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British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

c/o Mr. John Stevenson
Secretary
Ontario Securities Commission
Fax: 416-593-2318

Ms. Anne-Marie Beaudoin
Directrice du secretariat
Autorité des marchés financiers
Fax: 514-864-8381

Dear Sirs/Mesdames:

**Re: Proposed National Instrument 31-103 and Companion Policy 31-103
Registration Requirements ("NI 31-103")**

This letter is being submitted on behalf of UBS Investment Management Canada Inc. ("UBSIM"). UBSIM is registered across Canada as an Investment Counsel Portfolio Manager ("ICPM") or equivalent and as a Limited Market Dealer in Ontario.

UBSIM appreciates the opportunity to be able to comment on NI 31-103 and applauds the efforts of the CSA to harmonize and streamline, and level the playing field in relation to the Canadian registration regime.

We have had the opportunity to review draft submissions made by various industry groups which touch upon the various aspects of NI 31-103. We have decided to focus our comments on a couple of issues which have a large, practical impact on the day-to-day operations of ICPM firms.

**Discretionary versus Non-Discretionary Advice**

ICPM firms offer their clients both discretionary advisory services and non-discretionary advisory services. This is a market reality as many clients wish to continue to remain involved in investment decisions relating to their portfolios.

We believe it is very important when determining what services can be provided by an associate advising representative that one distinguishes between discretionary and non-discretionary advisory services.

The market has evolved in such a manner that advisory services that are being provided by full-service IDA member firms (as opposed to discount brokerages) are very similar to the non-discretionary advisory services that are being provided by ICPM firms. Therefore, if a client today opens an account with a full-service IDA member firm, a registered salesperson will provide advice to the client in relation to the client's portfolio and provide recommendations in relation to investments. This is not dissimilar to services that may be provided by ICPM firms on a non-discretionary basis.

Aligning Proficiency Requirements and Supervision Requirements

We respectfully submit that the proficiency requirements and supervision requirements for associate advising representatives of ICPM firms and registered salespersons of full-service firms should be aligned in relation to non-discretionary advisory services. In particular, ICPM firms are placed at a competitive disadvantage as the registration requirements for associate advising representatives are more onerous than for registered salespersons of full-service IDA member firms and there are greater restrictions imposed upon associate advising representatives.

Section 2.7 of NI 31-103 provides "An associate advising representative of an adviser must not advise in securities unless, before giving the advice, the advice is approved by an advising representative of the adviser".

We agree that in a circumstance where an associate advising representative is providing discretionary advisory services under the supervision of an advising representative it is appropriate to have that advice approved. However, we respectfully submit that this is not necessary in circumstances where the associate advising representative may be providing non-discretionary advice. In circumstances of non-discretionary advice, this is an onerous requirement that is not imposed upon IDA member firms where registered salespersons are providing non-discretionary advice to clients in relation to their investments.

We do believe that it is important that non-discretionary advice being provided by an associate advising representative be under the supervision of an advising representative but respectfully submit that it is not necessary to have pre-approval in such instances and, in fact, a similar obligation is not imposed upon full-service IDA member firms.

Similarly, it is important to align the proficiency requirements as currently, and in the proposed NI 31-103, certain preconditions exist which make it more difficult than necessary to register an individual as an associate advising representative. This can be illustrated by way of an example.

Under current registration requirements in certain provinces and as set out NI 31-103, an individual may have completed all of the Canadian Securities Institute courses to be a registered salesperson and,



in addition, have an MBA and, further, have completed the CFA and still not be able to be registered as an associate ICPM (or associate advising representative in proposed NI 31-103) as this individual will not have the employment experience currently required to be registered as an ICPM or associate advising representative in NI 31-103.

However, an individual can be registered as a registered salesperson with an IDA member firm and provide clients with advice on their investments with less accreditation and without the work experience required for associate advising representatives.

In conclusion, we respectfully submit that in circumstances where individuals have completed the educational component of the proficiency requirements that they be permitted to be registered as associate advising representatives under the supervision of an advising representative. Further, we respectfully submit that in circumstances where non-discretionary investment advice is being provided by an associate advising representative, while appropriate that this come under the supervision of the advising representative and evidence of that supervision be maintained, it is not necessary that the non-discretionary advice be "pre-approved". This would help to level the playing field while, at the same time, ensuring that investor interests are protected by setting the appropriate proficiency requirements and supervision requirements.

We thank the CSA for considering these comments and we would be pleased to discuss any item in this submission further.

Yours truly,

A handwritten signature in black ink, appearing to read "N. Cardinale".

Nicholas A. Cardinale
Executive Director, General Counsel