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BY E-MAIL

May 27, 2008

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

Dear Sirs and Mesdames:

Proposed National Instrument 31-103, Registration Requirements

Thank you for your invitation to provide comments on the revised proposed National Instrument 31-103 (the "**Rule**") published in January 2008.

We appreciate the efforts of the CSA to revise the Rule in consideration of, and to address concerns raised by commentators respecting the Rule as originally drafted and the role of many intermediaries in the exempt market place. We have the following remaining concerns and some additional comments based upon the revisions made to the Rule.

Definition of Handling, Holding or Having Access to Client Assets – Companion Policy 4.7.1

We agree that excluding dealers that do not handle, hold or have access to client assets from the capital, insurance and some of the procedural/administrative requirements addresses concerns raised with the original Rule concerning a number of participants in the exempt market whose businesses operate under this scenario.

However, in our view, the inclusion within this definition of the activity "handles client cheques in transit (e.g. a cheque made payable to a third-party issuer)" overly broadens this definition and the activity itself does not fit within the context of this definition, nor does it accord with the other activities listed or the rationale for the capital, insurance and other requirements applicable to those registered dealers that handle client assets.

The balance of the list of activities makes sense to us as activities that represent holding, handling or having access to client assets since they clearly give the registrant rights and access to a client's assets which allow the registrant to manipulate or deal with them. This is not the case with the act of merely taking physical custody in passing of a cheque not addressed to the registrant, which activity places the registrant in the position of a courier (or agent for delivery) and, different from the other listed activities, does not give the registrant any

rights or access to manipulate or deal with the client's funds. The potential for harm or loss arising from handling a client's cheque in transit is very different from the other scenarios where the registrant has actual "access" to those assets and the level of protection required is correspondingly very different. The solvency, audit, account opening, activity reporting and financial records requirements clearly make sense where the registrant is taking custody of client's assets to the extent listed in the other scenarios, but become onerous without a clearly perceivable benefit where the registrant is only handling a client's cheque in transit.

For example, if the registrant were to become insolvent, there is no consequence for cheques not made payable to the registrant that may be physically in its possession at the time. Similarly, requiring a registrant to open a client account that will have nothing in it and report to clients on these accounts does not have a recognizable benefit, but does represent a clearly recognizable burden.

We therefore ask that this activity be removed from the definition of "handles, holds or has access to client assets, including cheques or similar instruments" and that the activities that are included within this definition be restricted to those that clearly give the registrant rights and access to a client's assets to an extent which justifies the protections afforded by the solvency, audit, account opening, activity reporting and financial records requirements.

Definition of Permitted Client

We agree with the addition of a category of client that is excepted from the suitability assessment and other registrant oversight activities when engaging in a trade. We believe; however, that the CSA has set the bar too high for categories (m), (n) and (o) of this definition and has excluded some categories that would be meaningful for this definition. If this exception is intended to reflect the sophistication of the client or the client's ability to seek expert advice, withstand loss or accept risk, then setting the bar so high in our view unnecessarily displaces a large number of investors which have such ability or sophistication and severely limits the usefulness of this exception for non-institutional investors.

Our specific comments about this definition are as follows:

Subparagraph (d)

We believe that this category should be expanded to clearly include individual representatives of advisors or dealers. These representatives are qualified to make suitability assessments for their clients, but by excluding them from this category, they are not being found qualified to make the same suitability assessment for themselves. We believe these individuals should be permitted clients.

Subparagraph (m)

We believe that restricting the assets test to "financial assets" is very onerous (given the dollar amounts, quite a bit more so than the accredited investor definition) and in our view does not increase the protection from risk of loss or indicate sophistication or ability simply because, at the time of the investment, an investor's assets happen to be sitting in cash or securities. We understand that the ability of an investor to liquidate quickly to cover losses may be important in certain circumstances; however, we believe that it is somewhat artificial to require sophisticated investors to keep or have at a certain point in time a potentially significant portion of their assets in cash or securities in order to meet the requirements of this category. In our view, the measure of investor sophistication and the ability to assess risk and make independent investment decisions or withstand loss should not require a limited investment portfolio in order to demonstrate this. We suggest that a category based upon net assets be added to this definition without setting the bar so high as to make its use unrealistic for a very large percentage of the population.

