



**INVESTMENT DEALERS
ASSOCIATION OF CANADA**

Suite 2300, 355 - 4th Avenue S.W.
Calgary, Alberta T2P 0J1
Tel: 403-262-6393
Fax: 403-265-4603
www.ida.ca

May 28, 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

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario
M5H 3S8

Anne-Marie Beaudoin
Directrice du secretariat
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22 étage
Montreal, Quebec
H4Z 1G3

Dear Mr. Stevenson and Ms. Beaudoin:

Re: Request for Comments on Proposed National Instrument 31-103 *Registration Requirements* and proposed Companion Policy 31-103 *Registration Requirements*

The Alberta District Council (the “ADC”) of the Investment Dealers Association of Canada (the “IDA”) is pleased to respond to the Canadian Securities Administrators’ (the

“CSA”) Request for Comment on the proposed National Instrument 31-103 and related Companion Policy (“NI 31-103”).

The ADC applauds the CSA’s continuing efforts to consolidate and harmonize securities laws and regulations surrounding the issue of registration and, to the extent that it simplifies the current regime, supports them.

While we are generally in favor of the proposed amendments, the ADC wishes to draw the following issues to the attention of the CSA:

Part 2, Section 2.9 – Ultimate Designated Person (the “UDP”)

The ADC supports the concept of compliance being a firm-wide responsibility. We agree that the responsibility for compliance belongs to firms generally, and that compliance should not be viewed as an isolated activity of the compliance department but as an integral part of the member firm’s general business activities.

We believe that the definition being proposed by the CSA is too restrictive in that it does not allow member firms the flexibility of designating the most appropriate senior official within their organization to this position and, by doing so, may inhibit a firm from developing and/or implementing the most effective compliance regime possible.

Specifically, Section 2.9 (2) provides that the UDP must either be:

- (a) the chief executive officer (CEO) of the registered firm;
- (b) an officer in charge of a division of the registered firm, if the activity that requires the firm to register occurs only within that division; or
- (c) an individual acting in a capacity similar to that of an officer described in paragraph (a) or (b).

We acknowledge that the CSA has expanded the definition from its original proposal, and appreciate that the intent behind implementing such restrictive conditions is to ensure that the individual designated has sufficient decision making authority on behalf of the member firm so as to ensure a robust compliance regime is maintained and promoted from the highest level within the firm.

The concern that the ADC has with the current proposal, is that the most significant compliance and management responsibilities in a member firm may be carried out by senior officers in the organization other than the CEO. Further, appointing the officer in charge of a division of a firm that requires registration may represent a conflict in smaller firms, i.e. the Head of Sales & Trading may be the only sales person in the firm and, as such, may not be the most appropriate person to act as UDP.

To provide the highest degree of flexibility for member firms, while at the same time ensuring that the UDP has the requisite authority and knowledge to carry out the responsibilities of the position, we would propose that the definition be expanded to

include those positions which are currently permitted under By-law 1 of the Investment Dealers Association of Canada (the “IDA”), those being the:

- (a) Chief Executive Officer,
- (b) President,
- (c) Chief Operating Officer,
- (d) Chief Financial Officer, or
- (e) such other officer designated with the equivalent supervisory and decision making responsibility who has been granted approval by the IDA to act as the Ultimate Designated Person.

In the opinion of the ADC this definition is flexible enough to capture the business structure of all member firms while still maintaining the integrity and enforceability of the proposal.

To ensure that the individual appointed to the position has sufficient authority to act on behalf of the member, we would suggest that the CSA could include a provision whereby member firms would be required to delegate certain decision making authority to the position they are appointing as UDP by way of formal corporate resolution under the appropriate section of the applicable business corporations act. This would thereby guarantee that the UDP had the appropriate authority necessary to carry out the regulatory oversight responsibility required by the CSA.

It is the position of the ADC that this suggestion would provide both the flexibility necessary to allow member firms to appoint the most qualified individuals while at the same time providing comfort to the CSA that this individual has the necessary authority required.

