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DELIVERED VIA EMAIL

May 29, 2008

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Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Register of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Register of Securities, Northwest Territories
Register of Securities, Yukon Territory
Register of Securities, Nunavut

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Dear Sirs / Mesdames,

Re: Comments on Proposed National Instrument 31-103 *Registration Requirements* ("NI 31-103"), Proposed Companion Policy 31-103CP ("31-103CP") and Consequential Amendments to other National Instruments (collectively, the "Registration Reform Rules")

We submit the following comments in response to the Notice and Request for Comments (the "Notice") published on February 29, 2008 (2008) 31 OSCB with respect to the Registration Reform Rules. Section A consists of our general comments on the registration reform initiative and its implementation; Section B consists of our substantive comments on the

Registration Reform Rules; and Section C consists of our more technical comments relating to specific provisions of the Registration Reform Rules.

This letter represents the general comments of certain members of our securities practice group (and not those of the firm generally or any client of the firm) and are submitted without prejudice to any position taken or that may be taken by our firm on its own behalf or on behalf of any client.

PART A. GENERAL COMMENTS ON THE REGISTRATION REFORM INITIATIVE AND ITS IMPLEMENTATION:

1. Harmonization:

We support any effort to harmonize, streamline and modernize the registration regime across Canada. We believe that this is important nationally to foster efficient markets and enhance investor protection. Further, harmonization of Canadian requirements may foster international recognition of Canadian standards and mutual recognition between securities regulatory authorities in Canada and other countries. We would support these initiatives as a way to enhance cross-border business and global market opportunities.

In this respect, we feel it is imperative that harmonization and modernization of the registration regime through this registration reform initiative be as effective and comprehensive as possible. There are a number of ways in which we believe the Registration Reform Rules, as proposed, could be improved further to achieve the stated objectives of the proposal, as well as to take into account the realities of the global marketplace. In particular, we have a number of concerns with respect to the potential for a lack of harmonization, with the resulting compliance risks, increased inefficiencies and costs to market participants, including:

- To the extent substantive requirements are included in local legislation (i.e. the registration requirement, business trigger, definitions of investment fund, investment fund manager, dealer and adviser, and the exemptions for financial federally regulated institutions) are inconsistent, harmonization may be difficult to achieve.

- The proposed differences in the implementation of the Registration Reform Rules across jurisdictions can lead to a lack of harmonization. These differences include:

    - British Columbia and New Brunswick adopting "business trigger" by means of exemptions in National Instrument 45-106

- Differences in wording of statutory provisions and, in particular, Ontario not adopting a "platform" approach to the enabling legislation
- Manitoba not adopting a "business trigger"
- British Columbia and Manitoba maintaining exemptions for non-residents operating locally.

- It is critical that the Registration Reform Rules be implemented consistently across all jurisdictions without local exemptions. Local rules should be amended, where appropriate, to permit maximum harmonization of registration rules through NI 31-103 and to eliminate local specificities which undermine the very purpose of this initiative.

- We note that the CSA proposes to adopt committees to help ensure consistency in implementation. We are concerned that this proposal will be insufficient to ensure harmonization. Even with committees, as noted above, differences in local rules and legislation could very well defeat harmonization. Committees may prove cumbersome and inefficient. Further, turnover of committee members and CSA staff over time will inevitably lead to inconsistent training and implementation. We believe that consistency and harmonization can only be achieved through consistent rules, and the adoption of a true passport system (as discussed below).

- We would encourage the CSA to work with the IDA and MFDA to ensure harmonization (or at least a lack of contradiction) with respect to requirements. This will be particularly important for registrants in multiple categories. In particular we have noticed differences in the following areas:
  - residency requirements
  - the dispute resolution system
  - the complaint processing requirements
  - the proposed client relationship models of IDA and MFDA versus conduct rules in NI 31-103.

