

RAYMOND JAMES®

October 19, 2006

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
New Brunswick Securities Commission
Securities Officer, Prince Edward Island,
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Nunavut
Registrar of Securities, Yukon Territory

c/o John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto ON M5H 3S8
email: jstevenson@osc.gov.on.ca

- and -

Madame Anne-Marie Beaudoin
Directrice du secrétariat
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/Madames:

Re: Request for Comment – Proposed National Instrument 23-102 Use of Client Brokerage Commissions as Payment for Order Execution Services or Research

We are pleased to have the opportunity to comment on Proposed NI 23-102 – Use of Client Brokerage Commissions as Payment for Order Execution Services or Research (“Soft Dollar Arrangements”). Raymond James Ltd. is a full service investment dealer registered in all thirteen provinces and territories in Canada. Our firm services both retail and institutional investors, conducts proprietary research and is committed to excellence in both service and putting our clients first.

General Comments

Regulatory Approach

We support the objective of harmonizing policies across Canada and globally where possible. Ontario and Quebec currently both have policies governing soft dollar transactions. Given fiduciary duties and statutory requirements for advisors to act in the best interest of the client and to deal fairly, honestly and

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in good faith with clients, we consider guidance rather than prescriptive rules the better regulatory approach to governing use of soft dollars and disclosure to clients. Overall, we are supportive of the securities regulators providing some guidance on acceptable goods and services for purposes of Soft Dollar Arrangements to assist registrants to understand their obligations. However, we consider it best left to the advisor to determine in good faith whether a particular product or service is “research” or an “order execution service” based on the beneficial effect it has on the advisor’s investment decision-making and trade execution process.

Application of the Instrument

The Instrument applies to all types of transactions where brokerage commissions or similar transaction based fees are charged by a dealer. This extends then to all transactions in any type of securities (including fixed income securities) where brokerage commissions have been charged by a dealer. If rules are to be adopted, they should be consistent with the approach of other regulators such as the SEC and FSA for compliance purposes in our global economy. The FSA does not extend its rules to apply to fixed-income investments but rather more narrowly restricts the application of its rules to shares and certain related instruments such as options and warrants. We are of the view that the proposed instrument should be restricted to transactions where there is an independent pricing mechanism e.g. for transactions in exchange-traded securities and they should not apply to fixed income investments.

Effect of the Instrument

If NI 23-102 is enacted, the instrument and policy may result in changes to how commissions are calculated and how bundled commissions are negotiated. Bundled services benefit clients resulting in a combined price/commission being lower than the sum of its component service parts. We would anticipate implementation of the rule imposing significant additional record keeping, compliance and disclosure requirements on advisors. Advisors may have increased costs if items currently funded by soft dollars are prohibited. The Instrument specifies that the goods and services which may be acquired using client brokerage commissions are restricted to "order execution services" and "research", and gives guidance on how mixed-use items are to be classified. Drawing boundaries between research, order execution and order execution services and mixed use items may create challenges for reliable objective measurement.

Dealer Obligations

The Instrument provides that registered dealers are required to ensure that commissions received from advisers are only used to pay for goods and services that fall within the definition of order execution services and research. Payments forwarded by a securities dealer to a third party for research must be referable to order execution services and research. Depending on how this is interpreted, this could be difficult to ascertain as profits derived from commissions would not always be directed that way.

Response to Certain Specific Requests for Comments

Question 1: Should the application of the Proposed Instrument be restricted to transactions where there is an independent pricing mechanism (e.g. exchange-traded securities) or should it extend to principal trading in OTC markets? If it should be extended, how would the dollar amount for services in addition to order execution be calculated?

Yes, the application of the Instrument should be restricted to transactions where there is an independent pricing mechanism. Otherwise, a burden is imposed for calculating the dollar amount for services in addition to order execution which cannot be measured reliably. If implementation of the proposed rule was interpreted to require advisors to unbundle commissions and to pay separately for research and trade execution services, we would expect this to result in a work project for revision to documentation and potentially increased costs to advisors.

Question 3: What are the current uses of order management systems? Do they offer functions that could be considered to be order execution services? If so, please describe these functions and explain why they should, or should not, be considered “order execution services”.

This question is best answered by advisors however we expect that with the increased use of “direct market access” (DMA) by institutional clients, the distinction between order management systems and order execution systems may become increasingly blurred.

Question 4: Should post trade analytics be considered order execution services? If so, why?

Yes, post trade analytics should be considered part of order execution services. Pre and post trade analytics are useful tools for helping dealers demonstrate to clients and advisors that best execution obligations are being met. Pre-trade analytics could be categorized as research and post-trade analytics could be categorized as trade execution services.

Question 5: What difficulties, if any, would Canadian market participants face in the event of differential treatment of goods and services such as market data in Canada versus the US or the UK?

It is desirable to incorporate the best of global rules on soft dollar arrangements for purposes of harmonization and ease of compliance. It may be difficult to obtain breakdown on commission on principal transactions with respect to fixed income securities

Question 6: Should raw market data be considered research under the Proposed Instrument? If so, what characteristics and uses of raw market data would support this conclusion?

Raw market data should not be considered research where it has not been analyzed or manipulated and does not contain original thought or express reasoning or knowledge.

Question 9: Should mass marketed or publicly-available information or publications be considered research? If so, what is the rationale?

No it should not.

Question 10: Should other goods and services be included in the definitions of order execution services and research? Should any of those currently included be excluded?

Pre and post trade analytics could be included in the definition of order execution services but they are already captured under the definition of research.

Conclusion

We believe soft dollar arrangements should continue to be permitted where execution and research goods and services are offered on a “bundled” basis with transaction services as well as supporting third party independent research. The Canadian rules should accord with the SEC and FSA rules and permit bundled and third party research to be grouped together without requiring separate reporting in each of these areas. The CSA notice has not indicated whether the deficiencies in the regulatory reviews of advisors have identified problems or abuses of soft dollar arrangements to require the implementation of a rule to prevent abuses. Regulatory or investor concerns about advisor conflicts of interest should be dealt with by written policies, procedures, agreements and disclosure to clients by the advisor. Advisors should have agreements in place pertaining to any goods and services provided to them beyond access to proprietary research and execution services and document how those services and products directly assist the advisor in the investment decision making process. Advisors should document the guidelines and criteria used to employ the services of dealers in keeping also with best execution responsibilities. Fair treatment to clients would include disclosure in accordance with CFA soft dollar standards.

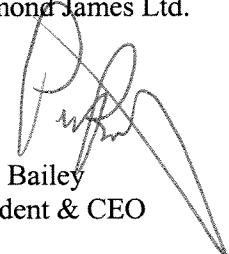
We are supportive of the securities regulators providing guidance on acceptable goods and services for purposes of Soft Dollar Arrangements to assist registrants to understand their obligations. Where there is any doubt as to whether a particular good or service should be purchased using client brokerage or the investment management firm’s assets, fiduciary duties of a portfolio manager would require that the latter be used.

Should you wish to discuss any of our comments please contact: Sharon Morrisroe, General Counsel at 604-654-7244 or sharon.morrisroe@raymondjames.ca

Yours truly,

Raymond James Ltd.

per:


Peter Bailey
President & CEO