INVESTMENT TECHNOLOGY GROUP

ITG Canada Corp.
The Exchange Tower, 130 King Street West, Suite 1040, Toronto, Ontario M5X 1B1
Tel. 416.874.0900 www.itg.com

June 20, 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
Nova Scotia Securities Commission
Registrar of Securities, Prince Edward Island
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
Suite 1903, Box 55
Toronto, Ontario M5H 3S8

- and -

c/o Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22 étage
Montreal, Québec
H4Z 1G3

Dear Sirs/Mesdames:

Re: ITG Canada's Comments on Proposed National Instrument 31-103 Registration Requirements and Proposed Companion Policy 31-103 Registration Requirements

ITG Canada Corp. ("ITG Canada") is pleased to have the opportunity to offer its comments on the proposed National Instruments on Registration Reform.

ITG Canada is a specialized brokerage and technology firm that provides innovative technology solutions spanning the entire investment process. Our sophisticated solutions include pre-trade analytics, advanced trade execution technologies and post-trade evaluation services.

This submission is divided into two sections: (a) general comments on Registration Reform and; (b) specific responses to the questions posed to the industry by the Canadian Securities Administrators in the shaded boxes throughout the published Notice and Request for Comment. Many of the proposals will not have a direct impact on ITG Canada because we are registered as an Investment dealer with the IDA however we believe they will materially affect some of our clients in Canada and abroad. We have therefore provided some supportive comments where we believe the proposals will provide improvements to the registration process in Canada and concerns where we believe changes may not achieve their intended benefits or improve market integrity.

General Comments

ITG Canada supports the CSA in its efforts to consolidate, harmonize and streamline the complex and currently fragmented Canadian registration regime. We also support initiatives that level the regulatory playing field between market participants and believe that these initiatives will enhance the efficiency and integrity of the Canadian Capital Markets.

ITG Canada participated in and supports the comment letter submitted by the Investment Industry Association of Canada ("IIAC"). The IIAC comment letter represents the views of many IDA members in addition to our own. We note that, in some cases, the IIAC provided comments on topics that may not have a direct impact on ITG Canada, however we commend their efforts in summarizing the significant concerns and providing constructive commentary on behalf of the industry. The comments below are intended to supplement and expand upon comments presented by the IIAC and provide further clarification and discussion on issues where ITG Canada has direct concerns or specific comments.

Passport System and Registration Reform

While our preferred stance is that Canada adopts a single national regulator for the securities industry, we understand that these proposals act as a step in the right direction. These two regulatory initiatives, Passport and Registration Reform, need to be coordinated and should cover all Canadian Provinces and Territories with unique sets of rules and policies. Initiatives such as these require significant effort by regulators and the industry to adapt systems and processes to new registration requirements. We would strongly urge the regulators to adopt such initiatives in a coordinated fashion with all members of the CSA. We would hope that individual jurisdictions would not decide to opt out of some parts or the whole instrument. In the event that they do, then we hope that the CSA will ensure that to the greatest extent possible the rest of the rules and initiatives are implemented consistently across the remaining jurisdictions and that the CSA would provide specific guidance to the industry on any inconsistencies and continue to work with those jurisdictions to adopt these proposals in a consistent and uniform manner.

UDP and CCO Registration

The Rule creates new individual categories for the Ultimate Designated Person (UDP) and the Chief Compliance Officer (CCO). We agree that it is appropriate to have specific

registration of individuals in these categories; however, the CSA should consider the current structure in place with IDA firms as a tested model. For instance, under IDA By-law 39, the UDP is not restricted to the Chief Executive Office (CEO) and can be assigned to another senior officer such as the President, Chief Financial Officer (CFO) or Chief Operating Officer (COO). This provides more flexibility than in the Instrument. The structure of the Firm and the experience of the staff may warrant that the UDP title be held by a person other than the CEO. We also acknowledge that some large investment dealers or advisors may have distinct divisions that may be served better with their own CEO and CCO. The ability to mirror the Regulatory structure to the actual hierarchy of large Firms will provide stronger controls and accountability. We therefore recommend that upon application, a Firm should be permitted to split the UDP and/or CCO roles as appropriate. It should be noted that this approach is not a unique concept to Canada, the NYSE recently confirmed the practice of co-CCO's and co-COO's with NYSE Information Memo Number 07-51[1].

The CSA should also consider the addition of other registration categories such as Alternated Designated Persons ("ADP") and Chief Financial Officer ("CFO"). In the absence of the UDP, there should be an alternate that can represent the firm and officially cover his or her responsibilities. We have also noted that the proposals place significant emphasis on capital adequacy so it is unclear why the CFO role does not require registration at non-SRO firms. Recently the IDA imposed additional proficiency requirements for CFO's to ensure that in addition to the general industry expectation for them to have professional designations such as a Chartered Accountant they are also required to complete an industry exam.

