July 4, 2013

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
Email: comments@osc.gov.on.ca

-and-

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Email: consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames:

Re: Notice and Request for Comment – Modernization of Investment Fund Product Regulation (Phase 2) – Proposed Amendments to National Instrument 81-102 *Mutual Funds* (NI 81-102), Companion Policy 81-102CP *Mutual Funds* and Consequential Amendments, and Other Matters Concerning National Instrument 81-104 *Commodity Pools* and Securities Lending, Repurchases and Reverse Repurchases by Investment Funds (collectively, the "Proposed Amendments")

The Canadian Advocacy Council[1] for Canadian CFA Institute[2] Societies (the CAC) appreciates the opportunity to comment on the Proposed Amendments.

The CAC believes in the importance of harmonizing regulations that apply to products perceived by the investing public as belonging to the same category of risk and liquidity, such as mutual funds. This improves investor protection by preventing regulatory arbitrage and mis-selling of products. On the other hand, if products are sufficiently different so as to satisfy a different investment need, the best way to help investors differentiate between these products is through ensuring there is a clear articulated difference in their structure. For example, one can clearly separate those products that are listed on an exchange and are not redeemable versus those products that are not exchange-listed but are redeemable. In all cases, there should be clear prospectus disclosure of those differences. The products should then not be allowed to convert between these structures. We feel that this approach would better help avoid investor confusion than through imposing different investment restrictions on the same types of funds, such as creating a conventional and alternative system for both mutual funds and closed end funds.

As long as the details and limitations of closed end funds are made clear to the investor, and regulatory arbitrage is prevented by harmonizing rules that apply to closed end funds and clearly differentiating them from mutual funds, closed end funds can be allowed to implement their investment strategies without additional restrictions on the types of holdings and concentration limits. This would allow investors to achieve desired levels of concentration and exposure to various strategies within their diversified portfolios and according to their risk tolerance levels.

The CAC acknowledges that CSA Staff Notice 11-324 suggests specific areas of focus for comments on the Proposed Amendments, however, given the scope of the proposals, the CAC wishes to respond more broadly on the following original specific questions for consideration relating to NI 81-102 and NI 81-104:

---

[1]The CAC represents the 13,000 Canadian members of CFA Institute and its 12 Member Societies across Canada. The CAC membership includes portfolio managers, analysts and other investment professionals in Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. See the CAC's website at http://www.cfasociety.org/cac. Our Code of Ethics and Standards of Professional Conduct can be found at http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx.

[2] CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors' interests come first, markets function at their best, and economies grow. CFA Institute has more than 113,000 members in 140 countries and territories, including 102,000 CFA charterholders, and 137 member societies. For more information, visit http://www.cfainstitute.org/.

Specific Questions of the CSA relating to the Proposed 81-102 Amendments

1. ***Annual Redemption of Securities Based on NAV***

Securities legislation defines a "mutual fund" as, among other things, an issuer whose securities entitle the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest of the net assets of the issuer.

The CSA have historically taken the view that "on demand, or within a specified period after demand" in the definition of "mutual fund" means that the securities of the fund entitle the holders to request that their securities be redeemed by the fund more frequently than once a year. This view has permitted investment funds to redeem their securities once a year based on their NAV and still be considered non-redeemable investment funds. We seek feedback on whether the CSA should reconsider its present view and consider an investment fund to be a mutual fund if it offers any redemptions based on NAV.

Response:

As most closed-end funds offer annual redemptions at NAV whereas most mutual funds offer daily redemptions, we believe that clarifying the definition of a mutual fund in the National Instrument is a good idea in order to provide more certainty to the market. While we are of the view that existing closed-end funds may be grandfathered, any new closed-end fund should not be permitted to offer redemptions at NAV.

2. Investment Restrictions - Concentration Restriction

Do you agree with the 10% issuer concentration restriction for non-redeemable investment funds set out in proposed amended section 2.1 of NI 81-102? If not, please provide reasons why non-redeemable investment funds should be permitted to have a higher concentration limit, and how non-redeemable investment funds would benefit from a higher limit. Please also propose a higher limit and provide reasons for the limit.

