VERONICA ARMSTRONG LAW CORPORATION

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Financial and Consumer Affairs Authority of Saskatchewan
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Autorité des marchés financiers
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Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Registrar of Securities, Nunavut

Robert Blair, Secretary (Acting)
Ontario Securities Commission
20 Queen Street West, Suite 2200
Toronto, ON M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3

October 4, 2016

Dear Sir/Madam

Proposed amendments to NI 31-103: Custody Requirements

We thank you for this opportunity to respond to proposed amendments to National Instrument 31-103 intended to enhance custody requirements applicable to non-SRO registered firms.

As a general observation, while we agree that protection of client assets is critical, we would note that the CSA has not described any improper custodial practices. Moreover, although the stated purpose of the amendments is to address potential intermediary risks, the amendments effectively prohibit non-SRO registered firms from having custody at all. Proposing amendments to the regulatory regime where there are gaps is to be expected; but a heavy-handed approach to risk management where the incidence of harm would appear to be minimal is disconcerting.

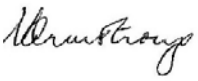
218 – 3580 Moncton Street, Richmond BC V7C 4C2 Veronica@VALC.ca 604-644-9232

Nevertheless, we do not object to the proposed amendments; we do, however, have some questions:

1. The only guidance about holding or having access to client assets appears in 31-103CP in the context of advisers and insurance. Will that serve as general guidance about the activities that constitute holding and having access to client assets? In other words, may advisers rely on that guidance outside the context of insurance, and may exempt market dealers rely on that guidance?
2. In the same vein, some advisers have client authority to bill the client's account for financial planning fees. The guidance states that advisers would be considered to have access to a client's account to pay bills other than for investment management fees. Presumably then, authority to bill a client's account for financial planning fees would constitute having access. Since an holistic approach to wealth management appears to be on the increase, it is possible more and more advisers will add financial planning to their services. Have the regulators considered whether financial planning fees should be treated differently from investment management fees? If so, why?
3. Were there particular reasons the regulators thought having increased insurance coverage for cases where an adviser holds or has access to client assets was not adequate protection? If so, why was increased insurance coverage considered inadequate?
4. If a registered firm has access to a client's account for the purpose of viewing the client's securities, but cannot direct trading in those securities, would that be considered having access to a client's securities?

Thank you once again for the opportunity to provide a response.

Yours truly



Veronica Armstrong

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