



**Mutual Fund Dealers Association of Canada**  
Association canadienne des courtiers de fonds mutuels

September 30, 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  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Yukon Territory  
Registrar of Securities, Nunavut

c/o John Stevenson  
Secretary  
Ontario Securities Commission  
20 Queen Street West  
Suite 1903, Box 55  
Toronto, Ontario M5H 3S8

-and-

c/o Anne-Marie Beaudoin  
Directrice du secrétariat  
Autorité des marchés financiers  
Tour de la Bourse  
800, square Victoria  
C.P. 246, 22 étage  
Montreal, Québec H4Z 1G3

Dear: Sirs/Mesdames:

**Re: National Instrument 31-103 Registration Requirements and Exemptions – Request for Comment**

The Mutual Fund Dealers Association of Canada (“MFDA”) is the national self-regulatory organization (“SRO”) for mutual fund dealers. We are writing in response to your invitation to provide comments on proposed amendments to National Instrument 31-103 *Registration Requirements and Exemptions* (“NI 31-103”) published by the Canadian Securities Administrators (“CSA”) on June 25, 2010.

As a national SRO, the MFDA fully supports the efforts of the CSA to harmonize, streamline

and modernize the registration regime across Canada. We are pleased that this important project has been made a priority by CSA staff and has been the focus of an extensive amount of work to date. We are also pleased to have been invited to participate in the process of developing NI 31-103.

While MFDA staff continues to support the objectives of NI 31-103, we have concerns with respect to certain aspects of the proposed amendments and other areas of NI 31-103 that impact investors or add unnecessary regulatory costs for MFDA Members. MFDA staff has discussed these concerns with the Regulatory Issues Committee of the MFDA Board of Directors and they have indicated their support for the comments made in this letter.

### **Fair Value in Account Statements**

Proposed amendments to NI 31-103 include a new requirement for registered firms to use fair value under International Financial Reporting Standards (“IFRS”), rather than market value for valuing securities in client statements. If a market for the securities does not exist, IFRS provides that the fair value of a security is determined by a valuation technique using observable inputs or, if there are no observable inputs, using unobservable inputs and assumptions. MFDA staff is concerned that fair value is an unfamiliar concept for investors who currently receive market value information with respect to securities on their statements. We note that fair value under IFRS was intended to ensure consistency in financial reporting for firms that are publicly accountable entities and was not intended to be used for client account statements. Further, where the fair value of a security is determined other than by reference to an active market, clients may not be aware that fair value is not market value and may not be representative of the amount the client will receive should they sell the security. While guidance was included in the companion policy to NI 31-103, suggesting that registered firms include additional disclosure to the client where the fair value of a security in an account statement is determined other than by reference to an active market, we believe that this guidance should be codified as a requirement in NI 31-103.

### **Financial Filing Requirements**

The proposed amendments to NI 31-103 include an exemption to allow MFDA Members registered in other categories to use the MFDA Form 1 – *Financial Questionnaire and Report* (“FQR”) instead of the Form 1 (Calculation of Excess Working Capital) required by NI 31-103 for their annual and quarterly financial filings. However, MFDA Members that are registered as exempt market dealers or investment fund managers would still be required to file their MFDA FQR with the CSA on an annual and quarterly basis and the MFDA on an annual and monthly basis for review. This duplicative filing requirement is inconsistent with the stated objectives of NI 31-103 to streamline, harmonize and modernize the national registration regime.

Thank you for considering our remarks.

Yours truly,



Mark T. Gordon  
Executive Vice-President