- In the Notice and Request for Comments published on January 25, 2008 with respect to MI 11-102 *Passport System*, the CSA indicated that they would publish "in due course" the passport system for

registration provisions and NP 11-204 *Process for registration in multiple jurisdictions.*

- We would encourage adoption of a true passport system as part of the implementation of NI 31-103. The stated objectives of the Registration Reform Rules cannot be achieved unless passport for registration provides for:

    - A registrant being required to apply only to its principal regulator, with registration being available in non-principal jurisdictions automatically or through a very simple filing (eg., a submission to jurisdiction)

    - Exemptions from non-harmonized registration requirements if a registrant is registered in more than one jurisdiction (i.e. the registrant would only need to comply with rules of principal regulator)

    - Access to the National Registration System for non-resident registrants on the same basis as for Canadian-resident registrants.

Upon implementation of Registration Reform, we need a true passport system to be in place. This may largely do away with the need for technical mobility exemptions.

2. Effect on Currently Lawful Businesses:

Established business activity carried on by non-Canadian dealers, non-resident advisers and limited market dealers (either through existing registrations or existing exemptions) may be unjustifiably impeded by the Registration Reform Rules. Significant commercial difficulties may arise if activities which are currently conducted in accordance with law are prohibited. This will be disruptive for both market participants and clients. In particular, advisers or dealers who could no longer act for current clients under proposed NI 31-103 may be in a very difficult position particularly in light of their duty of care to clients. Given the substantial changes to longstanding exemptions (eg. the Quebec Adviser Registration Exemption, as defined below), consideration should be given to grandfathering ongoing contractual arrangements with current clients.

(i) Non-Canadian Dealers

Other than in Ontario and Newfoundland and Labrador, provincial and territorial securities laws generally permit a non-Canadian dealer to trade in

both Canadian and non-Canadian securities with an "accredited investor" on a dealer registration-exempt basis. This exemption has been very widely used by non-Canadian dealers and its proposed elimination is a significant regulatory change.

- Under 31-103, a non-Canadian dealer that is registered under the securities laws of its home jurisdiction may rely on the international dealer exemption to trade with a "permitted client" when trading in "foreign securities". This represents a very significant narrowing of permitted activities and clients.

- Dealers who are currently registered as international dealers in Ontario will be faced with the choice of registering as an exempt market dealer ("EMD") or relying on the international dealer exemption and dealing with a much more restricted category of permitted clients.

- Non-resident dealers in provinces outside of Ontario and Newfoundland and Labrador will require registration as EMDs to gain access to the full list of "accredited investors" with whom they are presently permitted to trade in both foreign and Canadian securities.

- EMD registration will require non-Canadian dealers to satisfy a number of Canadian requirements such as individual proficiency, information filings for directors and officers, capital, insurance and registration of Chief Compliance Officers ("CCOs") and ultimate designated persons ("UDPs").

- If an EMD is subject to primary regulation by the SEC, FINRA or a similar regulatory authority that imposes capital, insurance, CCO, UDP and other similar requirements, additional Canadian regulation is redundant. The CSA should consider a system of mutual recognition for the regulation of intermediaries which is not duplicative of such entities' compliance with the laws of their home jurisdictions and does not subject such entities to subjective tests and a cumbersome registration process in 13 Canadian jurisdictions. As in other areas of regulation, it is increasingly accepted that mutual recognition and international regulatory cooperation by sophisticated regulators will make Canadian capital markets stronger both nationally and internationally. As noted above, we believe that harmonization of registration rules across Canada will increase the opportunities for mutual recognition.

(ii) Non-resident Advisers

- Under NI 31-103, an adviser that is registered, or operates under an exemption from registration, under the securities laws of its home jurisdiction may rely on the international adviser exemption to act as an adviser for "permitted clients". In order to rely on the exemption, the adviser cannot advise on Canadian securities, cannot (together with its affiliates) derive more than 10% of gross revenues from its portfolio management activities in Canada and must file submission to jurisdiction forms and deliver client notifications. We note that the proposed revenue test is much more restrictive than the current test for international advisers in Ontario (which is no more than 25%).

- The repeal of the exemptions from the adviser registration requirement in Quebec for advisory activities conducted solely with a subset of accredited investors in Quebec. (Section 194.2 of the Regulation Respecting Securities (Quebec) - (the "Quebec Adviser Registration Exemption") will restrict activities which are currently being conducted on a lawful basis. The Quebec Adviser Registration Exemption does not restrict the provision of advice with respect to the securities of Canadian issuers and is not subject to the same restrictions as the proposed international adviser exemption imposes.

