



INTEGRA CAPITAL LIMITED

June 18, 2007

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

Fax: (416) 593-2318
jstevenson@osc.gov.on.ca

Dear Mr. Stevenson:

**Re: CSA Registration Reform Project
Proposed Rule 31-103**

My firm has had an opportunity to review proposed National Instrument ("NI") 31-103. We respectfully submit that one matter set out in the NI, and expanded upon in the Companion Policy ("CP"), requires revision.

NI 31-103 proposes to establish a new category of registration: the exempt dealer. Section 2.3 of the proposed CP provides for an exemption from the requirement to register as an exempt dealer for registered advisors that carry out their client advisory mandate through proprietary pooled funds. We trust that such exemption will apply regardless if the advisor determines to place a client in one pooled fund or in several pooled funds.

In Ontario and Newfoundland, due to the universal registration approach in the securities legislation, staff of the commissions has required groups providing advisory services through pooled funds to have at least a limited market dealer license. We are engaged fundamentally in providing and arranging for advisory services to clients and the services are typically rendered through pooled funds; the dealer requirement is merely technically incidental to that business due to these Ontario and Newfoundland requirements. The business is fundamentally and properly focused on the advisory services and not on the trading services. As a result, the business is not at its essence, and is very different from a business that is primarily focused on, the private placement of any type of security to any person. Accordingly, it does not give rise to the regulatory concerns regarding private placements of any type of security, which have been raised in some jurisdictions. Indeed it is difficult to envisage a conflict of interest arising since the use of pooled funds is driven by industry demands.

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The relationship with the institutional clients (primarily Defined Benefit pension plans) and other accredited investors is established currently through contract with such clients pursuant to which Integra Capital Limited agrees to advise such clients and obtains the authority to carry out the advisory mandate through pooled funds. The manner in which the employer selects an adviser for its defined benefit pension plan often involves a search by employers for advisers with reference to particular mandates (such as U.S. large cap equities) and that search is often conducted by consultants on behalf of the employer who specialize in such services. The search requirements dictate the business approach Integra must take - most particularly the use of an advisory contract.

Integra Capital Limited is registered as an advisor in every Province except Quebec (an affiliated firm holds the advisor license in Quebec) and is additionally registered in Ontario and Newfoundland as a limited market dealer. With the exception of one segregated mandate, the assets of our advisory clients are invested in mutual and/or pooled funds. Currently, less than 1% of our advisory client asset base is invested in non-proprietary mutual and/or pooled funds.

The non-proprietary funds are used almost exclusively for the partners and directors of a national accounting firm. We also manage the assets of this firm's defined benefit pension plan. Due to "independence" rules, many Canadian pooled funds cannot be purchased by the partners and directors of this accounting firm as the firm may be the auditor of either the fund management company or the fund. In other situations, an advisory client may want us to manage all of their plan assets and they may require, for proper diversification purposes, that a portion of their plan assets be invested in a specialty pooled fund. In the event that Integra does not have such a proprietary pooled fund, in order to accommodate our advisory client we would be required to invest in a non-proprietary fund on behalf of the client. Integra has established a comprehensive due diligence program to ensure that all non-proprietary funds are managed in accordance with regulatory requirements and are suitable for the investment mandates of our advisory clients. A copy of our program is available to the Commission upon request.

In our capacity as a registered advisor, Integra is subject to capital, bonding, insurance and proficiency requirements. In addition, we are required to ensure that the pooled fund used to satisfy the client advisory mandate is suitable. In fact, Ontario seems to recognize that there is a lack of a need for a dealer pursuant to the provisions of section 1.6 of OSC Rule 31-105. In essence, this section provides that when an advisor places a client trade with a dealer then the dealer is not required to conduct suitability reviews. We have never invoked (acknowledging that this exemption is not available in Ontario) the fully managed account provision of NI 45-106; all of our advisory clients are accredited investors in their own right. We fail to see any viable public policy concern that would necessitate an advisor having to obtain registration as an exempt dealer solely due to the fact that non-proprietary pooled funds may form part of the investment mandate of our advisory clients.

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In our opinion, the additional costs and resources associated with the requirement to register as an exempt dealer are not justifiable. We are also concerned that at some point the Commissions may require exempt dealers to be regulated by an SRO such as the MFDA. It is clear that any additional regulatory oversight by an SRO will further increase the expenses of operating our business and require additional staff resources and systems.

In conclusion, we respectfully submit that an advisor should not be required to register as an exempt dealer, regardless of whether the advisor carries out the client mandate through proprietary or non-proprietary pooled funds.

Thank you,



Brian A. Rennie
Compliance Director