If NI 81-102 provides for a concentration limit that is greater than 10% for non-redeemable investment funds, should NI 81-104 provide an even higher concentration limit for non-redeemable investment funds that are alternative funds subject to NI 81-104? Or should the concentration limits be the same for non-redeemable investment funds in both NI 81-102 and NI 81-104? We invite feedback on the appropriate balance of the concentration limit in NI 81-102 for non-redeemable investment funds and the concentration limit for non-redeemable investment funds under the alternative funds framework in NI 81-104.

Response:

We do not agree with the proposed 10% issuer concentration restriction for non-redeemable investment funds. The concentration limit exists as a very rudimentary protection for retail mutual fund investors to ensure that such funds are somewhat diversified and to preserve a level of liquidity. To the extent new closed end funds would not be permitted to have redemption features at NAV, for so long as such funds were exchange traded (or traded over the counter), there would be no need for concentration restrictions as a method to help ensure liquidity for unitholders.

For the reasons set out above, we also do not believe a concentration limit is required to be specified in NI 81-104. In either case, a fund's prospectus should clearly state that the fund is not subject to any concentration restrictions and that this may create more risk than a more diversified fund.

3. Investment Restrictions - Investments in Illiquid Assets

As non-redeemable investment funds do not redeem their securities regularly based on NAV, the CSA propose that they be permitted to purchase and hold more illiquid assets than the levels currently permitted by subsections 2.4(1) to (3) of NI 81-102. However, we are concerned that a portfolio containing a significant amount of illiquid assets could lead to difficulties in valuing the NAV of the fund. It is critical that the NAV of an investment fund be accurately valued; for example, non-redeemable investment funds typically pay management and other fees based on the NAV of the fund, NAV is used to measure performance, and many non-redeemable investment funds offer annual redemptions based on NAV.

We have observed that many non-redeemable investment funds do not invest in a substantial amount of illiquid assets; in fact, the majority of non-redeemable investment funds, like mutual funds, hold minimal amounts of illiquid assets. Would the ability to purchase and hold more illiquid assets than the levels currently permitted by subsections 2.4(1) to (3) of NI 81-102 be beneficial for non-redeemable investment funds? What types of illiquid assets do non-redeemable investment funds wish to invest in, and why?

The CSA invite comment on the amount of illiquid assets that would be appropriate for non-redeemable investment funds to purchase and hold, and whether non-redeemable investment funds should be given more time than 90 days to divest illiquid assets (please refer to the mutual fund divestment requirements in subsections 2.4(2) and (3) of NI 81-102). Is there a minimum amount of liquid assets that non-redeemable investment funds should be required to hold to meet ongoing liquidity needs (e.g., to pay management fees and operational expenses)? Should the limit on illiquid asset investments be different for nonredeemable investment funds that do not offer any redemptions and non-redeemable investment funds that offer annual redemptions?

Response:

The accounting and auditing profession has made great strides in determining appropriate valuation methodologies for illiquid assets, and we are comfortable with those methodologies. These methodologies for valuation of illiquid assets are relied upon by bank and securities industry regulators around the world as these industries have significant exposure to illiquid assets. Provided that the fund is truly non-redeemable (and not a grandfathered fund as we suggested in our answer to Question 1), there is no need for a rule on asset liquidity.

4. Investment Restriction - Borrowing

We seek comment on whether the proposed requirement for non-redeemable investment funds to borrow from a "Canadian financial institution" is appropriate. For example, if the majority of an investment fund's assets are held outside Canada because it focuses on investing in foreign securities, should there be more flexibility to borrow from lenders other than those that are "Canadian financial institutions"? If so, what conditions should the other lenders have to meet?

Response:

Expanding the list to include foreign financial institutions would be appropriate, however there is a larger concern with codifying what a "financial institution" means and the possible risks of excessive exposure to shadow banking should not be overlooked. Accordingly, we suggest limiting the list of lenders to regulated banks, regulated insurance companies and regulated investment dealers and their wholly-owned subsidiaries.

5. Investment Restrictions - Investments in Mortgages

We invite comment on the impact of the proposed restriction on investments in non-guaranteed mortgages for publicly offered non-redeemable investment funds. We also seek feedback on the transition period for the proposed restriction. If you consider that a transition period longer than 24 months is required, please explain why. Alternatively, if you think that a grandfathering provision is warranted to exempt these types of funds from the application of the proposed restriction on investments in nonguaranteed mortgages, please comment on the impact such a provision could have on fairness to new market participants and investor understanding.

