of the public or the financial services industry.

#### NI 81-102, Mutual Fund Dealers

We support the proposed changes to the commingling restrictions, interest determination and allocation, and compliance reports requirements for mutual fund dealers.

#### NI 81-106, Subsections 3.5(4) and (5) – Aggregation of Short-Term Debt

We do not agree with the repeal of subsections 3.5(4) and (5) as we believe it would not significantly increase the transparency of investment fund portfolio holdings and would significantly increase the administrative cost and burden on investment funds.

We appreciate the opportunity to comment on the Amendments. If you have any questions regarding our comments, please contact the undersigned.

Yours very truly,

CI INVESTMENTS INC.

A handwritten signature in blue ink, appearing to read 'Chris von Boetticher'.

Chris von Boetticher  
Vice-President, General Counsel  
and Secretary