BLACKMONT

CAPITAL™

June 22, 2007

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Ontario Securities Commission
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New Brunswick Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

RE: **Notice and Request for Comment – Proposed National Instrument 31-103 – *Registration Requirements***

Dear Sirs/Mesdames,

Please accept this letter as the comments of Blackmont Capital Inc. ("Blackmont") relating to the **NI 31-103 – *Registration Requirements***.

A. Commentary relating to CSA Questions

Categories of Registration and Permitted Activities

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.

While Blackmont does not have specific concerns relating to the categories of registrants which the CSA proposes, it does have concerns that some categories of registrants, including Exempt Market Dealers, will be subject to less regulatory scrutiny than registered Investment Dealers. As Exempt Market Dealers will be providing services that, from a potential client's viewpoint, are substantially similar to the services provided by an Investment Dealer, the National Instrument must ensure that all categories of registrant are subject to similar regulatory obligations including know-your-client requirements. If different categories of registrants do compete to act in relation to similar transactions and do compete to attract the same clients, they should be subject to the same regulatory requirements.

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).

Blackmont generally encourages the CSA's jurisdictions to adopt harmonized regulatory regimes to ensure that the regulatory issues Investment Dealers face are consistent across the country.

Given the nature of securities markets in British Columbia, Blackmont believes that it is of particular importance that British Columbia ensures that the regulatory obligations imposed on marketplace participants do not provide a competitive advantage to one category of participant over another.

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.

While Blackmont does not have any specific commentary relating to the requirements for registration of Managers of all types of Investment Funds, we generally believe that there should be minimum standards of proficiency as well as regulatory requirements imposed on all industry participants.

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 or detracts from a firm wide culture of compliance? Please explain.

It would appear that the CSA may have inadvertently erred with respect to subsection (1) of both sections 2.8 and 2.9 of the National Instrument. Subsection (1) of 2.8 should be in section 2.9 while subsection (1) of section 2.9 should be in section 2.8.

Blackmont also believes that the CSA must ensure that description of the responsibilities for the Ultimate Designated Person ("UDP") and the Chief Compliance Officer ("CCO") within the Companion Policy to the National Instrument must make the division of responsibilities between the categories very clear to avoid situations where there is no

clear responsibility. Examples of functions where one category or the other would be responsible would be helpful.

Blackmont believes that the registration of the UDP and the CCO would contribute to a firm wide culture of compliance as those vested with the responsibility of compliance are also held accountable. However as stated above, a clear delineation of responsibilities and ultimate accountability is required between the two roles.

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?

Blackmont has no specific response or comments to this question.

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.

Blackmont believes that the registration of senior executives and directors as "the mind and management" of the firm would result in the imposition of additional regulatory requirements without having any substantial benefit for the regulators.

The additional regulatory requirements would impose an additional regulatory burden on registrants without having any regulatory benefit. The role of some senior officers, (i.e. Human Resources, Technology) while potentially guiding minds of their specific areas of responsibility, may have little responsibility in relation to the operations of the organization which may be subject to securities regulation. Having such people register would increase regulatory responsibility and cost without a corresponding benefit to the firm and the investing public.

The mind and management of the firm should only include "top level" management and should not be extended to those below the first tier. Blackmont would suggest that it only be restricted to certain "top-level" staff involved in business operations relating directly to regulated activity, who report directly to the UDP.

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.

Blackmont has no response or comments to Question #7.

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?

Blackmont believes that the CSA should consider whether the requirement for a Financial Institution Bond should be applied to any registrant. While such bonds may be prohibitive due to cost for small firms they are expensive for all firms which are required to obtain them.

Exempting firms whose owners carry out the operations of the firm (usually smaller firms) would not seem to make sense as often it is these smaller firms which present a greater financial risk.

Blackmont believes that all firms should be subject to comparable regulatory requirements relating to such bonds, thus leveling the playing field for all registrants and ensuring appropriate steps are taken to protect the investing public.

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?

Blackmont does not believe that it is appropriate to exempt all accredited investors from the requirement in Division 1 of Part 5 - Conduct Rules. While it may be appropriate to exempt some clients from specific requirements, including the KYC obligation, Blackmont does not believe that the exemption should be applied to all accredited investors. The accredited investor definition is broad enough to include a number of individuals or organizations who would be considered accredited investors but who may not be particularly sophisticated, knowledgeable or able to tolerate substantial risk. Blackmont believes that the proposed exemption should be applied to a category of clients who are truly sophisticated, namely institutional clients.