Response:

We believe that allowing closed-end funds to hold non-guaranteed mortgages is acceptable. Mortgages can form part of a well-diversified portfolio and a closed-end fund of mortgages may well be appropriate for some investors.

However the problem of self-dealing needs to be addressed. Rules should be in place to

ensure that the closed-end fund manager is at an arms-length relationship from the mortgagor and any of the parties to the real estate transactions. For instance, we would want to ensure that a real estate developer could not sell condo units and provide his buyers with mortgages using funds from a closed-end mortgage fund he controlled. The conflict of interest is clear; he would have an incentive to approve every mortgage regardless of the creditworthiness of the borrower.

6. Investment Restrictions - Fund-of-Fund Structures

Certain non-redeemable investment funds (top funds) use a forward agreement to obtain exposure to an underlying mutual fund that is not subject to NI 81-102. The underlying mutual fund in this fund-of-fund structure is established solely for the purpose of facilitating the investments of the top fund and it invests in accordance with the restrictions adopted by the top fund.

Under the Proposed 81-102 Amendments, an underlying mutual fund in a fund-of-fund structure would be required to be subject to NI 81-102. The investment restrictions in NI 81-102 applicable to mutual funds are generally more restrictive than the proposed investment restrictions for non-redeemable investment funds. The CSA are considering measures to enable top funds that are non-redeemable investment funds to continue to use the fund-of-fund structure described in the preceding paragraph, such that the underlying mutual fund may continue to invest in accordance with the investment restrictions applicable to the top fund. We seek comment on whether a carve-out from proposed paragraph 2.5(2)(a) of NI 81-102 would be effective for this purpose and if so, what conditions should attach to the use of the carve-out. Are there appropriate alternative measures to enable an underlying fund that is a mutual fund to follow the investment restrictions applicable to the top fund (a nonredeemable investment fund)?

Response:

If the underlying fund has no investors other than the closed-end fund, we do not see the benefit of putting restrictions on the underlying fund that would not apply to the closed-end fund.

7. Currently, many managers of non-redeemable investment funds that invest using the fund-of-fund structure described in question 6 have only filed prospectuses for the underlying fund in Ontario and/or Québec even though the prospectuses for the top fund (the non-redeemable investment fund) were filed in all of the jurisdictions of Canada.

Under proposed amended paragraph 2.5(2)(c) of NI 81-102, the underlying fund must be a reporting issuer in all the jurisdictions in which the non-redeemable investment fund is a reporting issuer. This is intended to prevent an indirect distribution of the securities of the underlying fund in jurisdictions where the underlying fund has not filed a prospectus and to ensure that the local jurisdiction has authority over both the top fund and the underlying fund. Should proposed amended paragraph 2.5(2)(c) apply to non-

redeemable investment funds that use a fund-of-fund structure? If not, why not? What other parameters could be used to address the CSA's objectives?

Response:

Before making changes to the status quo, further investigation may be required into the reasons for the current structure and whether they do in fact involve any regulatory or cost arbitrage. Given the existing Passport system in Canada, we would expect that if acceptable to the principal regulator, the prospectus would be acceptable in other jurisdictions within Canada.

In the case where issuers are just trying to operate in the most cost efficient manner within the current regulatory system and the additional costs of filing a separate prospectus within every jurisdiction would not improve investor protection, there is no reason to change the status quo as it would only increase the costs passed on to investors without any change in protection available to them. If the regulators find that this system is used to avoid providing investor protection available in some jurisdictions but not others, harmonizing such regulations should also take care of this issue.

8. Organizational Costs of New Non-Redeemable Investment Funds

We seek comment on the impact and the benefits and costs of proposed subsection 3.3(3) of NI 81-102. Are there other parameters that could be developed that would achieve benefits similar to the benefits from proposed subsection 3.3(3)? Please also comment on whether the capital raising model followed by non-redeemable investment funds could support the payment of some of the organizational costs out of the proceeds of the initial public offering. Are there specific components of organizational costs that are more appropriately borne by the non-redeemable investment fund and components that are more appropriately borne by the manager? Please provide information about these cost components and what fraction each component typically constitutes of the total organizational costs for launching a new fund, and explain why it is appropriate for the fund or the manager to pay the specific cost components.

Response:

Rather than changing the rules for organizational costs for closed-end funds, we suggest prohibiting the conversion of closed-end funds into retail mutual funds. This is a cleaner way to solve any perceived problem of retail mutual funds being formed "for free" through forming a closed–end fund and then changing it to a mutual fund. This would also further help investors differentiate between these products.

