davisrea

June 20, 2007

By electronic mail

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Authorite des marches 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, Nunavut
Registrar of Securities, Yukon Territory

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario
Canada M5H 3S8
email: jstevenson@osc.gov.on.ca

and

Madame Anne-Marie Beaudoin
Directrice du secretariat
Autorite des marches financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22 etage
Montreal, Quebec
Canada H4Z 1G3
email: consultation-en-course@lautorite.qc.ca

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Re: National Instrument 31-103 Registration Requirements

Dear Mr. Stevenson and Madame Beaudoin:

Davis-Rea Ltd. is an Investment Counsel and Portfolio Manager ("ICPM"), registered in Ontario and in each of British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Nova Scotia and Prince Edward Island. We are also currently registered as Limited Market Dealer in Ontario. We thank you for the opportunity to comment on the proposed National Instrument 31-103 Registration Requirements (the "Rule") together with its Companion Policy 31-103 and the Proposed Instrument, all of which have been issued by the Canadian Securities Administrators with respect to registration reform.

We are an independent investment counseling firm serving close to 300 families and a handful of institutions. The current firm has operated for ten years and the two predecessor firms were each started in 1978.

With respect to the proposed registration as an Investment Fund Manager ("IFM") category, we are already registered as an ICPM (or Portfolio Manager ("PM") under the new Rule) providing, primarily, discretionary services to our clients, some of whom are invested in our Davis-Rea Balanced Pooled Fund. We feel that the registration requirements of our ICPM registration adequately address the risks and that further registration as an IFM is redundant and creates an unjustifiable increase in working capital requirements. As a PM we are subject to all the fit and proper requirements and conduct requirements that are required of the IFM. As PM we are required to have an Ultimate Designated Person and Chief Compliance Officer, which is another one of the requirements for IFM. We feel the requirements of registration as a PM are sufficient to address the identified risks of:

1. incorrect or untimely calculation of net asset value;
2. incorrect or untimely preparation of financial statements and reports;
3. incorrect or untimely provisions of transfer agency or record-keeping services;
4. conflicts of interest between the fund manager and the investors

The Net Asset Value of our fund is calculated by an OSFI-registered third party custodian, so the incremental $95,000 in required working capital cannot be justified versus the risk which is already mitigated by that registration.

We are also concerned about the proposed requirement to file quarterly financial statements of our pooled fund, as an IFM, within thirty days. Since the assets under administration of our Pooled Fund would be included in our financial statements for the Corporation we question what benefit there would be to having to file these financial statements. At the present time, ICPM's are only required to file yearly financial statements.

With respect to your new Form 31-103F1, Calculation of Excess Working Capital, we feel the need to comment. As Working Capital presently stands, the calculation is Current Assets, less Current Liabilities, less Minimum Capital less the firm's Financial Institution Bond Deductible. In our particular case, this puts us in a very healthy working capital position. However, under the proposed calculations, the formula would also have us deduct our prepaid expenses (such as insurance, rent, etc.). This would create an additional substantial deduction from our working capital. The reason for our high prepaid expenses is to obtain cost reductions from our suppliers. These cost reductions will be lost if this proposal to the Rule is put through. Who will benefit from this proposal? Our landlord? Our insurance company? How do increased costs benefit our clients? This part of our working capital will be dead money since it must be held in cash or near-cash. If it were to be invested in equities a further increase in working capital would be dictated.

This new working capital requirement, as constraining as it is for an established company like ours, would be even more constraining on a young company. In addition, your requirement that guarantees be deducted from working capital prevents the transfer of shares from senior partners to younger members in the firm.

The proposed requirement to register as an IFM, plus the new calculations of working capital, would have a significant and onerous impact on our capital and provide little, if any, benefit to our constituents.

We are concerned about the proposal in the Rule for a firm to have a Client Complaint Mandatory Arbitration Service. The proposed drafting does not allow for minor complaints relating to investment performance and/or client servicing which could generally be handled between the firm and the client without the need for a Client Complaint Mandatory Arbitration Service. Who is to bear the cost for this service, which, like increased capital costs, will ultimately be passed along in the form of higher management fees?

While we understand the need for Referral Arrangements to be documented, and we have done so, we question the need to repaper our existing Referral Arrangements if all of the provisions set out in section 6.13(1)(f) are not included in the original documentation. Our reason for this is that the referral arrangements, as papered, are valid and should be "grandfathered" and that subsisting agreements, other than creating more work for the firm, the referral and the client, would serve no purpose.

We thank you for the opportunity to comment and hope you consider our arguments and recommend alternatives in the next draft of this proposed Rule.

Yours very truly,

Douglas A.C. Davis
President

/icc