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April 10, 2012

VIA EMAIL

Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Financial Services Regulation Division, Service NL,
Government of Newfoundland and Labrador

Dear Sir/Madam:

Re: Proposed Multilateral Instrument 32-102
Registration Exemptions for Non-Resident Investment Fund Managers

We are writing in response to the Request for Comment dated February 10, 2012 (the "Request for Comment") with respect to Multilateral Instrument 32-102 – *Registration Exemptions for Non-Resident Investment Fund Managers* ("MI 32-102") proposed by the securities regulatory authorities in Ontario, Quebec, New Brunswick and Newfoundland and Labrador (the "Jurisdictions"). We have also had the benefit of reviewing proposed Multilateral Policy 31-202 – *Registration Requirement for Investment Fund Managers* ("MP 31-202") proposed by the securities regulatory authorities in British Columbia, Alberta, Saskatchewan, Manitoba, Prince Edward Island, Nova Scotia, Northwest Territories, Yukon and Nunavut, which effectively covers identical regulatory territory. We appreciate the opportunity to comment on these important initiatives.

Invesco Canada Ltd. ("Invesco Canada") is registered as, among other categories, an investment fund manager ("IFM") in the Province of Ontario and, therefore, is directly impacted by proposed MI 32-102 and proposed MP 31-202. Invesco Canada is an indirect wholly-owned subsidiary of Invesco Ltd., a global investment management firm which, as of February 29, 2012, had assets under management of US$667.7 billion. Invesco Canada engages certain of its non-Canadian affiliates as sub-advisors for investment products offered to the Canadian retail and institutional markets and some investment products from these affiliates are also available directly to Canadian institutional investors. As such, the international IFM implications of MI 32-102 and MP 31-202 directly impact our affiliated entities.

For many years, the regulation of the investment funds industry from an investment manager perspective has benefitted from harmonization across Canada with almost all rules of significance being the subject of National Instruments. National Instruments and the Passport System have effectively created a national

regulator for investment fund managers and the combination of MI 32-102 and MP 31-202 is a historically significant departure from this practice. We believe this is an extraordinarily negative development and urge the members of the CSA to re-engage in discussions on this topic.

Domestic Non-Resident Investment Fund Managers

In our view, given the obligations of a registered IFM under NI 31-103, it is not necessary for a domestic non-resident IFM (as defined in the Request for Comment) to be registered other than in its home province.

One of the comments that was made following the CSA October 2010 Proposal (as defined in the Request for Comment) was that the registration requirements do not reduce the risks to investors associated with investment in an investment fund that would justify the additional financial and administrative burdens. We agree that IFM registration is important for investor protection. However, we do not agree that there is any benefit to a resident of a province to have an IFM registered as such in that province where the IFM is already registered as an IFM under National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103") in another province.

The compliance items listed in the response to comments of the CSA October 2010 Proposal all emanate from the current version of NI 31-103. Under NI 31-103, an IFM registered, for example, in the Province of Ontario is subject to capital, insurance, financial reporting and proficiency requirements as set forth in the Jurisdictions' response. If that Ontario-registered IFM were also required to register, for example, in the Province of Quebec, there would be no change to the capital, insurance, financial reporting and proficiency requirements to which it is subject. Therefore, to the extent a Quebec investor is protected by the IFM being subject to capital, insurance, financial reporting and proficiency requirements, once the IFM is registered in Ontario, there is no incremental protection to be gained by the IFM also registering in Quebec. The only difference that arises from registering in Quebec is the payment of additional fees and the completion of additional forms. It is not clear how this increases investor protection for a Quebec investor. In fact, it would appear to detract from the other goal of securities regulation which is to foster the efficiency of capital markets in that adding cost without a commensurate benefit is inherently inefficient.

In the response to comments on the specific point of domestic non-resident IFMs, the Jurisdictions go on to say that the proposed approach is consistent with the requirement for dealers and advisers to register in each jurisdiction in which they trade securities or act as an adviser. Such a response is, in fact, a non-response and refers to an issue that has been the subject of debate among market participants for many years. With respect to IFMs, it is clear that not only do domestically-registered IFMs disagree with the need for additional registration requirements, but so do nine other provinces and territories. As such, we are surprised that the Jurisdictions would consider this to be a settled matter and not provide any justification for the requirement. By not stating the rationale for registration in multiple provinces, the Jurisdictions make it difficult to comment effectively on the proposal. Furthermore, without a proper understanding of the rationale for a rule, it is virtually impossible to effectively apply for exemptive relief should that be necessary at a future date.

To the extent that an IFM distributes products by prospectus, regulators in other than the principal jurisdiction have the means to protect investors in their jurisdiction through the product regulation process. In those cases, there is no incremental benefit by requiring a domestic non-resident IFM to register in that jurisdiction. As such, if the Jurisdictions persist in the view that this additional registration is important, we recommend that such registration be limited to situations where the IFM offers non-prospectused investment funds in a Jurisdiction. Put differently, the current proposal should be modified to add an exemption where the only activity by the IFM in the Jurisdiction relates to investment products qualified by prospectus in the Jurisdiction.

International Investment Fund Managers

We are pleased that the Jurisdictions have eliminated the asset level threshold from the permitted client exemption. Such revision addresses substantially all of our concerns with respect to this aspect of the CSA October 2010 Proposal. We are, however, unclear on that application of the resulting notice provisions in proposed MI 32-102.

If an international IFM is able to take advantage of the permitted client exemption in section 4 of proposed MI 32-102, it is required under subsection 4(2) to provide a notice to permitted clients. In addition, under section 5 of MI 32-102, an international IFM is also required to provide a notice to clients. The elements of the two notices are identical. Our interpretation is that section 5 applies where an international IFM is registered in a Jurisdiction or when the "no active solicitation" exemption is used and subsection 4(2) applies where the permitted client exemption is used. Please confirm this interpretation.

We question the utility of the notice requirement in its entirety when the permitted client exemption is used as we believe such clients are sufficiently sophisticated to understand these matters. Typically, such clients would sign subscription agreements with the international IFM so they would have contractual rights of actions against the international IFM. That said, we believe that our objection is effectively a moot point if this notice could be delivered with the subscription agreement. As such, we would request that the transition provisions be clarified to state that, where the permitted client exemption is used, the notice requirement is waived for permitted clients of the international IFM as of the date MI 32-102 comes into force. This is implied in the Request for Comment in the following statement: "We do not expect international investment fund managers to notify the existing permitted clients who have invested in the fund at the time of coming into force of MI 32-102." However, this is not repeated in MI 32-102 itself and that creates unnecessary uncertainty for international IFMs.

Request for Comment

We do not believe that the "anticipated costs and benefits" do not really address the costs of compliance with MI 32-102. While we appreciate the Jurisdictions' view as to the qualitative benefits, we believe our comments above with respect to domestic non-resident IFMs are directed at the costs of that requirement and that should be specifically considered and addressed by the Jurisdictions in the Notice and Comment process.

We would be pleased to discuss any of our comments contained in this letter should the Jurisdictions require clarification or seek further discussion.

Yours Truly,

Invesco Canada Ltd.

Eric Adelson
Senior Vice-President and Head of Legal-Canada