9. Dilutive Issuances of Securities

The CSA propose to introduce subsection 9.3(2) to prevent issuances of securities that cause dilution to the NAV of other outstanding securities of a non-redeemable investment

fund. Proposed subsection 9.3(3) recognizes that a non-redeemable investment fund that raises additional money from the public through a new issuance of securities must include the price of the securities in the prospectus. We invite comment on whether proposed subsections 9.3(2) and (3) achieve the purpose of preventing dilutive issuances while taking into account how new securities are distributed.

Response:

We believe this prohibition is a good idea. It may also be prudent to consider a similar rule where the closed-end fund issues new securities to its manager to pay management fees, including disclosure of the price of new securities. This is especially true in the case of funds holding illiquid assets.

10. Naming Convention for Investment Funds

Would requiring an alternative fund to include the words "Alternative Fund" in its name achieve the purpose of distinguishing alternative funds from other investment funds for investors and the market? If not, please propose other ways to facilitate the ready identification of alternative funds.

In addition, would requiring investment funds governed only by NI 81-102 to include specific words (e.g., "Conventional Fund") in their name further this purpose? If not, why not? Would the diversity of investment funds that are governed only by NI 81-102 and their different risk levels impede the creation of a uniform descriptor for such funds?

Response:

As indicated above, we believe that it is more helpful to differentiate these products through their structure and by disallowing conversion between structures, than by creating distinctions between alternative funds and conventional funds within the same product structure.

"Alternative" is a word that has been used to describe many types of investment strategies and does not necessarily signify increased concentration and leverage, or reduced liquidity. Any descriptor that focused on the types of investing strategies that can be used within the fund could be interpreted in various ways or be too restrictive to describe all possibilities. Instead, using a description of the funds' structural differences could be helpful in identifying the various types of funds, such as "Redeemable Structure Fund" or "Non-Redeemable Structure Fund".

11. Transition Period for Investment Restrictions in Proposed Amended NI 81-102 and Alternatives

We are proposing that existing non-redeemable investment funds be required to comply with the investment restrictions in proposed amended sections 2.2, 2.3,1 2.4 and 2.5 of NI

81-102 18 months after the first coming-into-force date of the Proposed 81-102 Amendments pertaining to these sections. We invite feedback on whether the proposed transition period is sufficient. If not, please provide reasons for a longer transition period or provide alternatives to a transition period.

If you think that a grandfathering provision is warranted for existing non-redeemable investment funds, please comment on the scope of a grandfathering provision and explain why existing non-redeemable investment funds should not have to comply with specific sections in Part 2 of NI 81-102. Please also comment on the impact a grandfathering provision could have on fairness to new market participants and investor understanding.

Response:

As indicated above, we believe that existing funds should be grandfathered on an "all or none" basis. That is, a fund could not choose annual redemptions at NAV (old rule), but also avail themselves of the flexibility to invest in an additional amount of illiquid assets (more than they otherwise would have historically) if specifically permitted under the new rule.

Specific Questions of the CSA Relating to the Alternative Funds Framework in NI 81-104

1. Definition of "Alternative Fund"

Does the use of the term "alternative fund" appropriately describe the types of investment funds that should be captured by NI 81-104? If not, please propose other terms that better describe the types of investment funds that use investment strategies that should be permitted under a revised version of NI 81-104.

Response:

As indicated above, we believe that any term focusing on the types of strategies allowed within these funds could be easily misunderstood by investors. A term that focused on the type of product structure would be preferable and help investors differentiate between the products, encompassing all currently available strategies and those created in the future.

2. Investment Restrictions - Concentration Restriction

We seek feedback on the types of investment strategies an alternative fund may engage in that would require a fund's investment in an issuer to exceed the current 10% concentration restriction in proposed amended NI 81-102. If you think that the concentration restriction under NI 81-104 should be higher than the current 10% issuer concentration limit in NI 81-102, please provide feedback on what an appropriate concentration restriction would be for alternative funds. See also question 2 in Annex

A.

Response:

Any concentration restrictions or risks of not having such restrictions should be clearly explained in a fund's prospectus. Investors should have the ability to decide for themselves with the help of their advisor whether or not the fund's exposure falls within their investment parameters and risk tolerance. Given that most investors hold several different funds within a diversified investment portfolio, we do not believe such diversification effects need to be achieved separately within each fund.