We also are concerned that the roles and responsibilities for UDP and CCO as outlined in the National Instrument are not consistent with the joint Market Regulation Notice from Market Regulation Services Inc., Mutual Fund Dealers Association of Canada, Bourse de Montréal Inc., and the Investment Dealers Association of Canada on the role of the Compliance and Supervision (MR0435 date November 30, 2006). We believe the principals outlined in the joint notice provide the appropriate guidance on the separation of responsibilities between the Compliance Department and Supervisors, which ultimately represented by the UDP. Given that there is no exemption for IDA Members for this provision, this inconsistency should be corrected.

International Dealer Exemption and Filings

In respect of the elimination of the registration categories for international dealers and advisors, we note that the restrictions in the proposed exemption may cause a number of unintended negative consequences. Specifically, the requirement that the dealer have no establishment, officers, employees or agents in Canada will significantly alter the way in which US and other foreign firms operate in Canada. The Instrument would prevent foreign firms from having registrants in Canada which has been common practice for US/Canada cross border trading and research. In order for them to take advantage of this exemption from full registration, they would have to deregister these dual registered employees. The unintended consequence would be to limit these Canadian affiliates from effectively servicing US Institutional accounts investing in Canadian listed securities. The current practice of dual registration also facilitates sharing of information, research and expertise.

[1] http://www.nyse.com/ Rules and Interpretations/Information memos

Another problem with the proposed exemption is the narrow scope of the permitted international dealer client. We suggest that large corporate clients be included in this category, as their sophistication and size precludes the need for the same protections afforded to Retail clients. In crafting a useful exemption or registration category we suggest that the CSA look to the structure of SEC Rule 15a-6 which allows foreign broker-dealers to facilitate limited dealings with certain Major US institutional investors (rule of thumb could be Institutional investors that manage more than $100 million of securities). If the CSA wants to avoid creating a new category of investor then we suggest that for this purpose they use the IDA Policy 4 definition for Institutional Accounts.

Capital markets are moving toward a global model of business operations. We would suggest that it is important for the CSA to create a framework which would allow Canadian participants to operate competitively in the global context. It is important for the CSA to be mindful of the movement to more free trade in securities, particularly in the institutional market. The exemptions provided in the Instrument are too narrow to serve any practical function. In crafting an exemption, the CSA must balance the movement to free trade with the concept of reciprocity, so that international dealers and advisors are subject to similar restrictions as Canadians seeking to do business abroad.

Information Sharing

We are concerned that the instrument, as drafted, may impose obligations on registrants that could trigger civil litigation and/or privacy breaches vis-à-vis former employees. The current process of filing a termination notice should capture all the required information that could cover new employer's due diligence process for fit and proper qualifications. Select information in the notice could be shared with the new employer prior to approval of a transfer. CSA members should also grant a statutory immunity against defamation actions and/or other civil liability exposures where a former employee was acting in good faith in answering questions in the termination notice. The questions could be drafted to minimize the above noted litigation concerns. The registration process could also include a condition to registration that upon termination an employee would have some limited right to privacy with regard to any filing related their termination notice.

Responses to Questions

For many of the questions, ITG Canada is not directly impacted, however where we have heard views or concerns from our clients or have a recommendation, we have provided below.

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 are supportive of this initiative that levels the playing field with Investment Dealers, however we believe the current courses do not cover the exempt market topics effectively. We suggest that the courses be updated to include coverage of exempt products, prospectus exemptions and how to handle suitability issues with sophisticated investors.

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).

- The rules should apply consistently across all jurisdictions to avoid opportunities for regulatory arbitrage.

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.

- The proposals have not dealt with private equity funds that may have similar investment activities of other funds that require registration
- The advisor is required to be registered and if the fund manager is an affiliate (parent or subsidiary) of the advisor with the same or substantially the same employees and management then it should make sense that regulating the advisor would accomplish the same benefits as regulating both separately. In other cases where some of the fund manager functions are outsourced; it would be the responsibility of the advisor to ensure that those functions are properly supervised and that there are appropriate controls in place.
- We suggest that the CSA consider providing an exemption to registration for advisors or the business trigger of trading on a proprietary basis for a de minimis number of accredited investors (e.g. maximum of 5).

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.

- The culture of Compliance starts with the Board of Directors, Senior Officers and Management which then descend the ranks to all employees. The instrument has narrowed the focus on only two individuals and limits the effectiveness and benefits of a registration process. Registration, in our opinion, provides an effective method of ensuring that registrants have the appropriate proficiency and reminds them of their obligations. We also believe that it provides the Regulators an effective tool to exclude, suspend and discipline registrants that contravene industry rules. The registration process also anchors a base standard for continuing education requirements.

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?

- ITG Canada agrees that there does not need to be an associate advising representative category for restricted portfolio managers as the review of experience and expertise would address the concerns being covered by an associate category.

