October 20, 2006

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

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

Madame Anne-Marie Beaudoin
Directrice du secretariat
Autorité des marches financiers
800, square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal, Québec H4Z 1G3
By e-mail: consultation-en-cours@lautorite.qc.ca

Dear Sir and Madame,

Re: Proposed NI 23-102 Use of Client Brokerage Commissions as Payment for Order Execution Services or Research ("Soft Dollar" Arrangements)

Highstreet Asset Management Inc. ("Highstreet") appreciates the opportunity to comment on proposed NI 23-102. We fully support better definition around order execution services and investment decision making services and enhanced disclosure of the benefits derived from commission expenses.

Our high level observations are that the CSA's definition of research completely validates the use of commissions by fundamental advisors to purchase traditional 'off the shelf' 3rd party research. Quantitative managers are left to pick through language in the rule and policy that we find inconsistent and confusing to find opportunities that allow us to enhance our own independent research with commission dollars.

Commissions are an expense that can be used by the advisor to maximize the benefit of the expense through access to bundled and third party research and order execution services. When properly used, commission expenses can actually provide 'best execution' and superior returns to clients. One of the benefits that we have derived from brokerage with one dealer is access to their proprietary trade order execution system that allows us to monitor our internal thresholds on purchasing liquidity, minimizing disturbance costs and identifying strengths and weaknesses of our broker relationships. Brokers are ideally positioned to offer this type of service. That we can get this service and still incur very competitive commissions is a huge win for Highstreet and our clients.

Question 4:

Should post-trade analytics be considered order execution services? If so, why?

Highstreet's view is that trades are never executed in isolation. While the execution cycle is discrete, the activity of trading is continuous. Pre-trade analysis considers factors that are likely to be based on a previous trade's 'post-trade analytics'. Under the proposed Rule the pre-trade analytics and the trade monitoring service would be classed as an order execution service while the final step in the process – post trade analytics – would be considered research. While we can rationalize this in the framework of the proposed rule, it will complicate without adding clarity how one allocates costs for a service that provides analysis during pre and post trading. Expanding the definition of order execution services to include post-trade analytics correctly puts all of the process under one definition.

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?

Highstreet has been an advisor to pooled and segregated accounts since 1998. Our style of management is 'quantitative'. As a 'quant' manager, Highstreet's process of advising clients includes the following steps:

- The periodic creation or validation of a mathematical model designed to assess the attractiveness of individual securities for a specific investment mandate.
- The daily receipt of fundamental data such as financial statements and market information (risk and transaction cost statistics) as input to our model.
- Processing that fundamental information with our mathematical models to generate buy, hold and sell ideas.
- Data verification to validate the ranking of individual securities.
- Using the above steps, we decide on our transactions and then execute.

This process is entirely independent of traditional broker research.

Quantitative investment management requires that advice provided to clients be statistically defendable. By this we mean that the manager has, through extensive quantitative analysis, determined the attributes and assigned values to those attributes that make a security desirable. The portfolio manager will also review the risk profile of the asset to ensure that it falls within an acceptable range for the mandate. Current attribute and risk data are essential to the provision of advice given on this basis. This requires daily downloads of market statistics that capture a wide array of variables. The proposed definition in the Rule is that research means: "advice relating to the value of securities or the advisability of effecting transactions in securities". The data that we analyze 'relates to the value of securities and the advisability of effecting transactions in securities' although until it is evaluated relative to other market constituents, it cannot be considered advice.

The analysis that allows the manager to establish a mandate or to periodically review a mandate is based on back-testing large quantities of data and use statistical tools such as regression and time series analysis. Confidence is derived in part by the size and the breadth of the sampling. The more variables we test, the greater assurance we have that our conclusions are valid. It is not uncommon for Highstreet to purchase years of market data in order to identify meaningful trends and correlations in order to refine or amend our current attribute measures. Such quantitative testing is impossible without large quantities of data and is fundamental to portfolio construction and hence, the advice we give our clients.

