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May 22, 2008

By electronic mail
British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Authorité 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, Nunavut
Registrar of Securities, Yukon Territory

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

Re: National Instrument 31-103 Registration Requirements

Dear Mr. Stevenson:

McLean Budden Limited ("McLean Budden") is pleased to have the opportunity to provide further comments on the proposed National Instrument 31-103 "Registration Requirements" (the "Rule") together with its companion policy 31-203 (together, the "Proposed Instrument") issued by the Canadian Securities Administrators ("CSA") regarding the registration of investment advisers in Canada.

McLean Budden was founded in 1947 and currently manages over $40 billion for both institutional and private clients. McLean Budden is committed to providing its clients with the highest quality of service possible and we believe that taking the opportunity to provide comments to regulators to be an essential part of that service.

Part 2 - Categories of Registration and Permitted Activities

2.2 - Exemption from dealer registrations for advisers

We believe that the reorganization and rationalization of registration categories to be a positive development in the Proposed Instrument, but feel that a lack of clarity may lead to confusion amongst registered firms.

Section 2.2(1) provides for a registration exemption for an adviser dealing in a security of its own pooled fund with a fully managed account managed by the adviser. We originally commented that that the lack of definition of 'pooled fund' was an oversight by the CSA that should be addressed. The clarity provided by such a definition would enable a greater understanding of the distinction amongst the various products offered for sale by registrants.

We continue to believe that a broad definition of 'Investment Fund', including both funds offered pursuant to a Prospectus as well as funds sold in reliance on a Prospectus exemption, is most consistent with the intent of the exemption.

Part 4 – Division 1: Proficiency Requirements

4.4 Time Limits on Examination Proficiency

We believe the CSA to be correct in recognizing that establishing time limits for applying for registration after the completion of examinations or educational programs results in fairly arbitrary limitation on qualified individuals applying for registration. The registration extension available pursuant to subsection 4.4(2) of the Proposed Instrument is evidence of the CSA's appreciation of the arbitrariness of such time limits. We strongly believe, however, that the extension is still too restrictive. Many individuals working in the securities industry tend to complete educational programs such as the Canadian Securities Exam and the Chartered Financial Analyst programs during the early stages if their careers and go on to obtain valuable work experience afterwards. We believe that the CSA should eliminate the 36-month time limit for applying for registration entirely in situations where the individual has been employed continuously in the securities industry since completing the exam or program.

Part 4 - Division 2: Solvency Requirements

4.18 Capital Requirement

As we originally commented, client assets are not at direct risk from a firm's insolvency as investment counselors do not hold their client's money directly. A third-party custodian or broker holds client assets, isolating those client assets from the manager's corporate activities. We continue to believe that the protection of client assets will not be improved by increasing the working capital requirements and will only serve to discourage competition and create a barrier to smaller firms and new entrants.

In addition, we feel that the 100% deduction for investments made in an adviser's own non-prospectus qualified pooled funds is inappropriate as it does not take into account the realities of fund management. Many advisers invest excess capital into their own non-prospectus qualified pooled funds. The reasons for this are twofold. First, prior to investing, many clients look to ensure that an adviser has made a substantial investment in its own fund. Secondly, in order to remain competitive in the marketplace, an adviser often looks to introduce new products and/or strategies for which seed money is required. This differential treatment for capital held in non-prospectus qualified pooled funds might impede a manager from launching new funds as they will be required to seed those funds with working capital. In addition, it serves as an unnecessary barrier to smaller firms and new entrants.

We believe that current levels of minimum working capital are sufficient and should not be changed. Furthermore, we believe that a 0% deduction is appropriate to allow for capital held in non-prospectus qualified pooled funds to be included in the working capital calculation.

4.23 Insurance - Adviser

While, on the surface, it appears that NI 31-103 calls for lower mandatory insurance requirements for advisers that do not hold or access client assets, the inclusion of 'cheques or other similar instruments' will force all, or nearly all advisers, to the higher mandatory insurance requirement.