- Depending on the terms and conditions of the registration of foreign advisers in other provinces, or any discretionary exemptive relief from registration under local rules, relying on the proposed international advisor exemption may also narrow the permitted activities and clients of foreign advisers in other provinces.

- If advisors cannot rely on the narrower international adviser exemption they will have to register as a portfolio manager or terminate their existing relationships with clients (to whom they owe a duty of care).

- Portfolio manager registration will require non-resident advisers to satisfy a number of Canadian requirements such as individual proficiency, information filings for directors and officers, capital, insurance and registration of CCO and UDP.

(iii) Exempt Market Dealers

The proposed new restrictions on the provision of loans, credit and margin by EMDs are troublesome. First, no explanation for these new restrictions is provided. Many dealers currently registered as "limited market

dealers" provide loans, credit and/or margin to their accredited investor clients both on a short term (i.e. pre-trade settlement) and longer term basis. The new restrictions will adversely affect their business models, and the overall competitive market for credit. Thus, both EMDs and accredited investors will be adversely affected. To continue to provide such loans, credit or margin, expensive and time-consuming, and ultimately discretionary, exemptive relief will be necessary; and the confidentiality of business models will be affected even if such relief is obtainable. We are uncertain as to what benefits will be generated that would offset the costs that will be imposed, particularly as the clients involved are accredited investors.

We also note that margin rules in Canada have always been related to capital adequacy. Where EMDs are not subject to capital adequacy (i.e. where they will not handle, hold or have access to client assets) then there seems no possible rationale for loan, margin or credit restrictions, since if the EMD is too generous with loans, it will fail, but without any material harmful effect on clients. Where they are subject to capital adequacy requirements, then any concerns could be addressed by requiring them to take margin into account in determining their capital and to immediately advise the applicable securities regulator of any resulting deficiency.

If the concern is that even accredited investors may borrow excessively, this would seem to be addressed by the suitability, know your client and leverage risk disclosure requirements. Thus, it is difficult to see any justifiable rationale for these new restrictions.

If these restrictions, or some less restrictive variations, are to be kept, then:

- They should not apply to EMDs not subject to capital adequacy requirements;
- They should expressly carve out credit extended only prior to the settlement of transactions (as otherwise this would cause very severe impacts); and
- They should expressly not apply to investment products with embedded credit characteristics, but only to credit extended by the dealer.

However, we would encourage reconsideration of these new restrictive provisions.

3. Need for Efficient Implementation:

As noted above, we believe it is imperative that the New Registration Rules be implemented in a manner which promotes harmonization. Further, as the changes being implemented through NI 31-103 will in many circumstances be fundamental to market participants, consideration needs to be given to ensuring that implementation is as efficient as possible and that appropriate grandfathering and transitional provisions are set out.

- We believe that it would be administratively efficient to set out in NI 31-103 exemptions that regulatory authorities would otherwise be willing to provide on a regular basis, for example:
    - Exemptions from proficiency requirements where an individual meets proficiency requirements of the U.S., U.K. or other EU member states
    - Exemptions for entities other than IDA and MFDA members who will be permitted to provide margin
- Considering such matters on a case by case basis would be inefficient. Obtaining exemptive relief is often a slow, expensive and cumbersome process.
- We also would ask that consideration be given to a more streamlined process if relief is required (i.e. for proficiency exemptions).
- As noted above, we would strongly support a true passport system for registration, as a way of streamlining the registration process and reducing the administrative burden. In addition, non-resident firms should have access to the National Registration Systems.

4. Harmonization of Regulation of Other Financial Instruments:

- We would encourage the update of the regulation of "commodity futures" in Ontario and Manitoba as well as "exchange contracts" in British Columbia, Alberta and Saskatchewan to harmonize the registration requirements and exemptions with the Registration Reform Rules.
- Also, consideration should be given to the effect of the Registration Reform Rules in light of the proposed new derivatives legislation in Quebec to ensure maximum consistency of the rules.