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.

- Currently all Partners, Directors and Officers of IDA member firms have require registration and completion of the Partners, Directors and Officers Exam. The proficiency requirements set a baseline to ensure that they have the basic understanding of operations, compliance obligations and capital requirements of an investment dealer. We believe the requirement to complete registration forms for non-trading officers creates an unnecessary burden on the registrants and the firm. The benefits of registration and the value of such a broad based course can be addressed with a simpler and shorter registration form. We suggest that the CSA consider a short form registration where an annual filing of the Partners, Directors and Officers be submitted via NRD with minimal information such as name, title, date of birth, current address, and date of exam completion be sufficient for registration of non-trading Partners, Directors and Officers. The long form registration would only apply to trading personnel, the UDP, CCO, and other senior officers as appropriate (CFO, COO, ADP's etc.).

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.

No comment.

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 registerable 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?

- We suspect that this will be a substantial burden for small firms and become a barrier to entry which in turn will decrease the availability of niche advisers to the Canadian Marketplace. We suggest that there be a cost benefit analysis for this proposal and consider the option of limiting the requirement to an errors and omission policy for advisors that do not custody customer assets.

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 agree that accredited investors do not require the same extensive account opening documentation to access suitability. In particular, institutional accounts (as defined by IDA Policy 4) typically do not rely on a dealer for their investment decisions. These clients often deal with several brokers and maintain their assets

with a custodian making it very difficult for a broker to evaluate suitability of a trade in the context of the clients overall portfolio and investment objectives.

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 agree with the proposal that relationship disclosure documents should be not required for Institutional investors. The proposal extends this relief to accredited investors which would be appropriate where the accredited investor waives suitability requirements. We also believe that since the proposal will be a National Instrument it makes sense that a standard disclosure document for Retail investors should be developed by the Industry and the CSA. Many of the current disclosure documents in the industry are standardized (e.g. the IDA, "Strip Bonds and Strip Bond Packages Information Statement").

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

- We believe that it may be useful to have a prescriptive rule for Retail clients however we do not believe that Institutional accounts require the same detail. In many cases an institutional investor only requires the basic execution details for settlement and do not need the additional detail as currently prescribed by the various Provincial securities Acts. We recommend that the CSA consider an exemption for institutional confirms to be in any manner that agreed to with the institutional accounts, be it electronic confirmations, with individual or grouped executions for settlement purposes. Institutional accounts have indicated to us that they do not require some of the disclosures currently prescribed by the various regulators. As the confirmation and settlement process becomes more automated, current disclosures requirements that include average price, principal trade and related and connected issuer disclosures are no longer being reviewed by institutional clients. In addition straight through processing decreases the utility of confirmation disclosures. The regulators should also acknowledge that with the introduction of multiple markets in Canada the value of providing the marketplace of execution for institutional executions may be of little benefit especially for large orders executed on more than one marketplace. We recommend that the CSA provide an exemption to the confirmation requirements when dealing with Institutional accounts and rely on National Instrument 24-101 – Institutional Trade Matching and Settlement, to address the confirmation and settlement process. This exemption would not eliminate the dealers obligation to make available details of the order executions upon request.

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?

- We support this principles based approach to managing conflicts of interest. Conflicts of interest should be identified and address by the firm in their policies and procedure. It is however very important for the CSA to clarify if there are some conflicts that will be consistently reviewed by the regulators. For example if all firms are required to have a personal trading policy then it would be helpful to have

further guidance and clarification on minimum standards and how the regulators will determine materiality.

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

- We believe the key to referral arrangements is disclosure. The proposal addresses the appropriate concerns and potential conflicts. We however believe that for Institutional Accounts this topic should be coordinated and consistent to the extent possible with any rules and policies that come out of the redrafting of National Instrument 23-102 Use of Client Brokerage Commissions as Payment for Order Execution Services or Research ("Soft Dollar" Arrangements).

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?

- Prospectus exemptions for securities offerings should remain in NI 45-106. Any exemptions for the requirements and registration of advisors and dealers should be moved to this rule.

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 believe that 120 days may be too short. A complete review of referral arrangements could entail a lengthy review of legal agreements, complete rewrite or development of new disclosure documents and renegotiation of contracts. We suggest a transition period of at least one year for rule changes to referral arrangements.

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 prefer retaining the December 31 fee payment date or keeping it as an option.

Yours Truly,

T. Braaten

Torstein Braaten
Vice President, Chief Compliance Officer
ITG Canada Corp.
416-874-0830

Cc: Nicholas Thadaney, Chief Executive Officer, ITG Canada Corp.
Ian Camacho, President, Chief Operating Officer, ITG Canada Corp.
Tony Huck, Managing Director, ITG Inc.
P. Mats Goebels, Esq., Managing Director and General Counsel, ITG Inc.