This is simply incongruous with the apparent intent of the requirements, as an adviser that may unintentionally come into possession of a cheque is treated the same way as an adviser that holds or has regular access to a client's assets. We believe that this position makes little sense, as it there is no risk where an adviser is not the payee on a cheque, but merely forwarding it along to the proper recipient. It would be impossible for any adviser to put controls in place to ensure that they never inadvertently come into possession of a client cheque and this, essence, disqualifies all advisers from the lower mandatory insurance requirements. As there is no material risk where an adviser handles a cheque for which it is not the payee, it would seem appropriate to remove 'cheques or other similar instruments' from the proposed rule. If any further enhancement is indeed desired, we believe that requiring adequate Errors and Omissions coverage provides superior protection and is more reflective of the needs of the marketplace.

4.30 NAV Correction Reporting

It is our position that the requirement for a NAV Correction Report is an unnecessary burden for advisers. A third party custodian typically does NAV calculation, and the third party custodian would perform any adjustment in the calculation. As part of its fiduciary duty, an adviser should review NAV calculations, including any adjustments, to ensure that all clients are treated fairly. We believe that the regular review of the NAV calculations is sufficient in meeting fiduciary obligations and that the requirement for a NAV Correction Report will not benefit investors in a material way and will result in increased administrative costs.

Part 5 Division 1: Relationship With Clients

5.4 Providing Relationship Disclosure Information

We maintain our earlier stated opinion that, while improvements to the client-registrant interface are welcome, certain aspects of the mandatory relationship disclosure document are too onerous and are of limited utility. We believe that a combination of comprehensive disclosure and a general discussion of investments and associated risks serve a useful function while keeping administrative costs at a reasonable level.

The requirement that the document contain a discussion of how specific products will meet the needs of specific clients requires a great deal of tailoring, and will prove costly to produce. It is our belief that a general discussion of the risks associated with certain types of products and the relative suitability of certain types of products for certain types of investors would serve as an adequate educational tool.

Part 5 Division 2: Client Assets

We believe that the requirement, pursuant to 5.10(2), that registered firms is required to hold cash on behalf of clients in a designated trust account with a Canadian financial institution or a Schedule III bank unfairly penalizes certain firms and will ultimately servce as a hindrance to maintaining or developing alternative investment strategies, For example, funds with a 120/20 or 130/30 structure utilize short positions and/or leverage and the cash must generally be held by a prime broker as security. We are concerned by the inequity of treatment in the proposed instrument, as it appears that foreign advisers utilizing these same strategies are given greater leeway. Section 5.35(c) of NI 31-103 permits non-resident registered firms to arrange for client assets to be held by custodians but also by registered dealers who meet certain requirements. This failure to allow for other entities, such as a prime broker, to hold assets in certain circumstance is also inconsistent with the provision in section 6.8 of National Instrument 81-102. That section permits margin and/or collateral for certain derivative transactions to be held by a broker or a counterparty. We believe that the CSA should ensure that there is consistency between the two instruments.

Part 5 Division 6: Complaint Handling

5.29 Dispute Resolution Service

As we stated in our previous letter, we believe that the requirement that a registered firm must pay an ongoing retainer to a dispute resolution service is unnecessary and will result in increased costs, which would be especially onerous to smaller firms and new market entrants as well as the investing public, who will ultimately bear the costs. Mandatory arbitration is not a viable requirement in an industry in which many complaints are of a minor nature or relate to matters that are of not regulatory in nature, such as those relating to performance.

We strongly believe that firms with efficient and fully disclosed complaint handling procedures need not participate in a third party dispute resolution service. These procedures would be open to review by CSA members as part of the audit process. In the alternative, it is imperative that the CSA members established a materiality threshold so that only appropriate complaints are deemed eligible for the mandatory arbitration process.

General Comments

It should be noted that the Canadian Securities Administrators are to be commended for their effort to harmonize, streamline and modernize the registration requirements across Canada. We hope that the CSA find the above remarks to be helpful in their efforts and that we have contributed in the manner desired. If you have any questions about our comments, please do not hesitate to contact me.

Sincerely,

Scott Mahaffy
Vice President, Legal
McLean Budden Limited