

Hello,

I am the President of Cluster Asset Management Inc. an ICPM registered with the OSC.

First, thank you for providing companies such as ours the opportunity to comment.

Our observations are concentrated in several areas of the proposal and address the issue of the impact of regulations on relatively small firms, such as ourselves.

In general, the increasing complexity of regulations places a real burden on small firms. However experienced management of these companies are, we have found ourselves needing to obtain costly legal opinions on matters which are not that complex.

I started Cluster after having been in the investment business for over forty years, having along the way been a vice president investments of a large trust company and the director in charge of the Ontario Hydro Pension Fund.

Our comments are as follows:

1/ we believe that the current level of capital requirements, while on the surface not particularly high, are adequate for operating purposes and any increase would simply represent a deterrent to the creation of new advisors and therefore counterproductive to the health of the business

2/ similarly, raising the level of insurance bonding is unnecessary.

Given that the industry practice is for ICPM's to be " pure " advisors, that is hold no client securities, or cash, we have never understood why bonding was necessary at all.

In our experience, the insurance industry keeps increasing rates knowing that we must have coverage and this results in time consuming and fruitless annual renewal negotiations.

Historically, insurance rates go in cycles and when rates rise generally the burden on firms such as ours, where we think the risk of loss is remote becomes significant

3/ our third area of observation is registration requirements for individuals within ICPM's.

The requirements in themselves are fine.

However, our experience has been that adding people needing exemptions is very cumbersome.

For example, advisors who have obtained both the CFA designation and the Securities Course and have held senior positions in the business but have not practiced portfolio management directly for the past three years, now need to go through a cumbersome process of approval.

Streamlining this somehow would be very helpful.

Sincerely,

Peter de Auer

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