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May 8, 2007

Mr. John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West, 19th floor, Box 55
Toronto ON M5H 3S8

Dear Mr. Stevenson:

Re. National Instrument 31-103 and Companion Policy 31-103

The Canadian Securities Administrators has asked for responses to the proposed National Instrument 31-103 *Registration Requirements* and Companion Policy 31-103 *Registration Requirements* dated February 23, 2007. The request also asks for responses prior to June 20, 2007. The following comments are our response to the request for comments:

Question #1:
What issues or concerns, if any, would your firm have with the proposed fit and proper and conduct requirements for exempt market dealers? Please explain and provide examples where appropriate.

We have few concerns, with the possible exception that the general term "proper fit and conduct requirements" appears to lack definition, and in any event will likely be difficult to apply properly to former LMD activities. For example, where an EMD dealing exclusively with exempt institutions does not have funds under management or trade in securities, but instead is only involved in agency institutional private placements not requiring a prospectus, few if any additional "proper fit and conduct requirements" appear to be appropriate.

Question #2:
The British Columbia Securities Commission seeks comments on the relative costs and benefits in British Columbia of harmonizing with the other CSA jurisdictions to create an exempt market dealer category and in doing so, eliminating the registration exemptions for capital-raising transactions and the sale of those securities, referred to in some jurisdictions as "safe securities" (i.e. government guaranteed debt).

Standardized rules are a worthwhile objective, providing the most restrictive measures do not become the minimum standard. Otherwise, compliance becomes difficult where rules are more lenient in a home province than in others.

Question #3:
Registration for managers of all types of investment funds (other than private investment clubs) is proposed. Are there managers of funds for which the risks identified are adequately addressed in some other way and therefore registration as a fund manager may not be necessary? If so, please describe the situation.

We have no comment to offer as proposed changes are not applicable to our business model.

Question #4:
Registration of the UDP and CCO is proposed. As well, we propose that the UDP be the senior officer in charge of the activity carried on by a firm that requires the firm to register. What issues or concerns, if any, would your firm have with these registration requirements? Do you think the registration of the UDP and CCO contributes to or detracts from a firm wide culture of compliance? Please explain.

While we have no issues with the proposed change in principle, LMDs/EMDs are often small firms for which the role and registration of an UDP and CCO are unnecessary because they are usually the same person. In addition, for these firms the incremental registration requirement offers no incremental benefit to the "culture of compliance" and will only serve to create an image of still more bureaucracy. The problems relating to LMDs have historically been centred on the activities of unregistered firms. New compliance requirements officer categories will not change this and may serve to exacerbate the problem, with little or no incremental benefit.

Question #5:
The Rule proposes an associate advising representative category for portfolio managers but not for restricted portfolio managers because the restricted portfolio manager category is intended for individuals who have expertise in a specific industry. Is the concept of an associate advising representative useful in the context of a restricted portfolio manager? If so, why?

We have no comment to offer as proposed changes are not applicable to our business model.

Question #6:
We discussed but have not proposed registration of senior executives and directors (i.e. the mind and management) of a firm. Registration would assist the regulators in being able to deal directly with this group of people rather than indirectly through the firm. Please provide us with comments on what positions in a firm should be considered part of the mind and management and what issues or concerns you or your firm would have with registration of individuals in those positions.

Registration of all senior executives and directors seems to ignore specific skills for which officers are hired or directors appointed. The proposed change may apply to those individuals who are on the "front lines" more appropriately than to all senior executives and directors as a general category. If implemented, however, the proposed change would increase liability insurance costs significantly.

Question #7:
The proposed exemption applies to advisers who are actively advising and managing their clients' fully-managed accounts. The exemption has not been extended to advisers dealing in securities of their own pooled funds with third parties. If there are circumstances in which you think it would be appropriate to extend the exemption to third parties please describe.

We have no comment to offer as proposed changes are not applicable to our business model.

Question #8:
The Rule requires dealers, advisers and fund managers to have Financial Institution Bonds. In cases where the owners of the firm also carry out the operations and registrable activity of the firm, usually in small firms, are these bonds prohibitively costly to obtain and will the bonds provide coverage if they are obtained in these situations?