- We are concerned that there seems to be a growing divergence among Canadian jurisdictions with respect to the regulation of exchange-traded futures and options, and that the regulation of these instruments is becoming increasingly fragmented and inconsistent as compared to other foreign jurisdictions. Harmonization in this area is also vital in terms of maintaining an efficient and attractive Canadian market for exchange-traded derivatives.

PART B SUBSTANTIVE COMMENTS ON REGISTRATION REFORM RULES

1. Investment Funds and Investment Fund Managers:

- We would encourage the CSA to provide further guidance on the definition of investment funds. We note some commentary is included in National Instrument 81-106 (such as the exclusion of REITs) but it is not always clear which funds fall in these categories. For example, the definition in securities legislation is that a non-redeemable fund that invests for control is not an investment fund - but often private equity funds hold some small positions in public equities and some hedge funds have private equity "side pockets".

- We also request specific clarification that the "look through" analysis/interpretation has truly been abandoned. The "look through" analysis has been a long-standing interpretation adopted by the Ontario Securities Commission. In order to provide certainty that previous commentary is no longer applicable we would suggest a clear statement to that effect (both in respect of securities legislation and in respect of commodities futures legislation).

- We would suggest that special purpose general partners which technically may be "investment fund managers" be exempt from the investment fund manager registration requirement if the portfolio managers have an investment fund manager registration.

- We would suggest that a more functional approach be taken to the requirement to register as an investment fund manager (or at minimum to the capital, insurance and other requirements imposed by that registration). In particular, certain "investment funds" may really be more properly characterized as advisory relationships such as:

    - single investor vehicles that may be established for tax efficiency or other similar purposes

- pooled funds which have been established merely to reduce costs of managing discretionary accounts (and are not offered on a retail basis).

- We believe that the requirement to report NAV adjustments should be subject to a materiality threshold.

- We would ask whether it is appropriate that unregistered fund managers (i.e. operating outside of Canada) be required to pay participation fees, particularly if the "look through" analysis/interpretation has truly been abandoned.

- In addition to not being required to register as an adviser or fund manager, we are of the view that it should be made clear in the NI or CP that private equity funds, venture capital funds and the like that are not non-redeemable investment funds or mutual funds should not be required to either be registered as a dealer or to use a registered dealer for the purposes of raising funds from "permitted clients" on an occasional or non-continuous basis.

- We are of the view that non-Canadian funds should, in addition to not being required to register as advisers or fund managers, also not be required to use registered dealers when dealing with "permitted clients".

2. **Registration of Exempt Market Dealers:**

- We do not understand the need for quarterly financial statements for those EMDs that do not have capital requirements.

- In the Companion Policy, EMDs seem to be deemed to handle, hold or have access to client assets (and therefore be subject to capital and other requirements) if they do nothing more than take delivery of a cheque made out to a third party. We do not believe this is an appropriate result.

3. **Registration of Individuals:**

- We would appreciate guidance with respect to the obligations and liabilities of CCOs and UDPs.

- We would suggest that the UDP not be restricted to the CEO but possibly an officer with another other equivalent title such as President or Managing Partner (consistent with IDA rules).

- We would appreciate clarification with respect to the registration status of client service representatives (i.e. neither advising representative nor associate advising representative is appropriate given the proficiency requirements). These individuals often answer client phone calls or inquiries and it is often difficult to determine whether their communications could be construed as providing "advice" even though they do not perform any portfolio management functions. Perhaps consideration should be given to establishing a separate registration category for client service representatives if it is determined that these representatives need to be registered.

- We would also appreciate guidance as to the permitted activities for associate advising representatives. If such individuals are merely passing on advice provided by an advising representative, query whether registration of these individuals is even required.

- We note the addition of a general requirement for education and experience "reasonably necessary to perform the activity". This is a subjective standard which seems inconsistent with the very specific proficiency requirements, particularly as there is no guidance as to what is considered to be reasonably necessary.

- We need a streamlined process for exemption applications for relief from proficiency requirements - particularly for non-residents (deemed equivalency) or registrants conducting specialized activities.

