



June 20, 2007

**By Electronic Mail**

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 P. Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West  
19th Floor, Box 55  
Toronto, Ontario M5H 3S8  
Email: [jstevenson@osc.gov.on.ca](mailto:jstevenson@osc.gov.on.ca)

Dear Sirs/Mesdames

**Re: CSA Request for Comment  
Proposed National Instrument 31-103 – Registration Requirements**

Canfin Magellan Investments Inc. (“Canfin”) would like to thank you for the opportunity to comment on the proposed National Instrument 31-103 *Registration Requirements*.

**Dealer and Advisor:**

On the proposals relating to Dealer Registration, Canfin supports the regulatory direction in the Proposal for retention of the Mutual Fund Dealer category. We further support the proposals to ensure adequate transition periods, and to permit grandfathering of proficiency requirements where appropriate.

However, we do have concerns about the proposed permitted range of products to be sold by mutual fund dealers given what is, in our view, very restrictive language in this area. We desire a clearer understanding on the potential limitations to the scope of activities that will require registration under the “business trigger”, as well how “business trigger” will be defined and interpreted by the enforcement areas of the MFDA and CSA.

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**MEMBER COMPANIES:** ● CANFIN MAGELLAN INVESTMENTS INC. ● CANFIN CAPITAL GROUP INC. ● CANFIN MANAGEMENT INC.  
● CANFIN MORTGAGE AND EQUITY INC. ● CANFIN WORLDWIDE FINANCIAL SERVICES INC.

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With respect to the proposed rules governing exempt market products, we believe the exempt market dealer registration must be based on a nationally harmonized definition of exempt market product. In our view, the registration regime for such dealers 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.

Canfin also has concerns around the ability of mutual fund dealers, which choose also to be exempt market dealers, to select individual representatives who may sell exempt products, provided that the applicable representatives have the appropriate proficiency specifically required for each corresponding exempt product. The logical hierarchy of registration of MFDA members and exempt market is also of concern. We would very much like to see a modular, product-specific approach to proficiency for dealers and advisors distributing exempt market products not based on the assumption that the Canadian Securities Exam is the only appropriate proficiency assessment tool. Canfin recommends a modular approach for those selling exempt products. Mutual fund dealers' representatives who wish to sell Labour Sponsored Funds (LSIF's) that have successfully completed the IFIC course as the pre-requisite, are required to complete IFIC's LSIF course in order to demonstrate proficiency in that product. If a representative does not wish to sell LSIF, there is presently no requirement for them to complete the LSIF course, even if the dealer is offering the product. This modular approach has been in place for an extensive period of time and we feel has successfully addressed the proficiency requirement applicable to LSIF's, and dealers have been able to successfully monitor the activity to ensure that only those representatives that have successfully completed the LSIF course are selling that product.

With respect to dealer compliance areas, Canfin supports regulatory direction for the assessment of suitability requirements at the portfolio level. With respect to the general language around the suitability obligations, which will be implemented by SROs, we believe all dealers must be subject to the same rules and requirements to ensure appropriate and consistent investor protection. Canfin supports a portfolio-based application of suitability requirements by the SROs (particularly when completing assessments of trade suitability).

Canfin is also concerned that the meaning of "branch" would not provide the necessary flexibility to accommodate the many unique business models and associated risks throughout the industry. We wish to maintain the current flexibility to ensure that we have proper controls and a compliance regime in place. If a specific desired business model is imposed by regulatory requirements the result may be in decreased investor access to Mutual Fund Dealers. Any decrease in the number of viable Mutual Fund Dealer business models will result in decreased access for investors with small accounts. Canfin would be unfavourably constrained by any requirements that restrict supervisors to administrative duties only. Canfin, as a MFDA member, is able to address any perceived conflicts of interest and demonstrate appropriate two-tier supervision while maintaining producing branch managers.

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### **Account Activity Reporting:**

Presently, under MFDA requirements, mutual fund dealers with client-named registered mutual fund accounts are required to provide an annual statement of account to investors, which Canfin believes, is entirely sufficient. As a mutual fund dealer with client-named registered accounts, Canfin is neither the custodian nor the primary record keeper for the clients' holdings. The clients rely upon the fund companies to fulfill this role. As well, the fund companies provide confirmations of transactions activity as well as statements of account.

Increasing the required frequency with which statements must be issued will quadruple a dealer's monetary costs of record generation, paper production and postage as well as have a negative impact on the environment. These costs will eventually be passed on to clients, therefore we feel that this increase in account activity reporting is both unnecessary and costly.

We wish to thank you for allowing Canfin Magellan Investments Inc. the opportunity to comment and contribute to this process and we are encouraged by the continued efforts of the CSA to harmonize securities regulation.

Yours truly,  
**Canfin Magellan Investments Inc.**

Manuel DaSilva  
President & Chief Compliance Officer

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