Part 2, Section 2.7 – Individual Categories

We support the CSA’s decision to create categories of registration that require the UDP and CCO to be approved under the terms and conditions set out in the national instrument. The ADC is a strong advocate of investor protection and is of the opinion that both of these positions are required in order to achieve the highest level of protection possible. We would go one step further, however, and require that the Chief Financial Officer (“CFO”) position also become a category of registration.

As you are no doubt aware, the IDA currently has, and will continue to have, a requirement to designate a qualified CFO whose responsibilities, among other things, are to monitor the capital and insurance adequacy of the firm. In the ADC’s opinion, maintenance of appropriate capital and sufficient and appropriate insurance coverage are paramount to the protection of the investing public, and as such, should be given the same level of attention and scrutiny as other compliance functions.

The CSA has gone to great lengths to identify and create the specific categories of UDP and CCO, and to outline the specifically designated functions of each role, and we would

recommend that the same consideration be given to the role and responsibilities of the CFO. In this regard, we suggest that the CSA consider the addition of a registration category for the CFO, as well as designating specific functions in Part 5 – Division 5 in a similar fashion to those of the UDP and CCO.

Part 5 – Division 6 - Complaint Handling

Under Section 5.31, the CSA has included a provision that requires registered firms to deliver a report to the securities regulatory authority on January 30 and July 30 of each year that contains information regarding:

- (a) each complaint made to the firm during the reporting period,
- (b) each complaint that was resolved during the reporting period, and
- (c) each complaint that remained unresolved as at the end of the reporting period.

Currently all firms that are members of the IDA are required to report this information to the IDA within prescribed time frames under the requirements of IDA Policy 8 using the facilities of the Complaints and Settlement Database (COMSET). Further, IDA member firms are required to confirm a “nil” report with the IDA at the end of each year if they have no reportable matters during the calendar year.

In that this information is already being reviewed by and/or acted upon by the IDA, it is the position of the ADC that requiring additional reporting of these matters to the securities regulatory authority is redundant and does not provide any additional protection to the investing public.

It is our understanding that the Chair of the Registration Reform Working Group has recently confirmed to staff of the Alberta Securities Commission that relief will be granted to those member firms who report this information on COMSET. Accordingly, IDA member firms will only be subject to Part 5, Sections 5.28 and 5.30 of NI 31-103, as they relate to complaint handling, and instead, will continue to be subject to the complaint handling procedures required by the IDA. We trust that this relief will appear in the final version of the instrument, by way of an exemption from Part 5, Section 5.31 being added to the list of exemptions under Part 3, Section 3.3.

Part 6 – Conflicts of Interest

The current provisions of proposed NI 31-103 as they relate to the issue of conflicts of interest are broadly written and principle based in nature. This contrasts to the specific requirements as contained under the Policy 7.1 of the Alberta *Securities Act* and Section 223 of Regulation 1015 of the Ontario *Securities Act*.

It is our understanding that the Ontario and Alberta Securities Commissions intend to repeal their respective rules as it relates to this issue, but we are unclear as to whether the

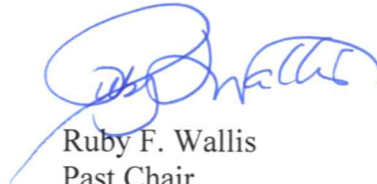
CSA intends to incorporate more specific requirements under the proposed NI 31-103, or if it intends to leave it as a broad and principle based requirement.

Thank you for providing this opportunity to comment on proposed National Instrument 31-103 *Registration Requirements* and Proposed Companion Policy 31-103. Notwithstanding the issues raised above, the ADC believes that this proposal represents a significant step towards achieving harmonization and efficiency in securities regulations in Canada.

Yours truly,



Holly A. Benson, CA
Chair
Alberta District Council



Ruby F. Wallis
Past Chair
Alberta District Council