- We believe that the requirement that individuals conducting principal trades in-house for broker-dealers or others be registered is inappropriate. We do not really understand what policy concerns this requirement will address and we believe that this may prove to be a significant burden for large international firms.

4. <u>International Adviser Exemption</u>:

- We would ask that consideration should be given to removal of the restrictions with respect to advising in Canadian securities (or at least Canadian securities listed outside Canada).

- Just by nature of their operations, most non-Canadian dealers and advisers provide services which primarily involve non-Canadian securities. Is the Canadian securities restriction really necessary in light of the issues it raises with respect to index instruments and complex financial products for which the level of Canadian content may be difficult to monitor over time?

- We ask that consideration be given to whether it is appropriate that entities relying on this exemption are subject to participation fees.

5. **International Dealer Exemption:**

- Our comments with respect to restrictions on Canadian securities and with respect to participation fees under "International Adviser Exemption" above are equally applicable to the international dealer exemption.

- Why does the dealer have to be registered in its home jurisdiction – what if lawfully relying on an exemption in its home jurisdiction (i.e. banks in the US)?

- This exemption should clearly extend to underwriting activities (if trades in the subject securities are otherwise permitted by the exemption).

6. **Other Registration Exemptions:**

- Sub-adviser exemption – We believe that the condition that the sub-adviser has no contact with clients is onerous and will shut down current lawful business in Ontario.

- We believe that the mobility exemption is too narrow. If we can adopt a true passport registration system (see discussion above), it will largely be unnecessary. We note that it that the exemptions are inconsistent with proposed exemptions in MI 11-102 Passport System.

- Exemption from dealer registration requirements for portfolio managers of pooled funds – why do accounts have to be fully managed? (i.e. if a client wants a Canadian equity mandate why does the adviser have to have the discretion to buy and sell the pooled fund units).

- The exemptions under local legislation for federally regulated financial institutions (including those set out in proposed section 192 of the Regulation Respecting Securities (Quebec)) should be harmonized to the greatest possible extent to reduce the risk that both material and subtle differences in the substantive exemptions available across all CSA jurisdictions will increase compliance costs and risks to federally regulated financial institutions relying on those exemptions in connection with products and services offered on a pan-Canadian basis.

- The dealer registration exemption in section 8.2 [Investment fund distributing through dealer] for an investment fund or the investment fund manager of the fund that distributes a security of the fund's own issue through a registered dealer should also cover the distribution of such securities through persons relying on the international dealer exemption.

- The dealer registration exemption in section 8.3 [Issuer distributing through dealer] for an issuer that is trading in securities of its own issue for its own account if the trading is done through a registered dealer should also cover the trading of such securities through persons relying on the international dealer exemption.

- The "financial or other interest" disclosure requirement which has been added to section 8.14(2) in the generic advising exemption will likely raise significant compliance issues, particularly for large financial publications businesses with global operations and multiple print and online publications accessible to the Canadian market. Our understanding is that there is no equivalent requirement applicable to these businesses in the United States which is probably the largest source of print and online financial publications for the Canadian market. Most of these businesses do not and could not track the information which would be required to be disclosed as a condition to relying on this exemption. The current reality in the financial information marketplace is that content in the form of "stock picks" and other similar commentary changes continuously in most financial media. So does "ownership, beneficial or otherwise" or other "financial or other interest" in the relevant securities. Any disclosure of such interests, assuming that it could be compiled, would, in most cases, be continually out of synch with the related generic advice and would therefore be more misleading than informative. The CSA have not articulated a compelling policy reason for introducing this condition which will likely prove impossible to comply with and which would substantially limit the relevance and value of this important exemption.

- The reference to "venture capital" investments in "small private companies" in section 1.4.3 of the Companion Policy is too limited and should be broadened to include "private equity" investing in larger companies since the same rationale applies.

- Section 1.4.5 of the Companion Policy [Activities not commonly in the business of trading or advising] states that "*For example, merger and acquisition specialists advising the parties to a transaction between*

corporations are not normally required to register as advisers in connection with that activity, even though the transaction may result in trades in securities. The business purpose in this example is to effect the transaction. Any advice with respect to trades in the securities is incidental to that purpose and is limited to the parties to the transaction". That paragraph should be broadened to state that such specialists are *"not normally required to register as dealers or advisers in connection with that activity"*.