3. Given that we anticipate alternative funds having more leveraged exposure than is permissible under NI 81-102, should we consider other measurements for an alternative fund's concentration? Should issuer concentration for alternative funds be based on the total notional exposure of the fund? We seek feedback on this and other measurements that would better describe the level of concentration in an alternative fund portfolio.

Response:

As set out above, we do not think concentration restrictions are necessary, provided the fund's prospectus clearly states the concentration limits or lack thereof.

4. Investment Restrictions – Borrowing

Should alternative funds that are structured as mutual funds and alternative funds that are structured as non-redeemable investment funds have different borrowing restrictions in NI 81-104? Would a mutual fund's need to fund regular redemptions mean that the amount of leverage through cash borrowings could increase rapidly and cause difficulties in maintaining the 3:1 total leverage limit we are considering?

Response:

This scenario is a very real possibility. The more redeemable a fund's securities, the lower its leverage limit needs to be.

5. Investment Restrictions - Short Selling

Should NI 81-104 include exemptions from subsections 2.6.1(2) and (3) of NI 81-102 to permit the creation of leverage through short selling and increase flexibility for alternative funds to engage in long/short strategies?

Response:

Yes. Long/short strategies are a significant part of the alternative fund universe.

6. Investment Restriction - Leveraged Daily Tracking Alternative Funds

Are there specific issues relating to the marketing of Leveraged Daily Tracking Alternative Funds that the CSA should consider? Are there specific issues relating to the proficiency of individual dealing representatives who sell Leveraged Daily Tracking Alternative Fund securities and dealer supervision of trades in Leveraged Daily Tracking Alternative Fund securities that the CSA should consider?

Response:

Leveraged Daily Tracking Alternative Funds are highly volatile and clearly not appropriate for many investors. Many of the trades in these securities are done through discount brokerages where the proficiency of the staff is not the issue – it is the proficiency of the investor. Additional regulation may not be of assistance, but increased investor education is strongly recommended.

7. Investment Restrictions - Counterparty Credit Exposure

We seek feedback on the impact to existing commodity pools that are relying on the Counterparty Exposure Exemption if this exemption in NI 81-104 were to be repealed.

Would repealing the Counterparty Exposure Exemption sufficiently mitigate the risk of exposure to a single counterparty, particularly in connection with illiquid OTC derivatives? Are there other ways we should consider to mitigate counterparty risk; for example, by requiring the posting of collateral by the counterparty? If so, what requirements should apply to the use of collateral? If an alternative fund receives collateral from a counterparty to a specified derivatives transaction, should the collateral be considered in determining the alternative fund's exposure to the counterparty?

Response:

Counterparty risk is a significant issue for more than just the alternative funds sector. Any rules on counterparty exposure should be consistent with other CSA rules on counterparties. For instance, a $100M fund with a counterparty relationship with a global investment bank is probably not in a position to "demand collateral" and relies on regulators (in Canada and around the world) to ensure that the global investment bank is sound.

8. Investment Restrictions - Total Leverage Limit

Do you agree with a total leverage limit for alternative funds of 3:1 based on the leverage calculation method currently specified in Item 6.1 of Form 41-101F2? If not, what should the total leverage limit of an alternative fund be, and why? Should the total leverage limit be lower for mutual funds that are alternative funds because of the need to fund regular redemptions?

Response:

We agree that a limit of 3:1 (meaning for every dollar in capital, there is three dollars in assets and two dollars in liabilities) seems reasonable for alternative funds that are not mutual funds. For mutual funds, we believe the total limit should be lower, because illiquid investments combined with the requirement to calculate NAV on a frequent basis and leverage could lead to a precarious situation. Given the ordinary course challenges in properly valuing some illiquid investments, leverage could cause great gains (or losses) among those redeeming out of a fund and for those remaining. Some funds may seek exemptions from that limit, and those can be considered on a case-by-case basis.

9. What other leverage measurement methods could be used to inform investors of the amount of leverage used by alternative funds, other than the method currently specified in Item 6.1 of Form 41-101F2? Please also explain why the alternative leverage measurements you propose provide investors with a better understanding of the amount of leverage used by alternative funds.