From the perspective of EMDs, the requirement to have Financial Institution Bonds is costly, particularly for small firms. Furthermore, given the proposed $50,000 minimum capital requirement, they are also unnecessary for firms whose business model involves dealing exclusively with exempt institutions, has no funds under management, does not take deposits hold funds in trust, does not trade in securities, and is only involved in agency institutional private placements not requiring a prospectus. To additionally require such firms to maintain Financial Institution Bonds that are costly is redundant and consequently unnecessary.

The increased reporting frequency for the firms whose activities are described above is also counter-productive since all of the information required is reported annually in any event. Quarterly filings and calculation of working capital for firms that pose no risk to any party other than the owners) is simply excessive. Where the business model requires capital sufficient to meet fixed costs, and sales staff are commission-only employees, the extra reporting burden for EMDs will yield no meaningful reporting information.

If it is felt that changes are needed to this section, we suggest that the rule should say that EMDs are required to maintain capital sufficient to support the particular business model employed. If this is insufficient, the OSC and the EMD should be required to address a particular firm's capital requirements on a case-by-case basis.

Question #9:
We propose that some requirements of Division 1 not apply to clients that are accredited investors as defined in NI 45-106 Prospectus and Registration Exemptions. Is it appropriate to exclude this group, or any other group, of clients from the account opening requirements?

We have no comment to offer as proposed changes are not applicable to our business model.

Question #10:
What issues or concerns, if any, would your firm have with the proposed relationship disclosure requirements? Is this type of requirement appropriate for some or all types of accredited investors? If so, what information would be useful to have in the relationship disclosure document?

We have no comment to offer as proposed changes are not applicable to our business model.

Question #11: *Is the prescribed content for a confirmation the appropriate type of information?*

We have no comment to offer as proposed changes are not applicable to our business model.

Question #12: *The Rule requires a registered firm to identify and deal with all conflicts. Would a materiality concept be appropriate within the requirement or should that be dealt with at the firm level within the firm's policies?*

Conflicts differ from one file to another. Since "materiality" is at all times a subjective assessment, imposing standards seems to be inappropriate in ways that could undermine senior management's analysis of individual files, to the detriment of the firm.

Question #13:
Is our description of the risks of referral arrangements complete and accurate? If not, what is missing?

The term "referral arrangement" should not be used where there is payment of a fee to a third party who is not involved in a transaction. As proposed, this section ignores one form of referral that has little or no relevance to the client-broker relationship. An example is a referral by a law firm that suggests a unique approach to a transaction but does not represent any of the parties involved and has no other involvement. A situation in which post-closing a dealer may wish to recognize the contribution of the law firm by sharing in fees generated appears to be a referral arrangement that has no impact upon the client-dealer relationship and which is not referenced by the examples set out in this section.

The situation described above embodies no conflict of interests, creates no client confusion, involves a referring person who is not a party to the transaction, and creates no supervision or oversight issues.

Question #14:
One objective of NI 45-106 was to have all exemptions in one instrument. As mentioned, we have included the registration exemptions in the Rule for purposes of obtaining comments on the exemptions that are being proposed under a business trigger. Would you prefer the registration exemptions remain in NI 45-106 or be moved into the Rule?

We are happy with the proposed changes.

Question #15:
Is 120 days sufficient to allow registrants with existing referral arrangements to comply with the Rule? If not, what length of time is sufficient? Please explain.

We have no comment to offer as proposed changes are not applicable to our business model.

Question #16:
A matter not dealt with in the Rule but one which relates to registrants and NRD is the annual fee payment date. Comments have been made by some industry participants that a December 31 fee payment date is problematic and that a May 31 fee payment date would be better. Please comment on whether a May 31 or December 31 annual fee payment date is better for your firm.

We are happy with both the status quo and the proposed changes.

We hope that the above remarks are helpful to the CSA and the OSC in their collective efforts to implement constructive changes, and that we have responded in the manner desired. If you or your colleagues have any questions, however, please do not hesitate to call.

Yours truly,

J.P. Robinson
President