- In addition to "principal trading activities", NI 31-103 or the Companion Policy should provide a clear exemption from the adviser registration requirement for individual advisory activities carried out for a very limited circle of family and friends. This is frequently the means by which talented young financial professionals can develop a standalone track record to test out and develop a viable business plan. The CSA should recognize this reality, particularly in light of the "one-size-fits all" fit and proper requirements which impose significant barriers to entry (in the form of audited financials, and capital and insurance requirements) and which may discourage the development of new talent in smaller independent firms. These individuals do not typically have any interest in holding themselves out to the broader investing public as carrying on any kind of advisory business. Individuals relying on this exemption could be limited to a specific pool of qualified friends and family and be required to provide a risk disclosure statement regarding the individual's non-registered status.

- A similar exemption from the adviser registration requirement should be set out for individuals providing investment advisory services to family offices and, if a family office is structured as a legal entity, for the entity providing services, e.g. to a limited group of families, again subject to the provision, where appropriate of, a risk disclosure statement regarding the non-registered status of the firm and any individuals providing investment advice.

7. Definition of Permitted Client:

We have a few suggestions and comments on the definition of "permitted client":

- Permitted clients should include any entity owned by entities which otherwise meet the definition of permitted clients

- We would suggest adding a provision allowing an entity to be designated as a permitted client and providing a clear mechanism for obtaining such designation

- In category (l), the exemption for registered charities should not be conditioned on obtaining advice from an eligibility adviser in the case of a charity with substantial assets under management. These well established endowments, in most cases, have their own professional investment committees and should not have to retain an eligibility adviser and pay an additional layer of fees simply to access the specialized investment products and services of non-resident dealers and advisers which such substantial charities require for prudent portfolio diversification purposes

- In category (o) why not entities other than corporations? (trusts, partnerships etc). Why $100 million when "accredited investors" (and individual permitted clients under 31-103) is $5 million?

- There is a need to address the situations of family trusts, etc (i.e. the person establishing the trust and directing its activities will be a permitted client but the beneficiaries are often minor children).

8. **Conduct Rules:**

- Dispute resolution - We note that NI 31-103 and Quebec provisions are inconsistent. We question the need for an independent dispute resolution service (which could entail unnecessary expenses). Instead we would suggest that consideration be given to requiring registrants to refer complainants to the government ombudsman.

- The definition of "complaints" is too broad and should be restricted to complaints concerning the products and services provided by the registrant. We also note that the requirements for addressing complaints are inconsistent with IDA requirements.

- Reporting complaints - should be subject to a materiality threshold. How do you determine if a complaint is resolved?

- Referral Arrangements - Consideration should be given to relaxing the requirements for referral arrangements among affiliates.

- Custody rules for non-resident registrants: Please clarify that the reference to a "comparable compensation fund or contingency trust fund" includes those in foreign jurisdictions such as the Securities Investor Protection Corporation (SIPC).

- Conflict of interest provisions - should the definition be consistent with that of the IDA? Should the definition be included in the National Instrument as opposed to the Companion Policy?

- The addition of the requirement in Section 5.3(2) to establish the identify of direct and indirect beneficial owners of more than 10% of the shares of a corporate client is unnecessary as it is duplicative of the requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and SRO requirements to which registrants are already subject.

9. **Transition Rules:**

- What happens to foreign entities registered in provinces such as British Columbia and Alberta? The conditions on their registration may permit activities beyond the international exemptions. They should be deemed to be registered in a different category since the registration and ongoing compliance requirements for non-resident applicants in these jurisdictions have historically been substantially similar to the requirements applicable to local registrants, although the scope of permitted clients and activities under the categories of non-resident registration have been more limited than for local registrants.

- It is important that the National Registration System be made available to non-residents on the same basis as for Canadian-resident registrants and that implementation be consistent.

- If exemptions are not provided in the rules, there should be a period of time for entities that are lawfully providing services during which they can continue these activities while they apply for exemptive relief (i.e. US dealers currently providing margin in connection with prime brokerage activities), or in the alternative, consideration should be given to grand-fathering these activities.

