



TORONTO
145 King Street West
Suite 2525
Toronto, ON M5H 1J8
Tel. (416) 862-9800
Fax. (416) 862-0167

VANCOUVER
595 Burrard Street
Suite 3043, P.O. Box 49105
Vancouver, BC V7X 1G4
Tel. (604) 623-3430
Fax. (604) 623-3436

MONTREAL
1250 René-Lévesque Blvd. W.
Suite 2810
Montréal, QC H3B 4W8
Tel. (514) 933-0033
Fax. (514) 933-8163

CHICAGO
4026 N. Bell Ave.
Chicago, IL
60618 USA
Tel. (773) 866-9210
Fax. (773) 866-9211

November 1, 2006

Via E-Mail

Autorité des marchés financiers
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 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, Ontario M5H 3S8
e-mail: jstevenson@osc.gov.on.ca

Dear Mr. Stevenson:

**Re: Response to Canadian Securities Administrators' (CSA's) Request for
Comments on Proposed National Instrument 23-102 – Use of Client Brokerage
Commissions as Payment for Order Execution Services or Research**

McLean Budden Limited (“McLean Budden”) is pleased to have the opportunity to provide its comments on the proposed National Instrument 23-102. Founded in 1947, McLean Budden is one of Canada's oldest investment counselling firms. We manage over \$40 billion of pension, foundation, mutual fund and private client assets.

McLean Budden agrees with the CSA's view that soft dollars serve a useful function in supporting independent research. We also believe soft dollar arrangements allow smaller advisory firms to have access to a broader range of research services. The cost of this may otherwise be a barrier to the industry and might in turn, decrease market competitiveness.

McLean Budden is also concerned that different rules will evolve in different jurisdictions resulting in inconsistent approaches and possible disadvantages. This would result in difficulty in treating all clients equally. McLean Budden limits its soft dollars to a maximum of 10% on a rolling 5-year basis. This is widely understood and disclosed to our clients and is imbedded in our low fees.

RESPONSES TO SPECIFIC QUESTIONS

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”?

Our Order Management System enables us to execute, accurately and fairly, any sizable trade we place on behalf of our clients. This system keeps track of outstanding orders, order size, balances, fills, dealers and custodian settlement information and, in turn, trade allocation. We are currently working on an upgrade to our system that will, in addition to the above, send Fix messages to brokers that will allow us to confirm trade accuracy before we communicate settlement details to custodians. Trading and settlement processes are becoming so complicated and time sensitive that order execution and order management functions are becoming less and less distinct from each other.

McLean Budden is of the view that the market is moving towards more efficient systems that will integrate order execution and order management and therefore both functions should be eligible under the Proposed Instrument.

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 U.S. or the U.K.?

As previously stated, if different regulators adopt dissimilar rules, some firms are bound to be disadvantaged relative to their peers in other jurisdictions (i.e. Canadian firms competing in the U.S. market). For this reason, it is McLean Budden’s view that it is not good policy to implement rules in Canada that are materially different from the other senior international regulators without clear and overwhelming reasons for doing so. Canadian managers must not be placed at a cost disadvantage relative to their U.S. based competitors and could cause us to treat clients differently by having to trade them separately.

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?

McLean Budden’s view is that raw market data is imperative to both the research process (e.g. Bloomberg, Thompson Financial, etc.) While raw data is not information that has already been processed and analyzed it is just as important as broker research to McLean Budden’s overall decision-making process. Raw market data is required to build models

and to analyze and test external research. It is McLean Budden's opinion that the acquisition of raw market data is an integral part of the research processes and as such should qualify as a permitted service in the research category, as treated by the SEC.

Question 7 - Do advisers currently use client brokerage commissions to pay for proxy-voting services? If so, what characteristics or functions of proxy-voting services could be considered research? Is further guidance need in this area?

McLean Budden currently uses brokerage commissions to pay ISS/Fairvest for the research and analysis of proxy material. We use this research when deciding how to vote proxies, which is part of the investment decisions process. In our opinion this service contains original thought or the expression of reasoning and knowledge. Proxy voting services, to the extent used to make investment decisions, are currently approved for soft dollar treatment by the SEC. The cost of actually voting the proxies is paid directly by McLean Budden and brokerage commissions are not used. McLean Budden's opinion is that proxy research services should be eligible under the proposed instrument, but not the direct proxy voting costs.

Question 11 - Should the form of disclosure be prescribed? If prescribed, which form would be most appropriate?

McLean Budden is of the opinion that the form of disclosure should be prescribed in order to ensure that it is consistent and clear. Registrants should be allowed to integrate this disclosure into existing client reports to help reduce costs to registrants and confusion to clients.

Should you have any questions regarding this submission, please feel free to contact me at (416) 361-7270.

Yours truly,



Roger Beauchemin
President and Chief Operating Officer