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?

Blackmont is not opposed to the concept of providing a client with a relationship disclosure document outlining specific information relating to the account similar to the information set out in subsection 5.12(1)(b), however such disclosure will have to be conducted through the provision of standard disclosure documents tailored to the specific account.

Blackmont does not support the concept that such disclosure must include information provided by the client within the KYC forms. As clients currently are already provided with a copy of their KYC forms as an industry standard, the inclusion of such information in a relationship disclosure document would merely be repetitive and would not add to the value of the Client/Advisor relationship.

The CSA must clarify that the relationship disclosure requirements can be fulfilled by providing standardized disclosure relating to an account and a copy of the KYC information form.

Question #11: Is the prescribed content for a confirmation the appropriate type of information?
Blackmont believes that the confirmation requirements are appropriate. Blackmont would suggest that the CSA provide some direction as to whether confirmations must include information in Canadian currency or whether it is satisfactory to provide confirmation in the currency of the foreign jurisdictions that the trade was executed in or the position is currently denominated in.

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? (Part 6)

Blackmont generally believes that requirements to identify and deal with conflicts should be subject to a materiality threshold such that registrants are only obliged to identify and deal with material conflicts.

Blackmont also believes that the National Instrument should allow registrants the discretion to determine whether a conflict of interest is material or not based on their own internal policies and procedures. Each registrant must be able to rely on the discretion of appropriate staff to evaluate potential conflicts of interest and determine their materiality.

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

Blackmont believes that an additional risk of referral arrangements should include the risk that the referring party may provide representations and warranties in relation to services that the party to whom the client is being referred to will provide. Blackmont believes that the disclosure required in the relationship disclosure documents relating to services will limit this risk.

In addition Blackmont notes section 6.14 makes reference to the registrant taking "reasonable steps" to confirm that a referral partner has the appropriate qualifications to provide their service(s) and that such a referral partner is appropriately registered (where applicable). Blackmont would suggest that the CSA provide further guidance as to the definition of "reasonable steps" including outlining the nature of the due diligence which is expected and clarifying whether such due diligence will be an ongoing requirement or expected only at the initiation of a referral relationship.

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?

Blackmont has no comment.

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.

Blackmont interprets section 6.15 as requiring firms to execute new contracts in relation to existing referral relationships. This process will involve drafting new documentation and negotiating a suitable agreement. For registrants with a large number of referral agreements 120 days will not be sufficient and a minimum of 180 days would appear to be more suitable.

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.

Blackmont believes that the calendar year-end is often a very busy time for all staff and believes that a May 31 fee payment date may reduce the number of late fee payments by registrants.

B. Additional Comment on the National Instrument

Part 2 - Categories of Registration and Permitted Activities

- Blackmont supports the CSA's effort to reduce the number of categories of registration and create a standard registration regime across Canada. We believe this initiative, if supported by all members of the CSA will reduce the costs of compliance with registration requirements and will reduce the number of inadvertent violations of requirements.
- Blackmont does believe that the CSA should take care to ensure that registration requirements facilitate fair competition between categories of registrants, particularly where two categories of registrants are competing for the same type of business. The decision of potential clients as to the registrant that they wish to retain should never be impacted by regulatory issues.

Part 4 - Fit and Proper Requirements

- Blackmont supports the provisions in subsection 4.2(2) relating to an extension on time limits for registration where an individual has gained 12 months relevant experience. Blackmont would urge the CSA to amend section 4.4 of the Companion Policy to make it clear that such relevant experience must relate to the specific area of work for which the individual is registered. For example the mere fact that an individual may be working in the accounting department of an investment dealer should not be considered to be relevant experience.

Part 5 - Conduct Rules

- Blackmont believes that the conduct rules must be applied consistently to all registrants to ensure that no category of registrant is given a competitive advantage. For example all Investment Dealers, including Exempt Market Dealers, should be subject to the same KYC requirements. There is no policy reason to create different regulatory requirements for different categories of registrants where these different types of registrants will be providing comparable services to similar types of clients.