Response:

We believe one of the best ways to measure leverage is to demonstrate its potential impact. If a fund investing in assets with an underlying standard deviation of 15% is leveraged 3:1, that presumably results in an investment with a standard deviation of approximately 45%. If a fund were to illustrate the effect of this heightened volatility, in addition to any costs of leveraging on expected future returns, it would likely provide investors with a much better sense of potential risks. We recognize, however, that such a proposal would require developing reasonable assumptions regarding the underlying asset volatility, as well as the costs of leverage over time.

10. Investment Restrictions - Other Investment Restrictions for Alternative Funds

Are there other specific investment strategies that NI 81-104 should permit or restrict?

Response:

It is not practical in a rule to try and list every possible investment strategy that may be created or proposed in the future. As long as the investment strategies proposed are

clearly described in the fund prospectus and their risks discussed, they should fit within the current investor protection framework.

11. On-going Investment by Sponsors

Should the sponsors of an alternative fund be permitted to withdraw their seed capital investment in the alternative fund if the fund reaches a sufficient size? Or should the sponsors be required to maintain an investment in the alternative fund? We invite feedback on why sponsors should be required to maintain an on-going investment in an alternative fund and the amount of on-going investment that would be appropriate.

Response:

The sponsors should not be required to maintain an investment in their fund, although most will do it anyway as clients prefer that arrangement. Any seed capital in a fund should, however, be included as part of the working capital calculation under National Instrument 31-103.

12. Proficiency

Should additional proficiency requirements for all individual dealing representatives who sell securities of alternative funds be introduced? If yes, please provide specific examples of the courses or experience that should apply. If no, please explain.

Response:

The CAC supports requiring that individual representatives who sell alternative funds have a fiduciary duty to act in the best interest of their clients. This would prompt such representatives to consider the proposed investments within the framework of the client's diversification and risk tolerance and compare it to other investment alternatives available with similar risk and return characteristics.

13. Enhanced Disclosure and Transparency - Naming Convention

Would requiring an alternative fund to include the words "Alternative Fund" in its name achieve the purpose of distinguishing alternative funds from other investment funds for investors and the market? If not, please propose other ways to facilitate the ready identification of alternative funds.

In addition, would requiring investment funds governed only by NI 81-102 to include specific words (e.g., "Conventional Fund") in their name further this purpose? If not, why not? Would the diversity of investment funds that are governed only by NI 81-102 and their different risk levels impede the creation of a uniform descriptor for such funds?

Response:

As indicated in our responses above, we believe that it is more helpful to differentiate these products through their structure and by disallowing conversion between structures, than by creating distinctions between alternative funds and conventional funds within the same product structure such as mutual funds or closed-end funds.

Any descriptor that focused on the types of investing strategies that can be used within the fund could be interpreted in various ways or be too restrictive to describe all possibilities. We suggest that using a description of the funds' structural differences could be helpful in identifying the various types of funds, such as "Redeemable Structure Fund" or "Non-Redeemable Structure Fund".

14. Enhanced Disclosure and Transparency - Monthly Website Disclosure

We seek feedback on whether there are any impediments for an alternative fund to disclose on its or its manager's website on a monthly basis (with appropriate time lag for the manager to prepare the information) the fund's largest monthly NAV drawdown for the past five years and the maximum and average daily leverage employed during the most recent 12 month period. We further invite feedback on whether this information will be useful to investors or the market generally.

Is there other information that could be provided regularly on the website of the alternative fund or its manager that would be meaningful for investors or for the market?

Response:

These seem like reasonable proposals and would not be onerous on the part of the manager to implement.

15. Transition

How should the disclosure of an existing investment fund's intent to transition into the alternative fund regime in NI 81-104 be made? For example, should investors be provided with written notice or would a press release be sufficient? In addition to disclosing their intent to transition into the alternative fund regime, what other measures should be required for existing investment funds to transition into the alternative fund regime?

Response:

Written notice would be preferable. The notice should discuss the reason for the decision to transition into the alternative fund regime and any changes to the risk profile of the

fund resulting from the transition. The notice should also discuss what opportunity the investors will have to exit if they decide not to continue their investment in the fund.

Concluding Remarks

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have and appreciate the time you are taking to consider our points of view. Please feel free to contact us at chair@cfaadvocacy.ca on this or any other issue in future.

(Signed) *Ada Litvinov*

Ada Litvinov, CFA
Chair, Canadian Advocacy Council