Subparagraph (o)

Again, assuming the parameter of size or ability to withstand loss or absorb risk is a measure of a permitted client, we ask the CSA to consider changing this category from a measure of shareholders' equity to a measure

of assets (not net assets) given that certain classes of shares of a corporation, such as preferred shares with a redemption feature, are required to be reported as a liability under GAAP and not as shareholders' equity. Alternatively, specifically including all shares in the measure of shareholders' equity regardless of how the shares are reported for accounting purposes may also address our concern. Also, as previously commented, we believe that setting the level at $100 million unnecessarily puts this exception out of reach of investors that are truly sophisticated investors.

Additional Category

We would like to see a net income category added to this definition, since again, those investors that may not meet the assets test, but have significant net income in our view fall within the same rationale for exempting certain registrant oversight of their investment activities; however, again we would not like to see the bar set so high for this requirement as to be unrealistic for a large percentage of the population and therefore not practically usable.

Dispute Resolution Service – Section 5.29

This section requires a registered firm to participate in an independent "dispute resolution service" similar to that provided to firms that are members of a self-regulatory organization (SRO), by their SRO.

In our view, the other sections of Division 6 provide sufficient mechanisms for complaints to be handled in the first instance at the dealer level with recourse for investors to the securities regulatory authority if a complaint is not handled to their satisfaction (as is available now).

We believe that requiring an independent dispute resolution service will be a significant burden on a number of dealers, notably those dealers that are not a member of an SRO such as exempt market dealers, or those restricted by the nature of their activities, such as selling only one type of product or only a related issuer's securities, which restricted activities naturally reduce the potential for complaints.

We believe that the burden of this requirement is especially apparent for those dealers that do not handle, hold or have access to client assets where the likelihood of complaints being made or the nature of the complaints is mitigated by these dealers' lack of access to client's assets and their limited role in the transaction process and relationship with their clients. We submit that these dealers in particular should be exempted from this requirement.

Given the complaint reporting requirements, the securities regulatory authority is in a position to monitor complaints and the ability of a dealer to resolve any complaints and to intercede where it believes it to be necessary or beneficial. An independent dispute resolution service may be an effective measure imposed by a securities regulatory authority if it determines that a dealer cannot sufficiently resolve complaints itself over time.

We believe that dealers should be given the opportunity to show that they can successfully resolve client complaints themselves before being required to incur the cost and administrative burden of engaging an independent dispute resolution service.

Part 10 – Transition

Please provide clarification of an apparent discrepancy between subsection 10.1(2) of the Rule and Footnote 11 on page 15 of the CSA Notice and Request for Comment. The Rule states that an Ontario limited market dealer will be deemed to be registered as an exempt market dealer and Footnote 11 says that an Ontario limited market dealer will be required to apply to be registered as an exempt market dealer.

Ontario – Amendments to Ontario Securities Act in order to Implement the Rule

There appears to be a potential conflict between Section 36 – Confirmation of Trade of the proposed amendments to the Ontario Securities Act and the Rule. Section 36 requires that, subject to the regulations, every registered dealer must send a written confirmation of transaction, whereas, this same requirement in Division 4 of the Rule is inapplicable for exempt market dealers that do not hold, handle or have access to client assets. Will the Ontario regulations contain an exemption to the Act requirement to coincide with the Rule or will these exempt market dealers in Ontario be required to follow the requirement in the Ontario Securities Act in spite of the Rule?

Thank you for your consideration of our comments.

Yours very truly,

"Susan Belcher"

CareVest Capital Inc.
Susan M. Belcher, General Counsel