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June 21, 2007

VIA COURIER

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

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario
M5H 3S8
Email: jstevenson@osc.gov.on.ca

- and to -

Anne-Marie Beaudoin, Directrice du secrétariat
Autorité des marchés financiers
Tour de la Bourse, 800, square Victoria
C.P. 246, 22 étage
Montreal, Québec
H4Z 1G3
Email: consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames:

Re: National Instrument 31-103 *Registration Requirements* (NI 31-103)

On behalf of The Canadian Institute of Chartered Accountants (the **CICA**) and all of its constituent members, we wanted to express our support for the efforts of the Canadian Securities



Administrators (the **CSA**) in proposing NI 31-103 and to encourage the CSA to continue their efforts to harmonize and streamline Canada's securities laws.

CICA

The CICA, together with the provincial, territorial and Bermuda Institutes/Ordre of Chartered Accountants, represents a membership of approximately 72,000 chartered accountants (each a **CA**) and 10,000 students in Canada and Bermuda.

The CICA conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government. It issues guidance on control and governance, publishes professional literature, develops continuing education programs and represents the CA profession nationally and internationally.

NI 31-103

With respect to proposed NI 31-103 and the registration of exempt market dealers (each an **EMD**), we have the following comments:

1. We note the change in the registration regime to a "business trigger" for dealers, including EMDs, and acknowledge the factors set out in NI 31-103 that will need to be considered in determining whether or not a particular party needs to be registered as an EMD or as a dealing representative of an EMD. While we appreciate that these factors will also evolve over time, we are concerned that a significant number of CAs in smaller cities or towns may be involved in assisting clients periodically in transactions that involve securities that do not warrant the need for registration.

For example, CAs may be involved in various business activities ranging from corporate finance services and related advice, to being involved in mergers, acquisitions, divestitures and capital raising activities in both the public and private markets. Corporate finance professionals, including CAs, typically undertake various reviews and analyses of companies to assist in determining what such companies should do next. This may involve introductions and negotiations with other parties, including private equity firms, banks, insurance companies and other institutional lenders or investors. As you can appreciate, such activities may or may not involve being in the "business" of securities, and to the extent they do, a person will, as currently set out in NI 31-103, have to register as a dealing representative of an EMD and meet the proficiency requirements set out in the proposed rule.

However, we do expect, as indicated above, that a significant number of CAs in smaller cities and towns may not cross this threshold as their securities related activities will not be done with sufficient repetition, regularity or continuity to constitute being in the "business" of dealing in securities. Our concern is that this assessment will have to be done on a case-by-case basis and will be open to interpretation by the CSA. Accordingly, we respectfully

request that the CSA keep a broad perspective in determining whether or not a CA is in the "business" of securities and not lose site of what the principal activity of these individuals is - acting as a chartered accountant for their clients and not as a dealer who is primarily interested in consummating a securities transaction.

2. Currently, NI 31-103 expects a dealing representative of an EMD to (i) have passed the Canadian Securities Exam and either the Conduct and Practices Handbook Exam or the Partners, Directors and Senior Officers Exam, (ii) have passed the Series 7 Exam and the New Entrants Exam or (iii) meet the proficiency requirements of an advising officer as set out in section 4.9 of NI 31-103.

Given the activities an EMD may be involved in (see above), we respectfully submit that passing these courses may not always be necessary and may not always be the most appropriate course for an individual to take.

The CICA in partnership with the Institute of Chartered Accountants in England and Wales have developed the Corporate Finance (CF) Qualification which establishes a consistently high level of expertise in the area of Corporate Finance across international markets by providing a relevant and comprehensive education program for corporate finance professionals. A more detailed description of the CF Qualification is attached as Schedules A and B.

We respectfully submit that the CSA should add the CF Qualification as one of the alternatives a person can pass to enable such person to become a dealing representative of an EMD. To the extent necessary, an additional module can be developed with the assistance of the CSA to ensure that the CF Qualification can be relied upon by a person applying for registration as a dealing representative of an EMD, which will satisfy the proficiency requirements of the CSA.

3. NI 31-103 also contemplates that an EMD must satisfy the insurance and capital requirements set out in the rule. To the extent an EMD does not handle client assets (i.e., the assets of the clients of the EMD are deposited directly into an account at a Canadian financial institution on the clients' behalf), we respectfully submit that it would not be prejudicial to the public interest to exempt an EMD from these requirements. Given the nature of an EMD's activities, which from a securities perspective are limited to the exempt market, it does not appear to be necessary for an EMD, that does not handle client assets, to have a financial institution bond and excess working capital of at least \$50,000.
4. We also respectfully submit that if an EMD does not handle client assets, it may not be necessary for the EMD to incur the expense of audited financial statements, given that the securities activities of the EMD, as noted above, are limited to the exempt market with parties who are sophisticated (i.e., institutions and high net worth individuals) and who do not need the protection of Canada's securities legislation.



5. We also respectfully request that the CSA ensure that:
- (i) existing registrants that are currently registered as a limited market dealer in Ontario and/or Newfoundland and Labrador, including their registered representatives; and
 - (ii) participants in the other provinces and territories of Canada who did not previously have to be registered to assist persons with exempt trades,

be given an adequate period of time (e.g., two to three years) to transition themselves to the requirements set out in NI 31-103 or that where appropriate, such individuals be exempted from such requirements.

* * *

If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned at 416-204-3335.

We look forward to working with the CSA in moving NI 31-103 forward.

Yours truly,

The Canadian Institute of Chartered Accountants

A handwritten signature in black ink, appearing to read "Forristal". The signature is written in a cursive, flowing style with a large initial "F".

Tim W. Forristal, CA
Vice-President, Education