



**SOCIETE GENERALE**  
Corporate & Investment Banking

May 28, 2008

British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Securities Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Office of the Administrator, New Brunswick  
Registrar of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Nunavut  
Registrar of Securities, Yukon Territory

c/o John Stevenson, Secretary  
Ontario Securities Commission  
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Toronto, Ontario  
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c/o Anne-Marie Beaudoin, Directrice du secrétariat  
Autorité des marchés financiers  
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Attention: Office of the Secretary

Dear Sirs/Mesdames:

**Re: Comments on Revised Draft National Instrument 31-103 *Registration Requirements***

Thank you for the opportunity to provide comments on the CSA's revised draft of proposed National Instrument 31-103 *Registration Requirements* ("NI 31-103"). Outlined below are the most significant issues that we believe require additional consideration.

## **1. Restrictions Under the International Dealer Exemption on Trading with Investment Dealers Not Acting as Principal**

SG Americas Securities, LLC (“SGAS”) is presently registered in Ontario as an international dealer and does business elsewhere in Canada in reliance on the accredited investor exemption from registration. Currently, an international dealer such as SGAS may trade in any type of security with a Canadian registered investment dealer, regardless of whether that Canadian dealer is acting as principal or as agent. Under NI 31-103, an international dealer’s ability to trade with a Canadian investment dealer in securities other than foreign securities would be limited to trades in which the Canadian investment dealer is acting as principal. This limitation would significantly restrict both an international dealer’s ability to participate in Canadian capital markets and a Canadian investment dealer’s ability to obtain services from an international dealer, while offering no clear investor protection benefits.

When an international dealer trades with a Canadian investment dealer, whether the latter is acting as principal or as agent for its own clients, the only two relevant entities are the Canadian dealer and the international dealer, not the clients for whom the Canadian dealer may be acting as agent. There is no reason to suppose that the Canadian dealer, as a regulated and highly sophisticated institution trading with the international dealer, is in need of any greater protection when it is trading as agent with the international dealer than when it is trading as principal with the international dealer. In either case, the Canadian dealer is a fully registered dealer subject to substantial regulatory, proficiency and compliance requirements. Furthermore, the proposed limitation does not appear to provide any additional benefit to the parties for whom the Canadian dealer may be acting as agent, given that the Canadian dealer’s activities with its own clients are fully regulated. Indeed, the proposed limitation’s only real effect may be to disrupt currently permitted trading activities and reduce capital market efficiency and liquidity, since any existing and permitted trading in Canadian equity securities between Canadian investment dealers acting as agent and international dealers acting as principal or as agent would be terminated by the proposed limitation. In the absence of any clear investor protection benefits, and because of the significance of the impact on international dealers’ and Canadian investment dealers’ ability to trade with one another and the associated impact on Canadian markets, we strongly urge the CSA to amend NI 31-103 to continue the established practice of allowing international dealers to trade in any securities with registered Canadian investment dealers, whether the latter are acting as principal or as agent.

## **2. Restrictions Under the International Dealer Exemption on Dealing in Canadian Securities**

Other than in the circumstances referred to in point 1, above, where an international dealer is trading with a Canadian investment dealer, NI 31-103, as currently drafted, allows no scope for trading in equity securities of Canadian-domiciled issuers with Canadian investors, including those that are traded on exchanges or marketplaces outside of Canada. If the permitted clients with which international dealers would be allowed to trade are considered to have the resources and sophistication necessary to deal with registration-exempt international dealers in the case of foreign issuer securities, wherever they may be traded, there is no reason to suppose that such permitted clients would not be equally capable of dealing with international dealers in the case of Canadian issuer securities traded on a marketplace outside of Canada. Where foreign issuer and Canadian issuer securities are both traded on the same foreign exchange or marketplace, it is difficult to see why one would call for the additional investor protection afforded by dealer

registration while the other would not. We therefore urge the CSA to amend the definition of foreign security as it applies to the permitted activities of international dealers so as to allow international dealers to deal with permitted clients in any security that is traded on an exchange or marketplace outside of Canada.

### **3. Permitted Clients under the International Dealer Exemption**

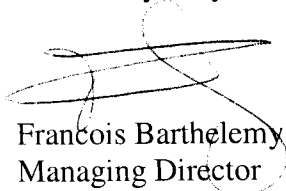
We believe the definition of permitted client in NI 31-103 is overly and arbitrarily narrow in certain respects. For example, the definition appears to exclude business organizations other than corporations. There are many sophisticated and well capitalized businesses in Canada that are not organized as corporations, such as hedge funds, which often take the form of limited partnerships or trusts. From an investor protection perspective, there does not appear to be any obvious reason to exclude an entity of comparable sophistication and resources merely on the basis of its form of organization. We therefore recommend that the definition of permitted client be expanded to include business organizations of any form meeting a specified net asset threshold. With respect to the net asset threshold itself, we believe that the currently proposed threshold of \$100 million provided for in paragraph (o) of the definition of permitted client is too high. Currently, international dealers are permitted to trade with business organizations having net assets of just \$5 million. Not only does a sudden increase in the specified threshold from \$5 million to \$100 million seem unjustified simply because the form of regulation is moving from a very lightly regulated registration category to an exemption, but it would have a significant impact on sophisticated Canadian investors relying on the services of international dealers. We would therefore urge the CSA to consider adopting a net asset threshold of \$25 million, which would be more closely aligned with comparable U.S. rules and in proportion with the proposed increase in the financial threshold applicable to individuals from \$1 million as “accredited investors” to \$5 million as “permitted clients” under Canadian securities legislation.

### **4. Extension of Margin/Credit by Exempt Market Dealers**

Currently, dealers registered as limited market dealers in Ontario and relying on the accredited investor exemption elsewhere in Canada are permitted to provide a full range of services to accredited investors, including the extension of margin. Under NI 31-103 as currently drafted, any registrant that is not a member of the Investment Dealers Association of Canada is prohibited from extending credit to a client. While this restriction does not apply to IDA-member firms, foreign firms are not currently eligible for membership in the IDA. We believe this restriction is inappropriate in the case of full service international dealers that are SRO members and regulated as such with respect to the provision of client credit, and therefore urge the CSA to include in NI 31-103 an exemption from this restriction allowing specifically qualified dealers to provide margin and credit services to their clients.

We appreciate your consideration of our comments. If you would like to discuss any of the above in greater detail, please do not hesitate to contact the undersigned.

Yours very truly,



Francois Barthelemy  
Managing Director