

Re: National Instrument 31-103 Comments

The following areas require further review and consideration:

1. The excess working capital requirement is meaningless where the advisor does not hold the securities directly. Where a custodian is involved and the advisor should become insolvent, the client is still protected because he/she can access the portfolio at any time through the custodian. A bigger risk to the client is whether the advisor's business needs are driving his investment philosophy. This too would become evident to the client early on in the relationship and he could take appropriate action.
2. Similarly, the need for a Financial Institution Bond is meaningless because one could not use it for the purposes it is meant to protect the client on. The cost is also prohibitive.
3. The need for audited financial statements is expensive and onerous for a smaller firm. As the Canada Revenue Service generally requires only a Review the same should apply for the regulator. Also, since the principals are active on a day-to-day basis they would have direct access to any financial information required.
4. A minimum capital requirement would not allow a small advisor to operate. I am referring to the type of advisor that handles a relatively small block of accounts for himself, his family and friends and just wants to "carve-out" a modest living. The requirements in addition to audited statements, etc. would be punitive.
5. With respect to the requirements for the chief compliance officer, why shouldn't a Certified General Account be allowed to perform this function. A CGA is a professional accountant who has also completed a rigorous educational program and is bound by a stringent code of conduct and ethics.
6. A payment date of May 31st would be a good idea for our firm.
7. Professional liability insurance is also meaningless for a small closely-held firm because the controls are in place, the deductible in the policy is high and, generally, the firm could never collect on the policy if a judgement went against the firm.

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