- Blackmont does not oppose the concept of non-resident registrants however we strongly believes that such registrants should be subject to comparable regulatory requirements as Canadian registrants are when dealing with clients in Canada. Failure to impose consistent conduct rules will put Canadian registrants at a competitive disadvantage.
- Blackmont believes that the requirement outlined in Section 5.4 that a registrant is to determine whether a trade is suitable in advance of the execution of the trade conflicts with IDA rules. Blackmont believes that the imposition of such an obligation will require additional direction as to how such a suitability analysis shall be undertaken. Blackmont supports the concept that individual Investment Advisors have a duty to their clients to assess suitability prior to executing a transaction, however Blackmont does not believe that it is practical to impose any other pre-trade obligations on a registrant. In addition Blackmont believes that it would be helpful to have the CSA provide additional guidance with respect to how registrants would document compliance with such suitability analysis. Is merely including a requirement in registrant's policies and procedures sufficient?
- Blackmont believes that the requirement to submit an annual report relating to complaints should not be imposed on Investment Dealers which are IDA members. The IDA's requirements relating to complaint reporting via ComSet is sufficient enough to ensure that regulators are aware of the volume and nature of complaints received in relation to all such Investment Dealers. In addition, if the CSA determines that it will require Investment Dealers to submit such a report, Blackmont believes that the CSA must provide additional information as to the form of the report, including the types of complaints which must be reported.

Part 6 - Conflicts

- Section 6.6 indicates that registrants have an obligation to ensure fairness in allocating investment opportunities among clients. Blackmont believes that the CSA must provide additional direction as to the registrant's obligations relating to fairness of allocation. For example does the CSA expect registrants to allocate securities amongst clients on a pro rata basis or can securities be allocated on the basis of a business model. Blackmont believes that the imposition of a requirement to provide a fair allocation of securities amongst all clients will be a substantial departure from the current standard practice and that all registrants will require additional direction to ensure that all registrants comply with the obligation.

Part 7 - Suspension and Revocation of Registration

- Section 7.6 dealing with reinstatement imposes a 90 day threshold for individual registrants to submit the Form 33-109F4 for reinstatement. This period of time seems to be unnecessarily short. Blackmont believes that a 180 day deadline would be more appropriate.

Part 8 - Information Sharing

- Blackmont believes that the imposition of requirements for registered firms to disclose, upon request of another registered firm, personal information with respect to a former employee would raise a number of issues:
    - The requirement exposes the former registrant-employer to possible civil liability claims, where a former employee is of the view that the release of employment information resulted in the refusal to be hired by another dealer

or where the new employer hires the employee based on such information. If the CSA determines that it is necessary to share such information they must also provide the disclosing registrant with sufficient protection from civil liability by enacting appropriate legislation.

- Blackmont believes that such a requirement is in direct conflict with applicable privacy legislation. Blackmont believes that additional clarification is required as to how registrants will comply with this requirement while still complying with privacy legislation.

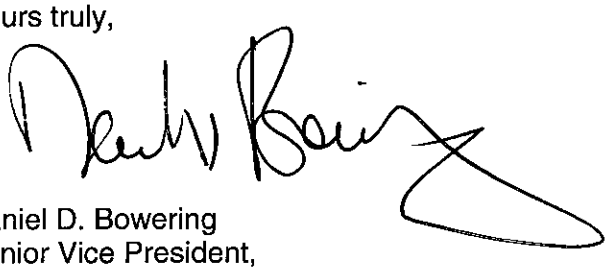
C. Additional Comment on the Companion Policy

Part 2 - Categories of Registration
While Blackmont does not object to the concept of a restricted dealer registration, we believe that the CSA should include specific clarification where such registrations will be granted. Blackmont is concerned that CSA members may allow such registrants in situations where it will provide a competitive advantage to restricted dealer registrants.

Part 6 - Conflicts
Section 6.5 indicates that Registrants have an obligation to disclose conflicts of interests to clients and it appears to indicate that a generic approach to disclosure is not adequate. Blackmont believes that it is impractical to require a customized disclosure of potential conflicts of interest to each client. Rather than having to provide customized disclosure Blackmont believes that registrants should be able to provide conflict of interest disclosure suitable to a specific category of client thereby providing sufficient information to allow the client to understand the nature of potential conflicts of interest without having to identify specific conflicts applicable to the client. By keeping the obligation manageable the CSA will ensure registrants can make such disclosures and keep such disclosures up to date without imposing obligations which will create an unnecessary regulatory burden.

Thank you for the opportunity to comment on the proposed National Instrument. If you have any question or comments please feel free to contact me.

Yours truly,



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