Original thought or the expression of reasoning or knowledge is only as sound as the research on which it is predicated. The data that we analyze and manipulate is the basis of our meaningful conclusions. We ask that the CSA take a broader view and not separate 'reasoning' from the supporting data on which it is based. We fully support the SEC's view on research and the arguments put forth on July 18, 2006 in Release No. 34-54165; Commission Guidance Regarding Client Commission Practices Under Section 28(e) of the Securities Exchange Act of 1934, section III. C. 3. Market Research and 4. Data that includes the following observation on the eligibility of raw data as research "In our view, this approach will promote innovation by money managers who use raw data to create their own research analytics, thereby leveling the playing field with those money managers who buy finished research, which incorporates raw data, from others."

Advisors use inputs to determine trades. Fundamental managers use as inputs the finished research reports that brokers produce and distribute to advisors. This is a good use of resources and a distribution channel for this type of product. Quantitative managers use as inputs raw data which they manipulate to determine trades. By making commissions available to purchase raw data they offer an alternative product via the same distribution channel.

We believe that to allow finished research to be eligible but to disallow the components of that research so that a manager may reach his or her own decision is to discriminate against quantitative management or any management style that seeks independence and objectivity.

The characteristics of raw data that should be considered research would be the specialized nature of the data, the breadth or inclusiveness of the data and the insignificance of any one datum on its own compared to its purpose when part of a data set.

Question 10:

Should other goods or services be included in the definitions of order execution services and research?

Services such as Reuters and Bloomberg are the life line of small advisors and fill important gaps that larger advisors may find in the services of more specialized data providers. The information on these services provides context for day to day advising and time-sensitive information on trading volumes, price movement, corporate actions and other statistics that are at least as critical to trading and advising than the selective coverage produced by broker analysts. We could not describe these services better than the Ontario Securities Commission does in <u>Policy Statement 1.9 Use by Dealers of Brokerage Commissions as Payment for Goods or Services other than Order Execution Services</u> where research is referred to as 'investment decision-making services'. We ask the CSA to consider broadening the proposed definition of research to include these services or even adopting as a definition of research the definition of 'investment decision making services' that is contained in Policy Statement 1.9. This definition includes:

(i) advice as to the value of securities and the advisability of effecting transactions in securities
(ii) analyses and reports concerning securities, portfolio strategy or performance, issuers, industries or economic or political factors and trends and
(iii) data bases or software to the extent they are designed mainly to support the services referred to in (i) and (ii).

This definition better aligns the proposed companion policy which includes 'quantitative analytical software' as permitted 'research'. We find it incongruous that while the purchase of raw data with commissions is not permitted, the companion policy allows the purchase of software to analyze such data.

Question 11:

Should the form of disclosure be prescribed? If prescribed, which form would be most appropriate.

The form of disclosure should have some prescribed information. It should include the total dollar amount of commissions that the firm has been able to use for order execution services or investment decision making services, the commission rate used to obtain these benefits, the commission rates of all brokers used for settling client trades and the service providers and their products. The use of a client's specific contribution to the purchase of services may be difficult to provide and it may be more useful to describe dollars and services at this higher level.

For example, if all clients who were invested in the Canadian equity market received order execution services from a company that provided trade analysis for this market and also received the benefit of ‘investment decision making services’ that were employed as and when required, then the important disclosure is that they received these benefits in addition to trade execution services at a cost that was competitive with commissions paid by the advisor for ‘execution only’ trades. For advisors who advise segregated accounts, providing individual commission costs for all trades may impose considerable increased costs to buy systems that could track this information.

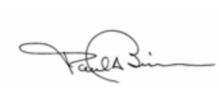
Question 13:

Should periodic disclosure be required on a more frequent basis than annually?

Annual disclosure is adequate to give overview of the trading activities of the advisor and the other services procured through a broker.

Again, we thank the CSA for the opportunity to comment on proposed NI 23-102.

Best regards,



Paul-André Brisson
President