R. A. FLOYD CAPITAL MANAGEMENT INC.

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June 27, 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, Yukon Territory
Registrar of Securities, Nunavut

Via email to:

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

c/o Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
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email: consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames,

Re: Proposed National Instrument 31-103 Registration Requirements

I appreciate the opportunity to present the views of my firm to you.

R. A. Floyd Capital Management is registered with the Ontario Securities Commission as an Investment Counsel, Portfolio Manager and Limited Market Dealer. We manage segregated accounts and our own Canadian Equity Pooled Fund. I am a CFA and have been working in the investment industry for 27 years, starting in the brokerage industry and then onto the institutional side of the business, working specifically for insurance companies and investment counselors. I started my own firm without any external financing and have been growing it at a controlled pace.

I commend the Securities Commissions on trying to harmonize and streamline the reporting structure and requirements for participants in the investment community.

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Before I provide my comments specifically on NI 31-103, I would strongly encourage the various commissions/regulatory bodies that when proposing changes to major securities legislation, that firms of various sizes should be polled for comment. After reading the NI –31-103, it would appear that this instrument was geared towards the larger financial institutions. Shortly after it was introduced I spoke with staff at the OSC about NI 31-103, and I was initially advised that only the really large firms were consulted on the newly proposed changes. It would seem that the consultative process was biased from the beginning. I was advised that the regulators did not know which smaller firms should be contacted and how to reach them. A number of the smaller firms were not even aware that NI 31-103 was introduced. In the past, we have received and replied to a variety of surveys of information requested by our regulator, which in this case is the OSC. We feel that there has been a general lack of communication or consultation with firms of all sizes, before changes of this magnitude were requested for comment.

We sincerely hope that in future, regulators will learn from this process and they will consult a variety of firms, regardless of their size. All participants in the industry should be treated in a fair and equitable manner.

All proposed changes should be made with the overall objective of benefiting the retail and institutional client. They hire firms to mange their portfolios under a particular mandate, provide them with performance, control their portfolio costs and service their accounts. If we are spending too much of our time on bureaucratic procedures, then we are not spending enough time on what we were hired to do.

Small businesses make up a meaningful segment of the Canadian economy. They also provide many creative products to consumers across a vast array of markets. Many of the requirements of this instrument seem to place undue constraints on smaller firms that are already compliant under the existing legislation.

Unless a smaller firm has substantial financial backing when opening and building a firm, there is considerable expense to the principal(s) that are funding the firm until it is of size that it can sustain itself. The following list includes some of the more obvious expenses, which counselors are subject to as they grow:

Legals
Insurance
Accounting/Audit
Securities Registration(s)
3rd party Custodian
Recordkeeping (many smaller firms do not use 3rd party firms due to the huge expense)
Marketing
Operating Capital
Office Expenses
Working Capital
Salaries & Benefits
Training

A smaller firm has many constraints on their time from Portfolio Management, regulatory, compliance, client meetings, servicing, quarterly client reports, audits, etc.....

We are all for streamlining reporting requirements. The proposed NI 31-103 in effect, requires more reports to the regulatory bodies, higher working capital, more insurance, and more questionable training. ***The MAIN thrust of our business is to manage the clients assets*** professionally with care and due diligence, increase their wealth to the best of our ability, keep client costs down and communicate with them about their portfolio(s). The purposed NI 31-103 would in fact create more bureaucratic procedures and greatly increase operating expenses for the clients we are trying to serve.

Before NI 31-103, the next phase of our business plan was to add Errors & Omissions Insurance (which is exorbitant in cost), join ICAC, add research staff and or a portfolio manager and increase our marketing efforts. We have a Canadian Equity Pooled Fund and under the proposed NI 31-103, our working capital would increase from $25,000 + FIB deductible to $100,000.00 + our FIB deductible. We spoke with the OSC and discussed some of the challenges to smaller firms and suggested a possible exemption or "phase in" period of possibly 2 years. During the Toronto session in May, we brought up the topic of "phase in periods". Depending on whom you talked with on the panel, there were mixed responses. One person suggested "a compliance phase in" of possibly 2 months. Many of the firms in the industry would have a great deal of difficulty meeting this objective in less than 1 year, let alone two months.

How do you expect to create a fair and equitable playing field and bring along new firms in the market place, when the regulatory bodies are creating major barriers to entry and growth for the smaller firms?

While there are a number of items in the proposed NI 31-103 that place undue constraints on smaller firms that are already compliant under the existing legislation, we are focusing on the following items; transition period, actual working capital requirements, insurance requirements and financial record requirements and they are as follows:

Transition Period:

Regardless of the size of the organization, the proposed NI 31-103 will impact all firms to varying degrees in terms of time, staff, planning, expenses, etc. We strongly suggest that the CSA consider a gradual transition period. Expecting a quick adoption of the legislation will put undue stress on all companies and take away from the focus of managing clients' assets. In some situations grandfathering is necessary given that many firms that have been conducting their business, and are currently compliant, may not be compliant under the new regulations.