- Quebec registrants should also be given a six-month transition period if they choose to transition to the complaint handling rules under NI 31-103. This is especially important for larger firms which may prefer to adopt firmwide complaint handling procedures based on NI 31-103 across all Canadian jurisdictions, including Quebec.

10. **Forms and Reporting Requirements:**

- We believe that the forms are far too detailed and require far too much information (i.e. business plans, employment agreements, client

contracts, the requirement for 10 years of residential addresses). It will be virtually impossible to update all changes within 5 business days - setting up an environment of non-compliance. Updating requirements should be limited to specific material matters.

- We would appreciate some guidance with respect to the level of detail expected for things like business plans.

PART 3 - TECHNICAL COMMENTS

We also have a number of technical comments for your consideration:

- We would appreciate confirmation that registration continues in the event of a merger or amalgamation.

- The definition of "fully managed account" should include accounts managed by dealers authorized to act as portfolio managers in accordance with IDA rules and by international advisers.

- In the definition of permitted client clause (c) there is exception for securities required to be held by directors. Some regulatory regimes may require that voting securities be held by qualified individuals who may not be directors. These individuals should be included in the exception.

- In (k) of "permitted client" - can the manager be a "restricted portfolio manager"?

- Section 2.1.(1) (d)(i) (D) - what does this mean? Why the requirement that the trade is with a registered dealer?

- Section 5.31 requires a registered firm to deliver a report to the securities regulatory authority in respect of "each complaint made", however, section 5.28 only requires a registered firm to document and respond to complaints regarding any "products or services offered by the firm or a representative of the firm". It should be made clear in section 5.31 that the complaints to be reported on are only those complaints regarding any "products or services offered by the firm or a representative of the firm". In the alternative, the definition of "complaint" in the CP should be limited to any "products or services offered by the firm or a representative of the firm".

- Section 5.12.2 of the CP provides that registered firms must document and respond to "every" complaint - this is inconsistent with s. 5.28 which only requires registered firms to document and respond to

complaints regarding "products or services offered by the firm or a representative of the firm".

- Section 5.12.5 of the CP provides that registered firms should document "all" complaints made against them - this inconsistent with 5.28 which only requires registered firm to document complaints regarding "products or services offered by the firm or a representative of the firm".

- The international dealer exemption appears to limit dealer to dealer trades - we understand that this was not the intention but it needs to be clarified

- Section 8.5(4), is missing the word "client"

- The definition of "international dealer" in section 8.15(1) should be amended to conform with the wording of the definition of "international adviser" in section 8.16(1) as follows:

  "international dealer" means a dealer that is registered under the securities legislation of the foreign jurisdiction in which its head office or principal place of business is located in a category of registration that permits the dealer to carry on the activities in that jurisdiction that ~~registration as a~~ registered dealer ~~would permit the dealer~~is permitted to carry on in the local jurisdiction.

- The definitions in section 4.1 are not in alphabetical order

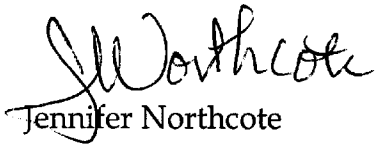
- Section 2.4 of the Companion Policy refers to "international portfolio manager exemption" as opposed to "international adviser exemption" and there is reference to section 8.15 of the NI when it should be 8.16.

- In section 8.4(5) any investment fund that adopts a reinvestment plan is required to describe it in its most recent "prospectus, if any". How does this apply to closed end funds? Should it not be its most recent "simplified" prospectus or offering memorandum, if any?

- Regulation 31-103 as it will be adopted in Quebec should contain a table of contents. The lack of any table of contents in the Quebec regulations implementing national and multilateral instruments in Quebec renders the Quebec rules far less convenient to refer to than the national or multilateral instruments adopted in other jurisdictions such as Ontario.

Thank you for your consideration of this submission. We hope that our comments are helpful and would be happy to discuss any of these submissions with you in greater detail.

Submitted on behalf of members of the Securities Practice Group at Stikeman Elliott LLP by,



Jennifer Northcote