June 19, 2007

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 John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario
M5H 3S8
Fax (416) 593-2318
Email: jstevenson@osc.gov.on.ca

RE: Comments on NI 31 -103

Dealer Registration
I support regulatory direction for:

retention of the Mutual Fund Dealer category.
adequate transition periods.
grandfathering of proficiency requirements where appropriate.

I desire more discussion with regulators on:

the structure of regulatory oversight for mutual fund dealers who distribute exempt products.
ability of mutual fund dealers choosing to be exempt market dealers to select individual representatives who may sell exempt products.
a modular, product-specific approach to proficiency that does not assume that the Canadian Securities Exam is the only proficiency assessment tool.

Modular Approach:
I support the IFIC recommendation for a modular, product specific approach to proficiency

for those registered to sell exempt products (such as the LSIF course).

Access:
I feel that more discussion is needed on the proficiency requirements for the Exempt Market Dealer category. I am concerned that by mandating the same proficiency for Exempt Market Dealers as Investment Dealers, all MFDs wishing to sell exempt products are being pushed into the IDA business model. The high level of proficiency to sell all exempt products, regardless of their risk, may deter MFDs from selling less risky exempt products (such as GICs and other government issued instruments). This would decrease public access to the wide range of investment products currently sold by MFDs.

I believe that flexibility is required to permit those dealers who choose to sell exempt products, to select/elect which sales representatives will have the ability to sell exempt products (with appropriate proficiency).

Currently, there is no definition of "exempt product". It is important that a harmonized definition be adopted nationally before registration in this proposed category is required. Accordingly, the various provincial *Securities Act* definitions will need to be amended once a clear list of "exempt products" is arrived at, developed with industry participation.

The registration regime should recognize the higher level of oversight that SRO Membership brings and, accordingly, MFDA members should be permitted to sell exempt products without the additional requirement to register as Exempt Market Dealers.
I also believe that it should be further recommended that the Dealers who are registered to sell exempt products be permitted to determine which of their registered sales representatives be permitted to sell the exempt products they choose to sell and ensure that the applicable sales representatives have the appropriate proficiency specifically required to sell each corresponding exempt product (we recommend a modular approach to proficiency).

For those dealing in mutual fund securities - registration as a MFD. Proficiency for individuals should be consistent with this function and must be tailored to the particular product being distributed. Given the nature of a mutual fund and the advanced proficiency required to distribute mutual funds - the ability to distribute exempt securities should be permitted as part of the MFD registration, since it should be assumed that this proficiency is a sub-set of the ability to distribute mutual funds.
We do have concerns regarding the reference to the word "solely" in the definition of MFD. This would appear to restrict MFDs from being able to distribute ONLY mutual funds. This would prevent the hierarchical structure which IFIC suggests is the correct approach.

Section 3.3 contemplates that the SROs may establish different rules for their members from what is contained in NI 31-103 in several areas. Generally, we don't disagree with approach but believe that the CSA must take a hard-line position on suitability, which is fundamental for clients of all dealers - therefore all dealers must be subject to the same rules and requirements to ensure appropriate and consistent investor protection. Unless the CSA take this position, the SROs may adopt different suitability rules which will result in investors receiving different treatment for no adequate reason. Investors have a right to expect consistent treatment and experience when working with anyone "in the business of dealing"

in securities.
I feel strongly that suitability obligations beyond those stated in NI 31-103 should not be dictated by the SROs, but should be defined by the business relationship contracted between the Dealer and the Investor as part of the expectations of that business relationship.
Members support a portfolio-based application of suitability requirements by the SROs (particularly when completing assessments of trade suitability).

Any regulatory imposition of a desired business model will result in decreased investor access to MFDs (and the investment products the sell) in geographically distant areas. Any decrease in the number of viable MFD business models, will also result in decreased access for investors with smaller accounts. The regulatory burden threatens the competitive positioning of MFDs, and the viability of small dealers.
I support regulatory direction for looking at suitability requirements at the portfolio level.
But I believe there needs to be more discussion with regulators on:

- ongoing suitability requirements and triggers.
- the degree of documentation and dealer recordkeeping to assure compliance with ongoing suitability.
- clarification of "branch" – require flexibility to accommodate unique business models and associated risks.

Advisor Registration Requirements -- Incorporated Salespersons
I support regulatory direction for:
MFDA proposal to continue to permit the principal-agent model with directed commissions, which maintains the benefits of incorporation to salespersons without compromising investor protection.

Client Relationship Model – New Account Application Form and Relationship Disclosure Document
I support regulatory direction for the clarification of the obligations and expectations of the dealer/advisor-client relationship by means of a relationship disclosure document as part of the new account opening process.
But I believe there needs to be more discussion with regulators on:

- The content of the form, with a focus on an approach that accommodates the range of different business structures, minimizes costs in format and flexible delivery structure. There are clients with smaller investment portfolios who do not wish to go through a lengthy process to open and maintain a small account. Plus there are clients who transfer over to a new dealer but leave behind small portions of the overall account (for example, an LSIF investment) because the new dealer is not licensed to manage it. These small accounts are still considered active despite the fact that the clients are not interested in following it because their main portfolio is currently elsewhere. This can create difficulty in achieving 100 % compliance because the clients (mentally) have for the most part moved on to a new advisor.

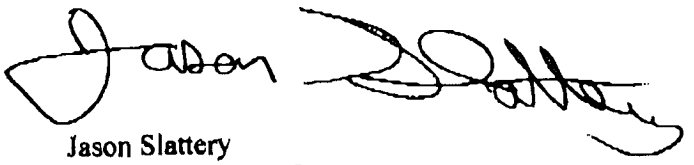
Client Statements
I do not agree with the concept of sending quarterly statements to clients for ALL clients, as many clients, especially small asset clients do not need or want quarterly statements and the

cost far out weighs any benefit. It is more and more difficult to service the needs of the small retail client, as they often do not generate much if any revenue, and to have regulatory changes add additional costs for something that is of little or not benefit to the consumer does not make sense and may lead to the small retail client being shut out of the advice market place. There needs to be more discussion with the industry participants to find a workable solution and it may need to have certain accounts with annual statements and some with more frequent.

Clients have more and more access to information on their accounts and as more people access their accounts on line the need for statement mail outs will be less.

I am sure you are familiar with how some advisors have a policy that they will only take on new clients who meet the advisor's stated minimum in terms of investable assets. The industry is really going to move away from the small investor because of the compliance cost involved. In my opinion, it will soon be commonplace for advisors to refuse investors who have less than $50,000 (for example) in assets. I personally have had to refuse taking on new clients who have less than $10,000 in investable assets (which I think most would agree is actually quite a reasonable minimum standard) because it simply costs more than what is generated for my business. This minimum is only going to increase as time goes by if the compliance role becomes heavier to bear.

Yours truly,



Jason Slattery
Legacy Associates Inc.
9453-0051