Working Capital – General:

The working capital requirements as they exist today, reflect an appropriate level of security for investment counsellors that have their clients' assets custodied with a 3rd party provider.

Working Capital – General: continued....

Investment Counselors generally do not hold the assets of their clients and therefore do not carry the same degree of risk as if they did. The proposed working capital requirements do not make sense given the use of 3rd party custodians. This requirement is especially onerous to the smaller firm and inhibits new entrants to the business and growth for existing firms.

Working Capital – Exempt Market Dealer (formerly Limited Market Dealer):

It is not understood why there is a need for higher working capital requirements for investment counselors that are selling their funds directly to their clients. The complex marketing infrastructure has been removed and therefore a great deal of the potential risk of error has also been removed.

Currently, as a Limited Market Dealer for a pooled fund registered with the OSC, the proposed working capital requirements for the exempt market dealer category seem prohibitive to the smaller firm. The Commissions should consider making an exemption in terms of working capital requirements for firms that are selling their funds directly to their clients. At the very least, the Commissions need to address a grand-fathering of firms that currently comply with existing legislation, but may not comply with the proposed changes.

Working Capital – Fund Dealer:

The working capital requirements for the new classification of fund dealer also seem onerous for the investment counsellor with a limited number of fund/funds.

Some of the smaller investment counsellors utilize a pooled structure to consolidate clients with similar objectives into a more manageable entity for the mutual benefit of all clients.

The working capital requirements create significant barriers to entry and constrain the ability of the smaller investment counsellor from managing their business effectively, while utilizing pooled funds. The result is an inequitable playing field. The Commissions need to address a grand-fathering of firms that currently comply with existing legislation, but may not comply with the proposed changes.

Insurance Requirements:

The result of the proposed insurance requirements seems to only have the effect of escalating operating costs with no material benefit to the clients or the industry at large. Many

Insurance Requirements: continued....

investment counsellors are already questioning the need for this type of insurance when assets are held at a third party custodian. The demand for insurance requirements will increase insurance premiums and again place an undue strain on investment counsellors generally, given the limited number of insurance companies that provide this product.

Financial Records – General & Exempt Market Dealer (formerly Limited Market Dealer):

Investment Counselors are already providing a flood of paper into the regulatory bodies. We are seriously questioning the additional requirements for even more paper flow and costly audits.

With respect to company financials, we already file financial statements to the OSC, calculate working capital monthly and if any deficiencies arise, then they must be reported to the OSC. To change this process to quarterly financial reporting within 30 days after quarter end, dramatically impacts counselors at one of the busiest times of the year. If you are managing a fund(s), all reporting is completed for both the clients and consultants at this time. Many client meetings are scheduled at this time as well, and in some instances, meeting time frames can be contractual within a certain time period after quarter end. Many of the smaller firms do not have a CA on staff to complete this type of report. Additional time and expense will be required to comply with this legislation. We seriously question whether this is a necessary requirement or if there are serious problems in this area to justify the request. We also seriously question whether the regulatory bodies will have the necessary staff to monitor the statements on an ongoing basis. The current reporting structure would appear adequate to determine if a firm is in compliance with respect to its financial condition. Quarterly reporting appears excessive.

With respect to a Limited Market Dealer registration, which will now be an exempt market dealer, our registration is used for our Canadian Equity Pooled Fund. The Pooled Fund Financial statements are already submitted, under the Securities Act as follows:

6 Months:	Unaudited statements are filed with the OSC and our Accountant, Auditor.
Annually:	Audited statements are filed with the OSC, Legal Counsel, Accountant, Auditor and the Pooled Fund clients.

This reporting structure would appear adequate to determine if a firm is meeting its' financial requirements.

Our overall impression of NI 31-103 is that while some reduction in classifications has material benefits, other administrative issues seem to have compromised the intent of the proposal and made it more expensive and cumbersome to deal with the legislation. Given the lengthy responses that have been presented on the OSC website, it would appear that a second draft of this proposed national instrument would be in the best interest of all concerned.

We will be more than happy to provide further input, to a subsequent review of the proposed NI 31-103, which will address the feedback brought forth by both the investment community and the public.

We look forward to the harmonization and streamlining of the reporting structure and requirements for participants in the investment community.

We thank the CSA for considering our comments. If you require any additional information, please feel free to contact me directly at 905-823-2500 x 201.

Sincerely,

Robert Floyd CFA
President

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