



INVESTMENT  
TECHNOLOGY  
GROUP

ITG Canada Corp.  
The Exchange Tower, 130 King Street West, Suite 1040, Toronto, Ontario M5X 1B1  
Tel. 416.874.0900 www.itg.com

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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  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
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  
19<sup>th</sup> Floor  
Suite 1903, Box 55  
Toronto, Ontario M5H 3S8

- and -

c/o 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

Dear Sirs/Mesdames:

**Re: Proposed National Instrument 31-103 and Companion Policy 31-103 –  
Registration Requirements (the “Instrument”)**

ITG Canada Corp. (“ITG Canada”) is pleased to have the opportunity to offer its comments on the revised proposals to the National Instruments on Registration Reform.

ITG Canada is a specialized brokerage and technology firm that provides innovative technology solutions spanning the entire investment process. Our sophisticated solutions include pre-trade analytics, advanced trade execution technologies and post-trade evaluation services.

ITG Canada commends the CSA for the changes it has made to the Instrument. The amendments have improved the Instrument so that it reflects many more of the practical realities facing the industry, without compromising investor protection. We however believe that there still remain some areas of concern.

This submission is divided into two sections: (a) general comments on Registration Reform and; (b) specific comments on areas where we believe the CSA should go further in harmonizing rules where firms that are members of a self-regulatory organization such as the Investment Industry Regulatory Organization of Canada ("IIROC").

### **General Comments**

ITG Canada supports the CSA in its efforts to consolidate Canadian registration regime. We also support initiatives that level the regulatory playing field between market participants and believe that these initiatives will enhance the efficiency and integrity of the Canadian Capital Markets. Consistency in regulation is important in ensuring all stakeholders are treated fairly and that there is a level playing field between participants that are conducting similar business activities.

ITG Canada participated in and supports the comment letter submitted by the Investment Industry Association of Canada ("IIAC"). The IIAC comment letter represents the views of many IDA members in addition to our own

We encourage the CSA to consider looking at ways to provide for one simplified registration to one regulator with one fee that covers all Provinces and Territories. We welcome the reduction and harmonization of registration categories and see this as a natural step towards a truly national registration system. We however note that this was attempted with limited success using the National Registration System ("NRS") process through the use of the National Registration Database ("NRD") application as there was still the requirement for individual Provinces to acknowledge or confirm approvals back to the lead jurisdiction.

### **Specific Comments/Concerns**

#### ***Definitions – Permitted Client***

We commend the CSA for introducing this category of investor in response to industry comments however this category is not consistent with IDA Policy 4 definition which was derived after many years of consultation. We do not see significant value in creating a third category that crosses over as well as changes both the current and well understood Retail and Institutional definitions.

#### ***Individual Registration Categories***

##### **UDP and CCO**

We agree that the specific new individual categories for the Ultimate Designated Person (UDP) and the Chief Compliance Officer (CCO) are appropriate. However we believe the CSA should

take a more principles based approach to which type of individual(s) are most appropriate for the UDP role. We also support our fellow IIROC members who have historically had multiple UDP's or CCO's to more closely align with business structures (i.e. Retail vs. Institutional).

### **Record keeping**

The record keeping requirements appear to significantly expand upon current requirements when looking at communications with clients. The CSA should acknowledge that a significant amount of e-mail exchanged between investors and their advisors should be available for review but retained as part of permanent records. The retention period should be limited due to quantity and also older e-mails have limited relevance to the client's current circumstances. We recommend that a 3 year e-mail retention requirement should be sufficient for supervision purposes. Other than limited situations, left to the discretion of the participant, we believe that e-mail should therefore not be designated as "relationship" records and therefore should not be part of a client's permanent file. We suggest that the CSA focus on the specific type of records of concern, and provide more reasonable time frames in respect of the record retention periods.

### **Confirmation of trades**

We suggest that this section be updated to reflect the realities of business transacted by Canadian registered dealers with other registrants and Institutional (or Permitted Clients), both Canadian and foreign. These customers are now covered by recent initiative to match trades by Trade date + 1 (NI 24-101) and often see the confirmation process as defined in the proposed NI 31-103 as duplicative, wasteful and completely unnecessary. We suggest that the CSA consider allowing these Institutional clients the right to use other methods of receiving a confirmation of a trade (i.e. matching and clearing trades through the FINRA/NASDAQ Trade Reporting Facilities or other Virtual Matching Utilities coming to market from various services vendors). The real time comparison, matching and clearing of trades negates the practical requirement for printed trade confirmations. We recommend that section 5.18(2) be amended to create an exemption for trades for or on behalf of another foreign or domestic registrants and institutional clients, when the participant and client are using an automated trade matching system that complies with NI 24-101. Given that the parties to the trade in these cases are sophisticated and have made major efforts to switch to these matching systems at great cost we suggest that they do not require or want the regulatory protection afforded by the traditional confirmation process.

### **Branch Supervision and Compliance**

We support the creation of a Supervisor category and the flexibility it brings to firms with business structures that differ from the traditional Retail branch structure where a local Branch Manager was required.

### **Complaint Handling**

We support the principles based approach to complaint handling in the Instrument. That all registered firms implement policies and procedures to address client complaints is important from an investor protection and level playing field perspective. However, we note that the requirements are different from what is proposed under the IDA proposed complaint handling procedures. We believe that the definitions and requirements should be consistent and any formalized reporting to Regulators should be limited to clients of the firm. Specifically we believe that if a complaint does not originate from a current or former client then the Firm may have limited if any ability to appropriately assess the legitimacy of the source, circumstances and

resulting resolution to such situations. We suggest that the firms should have the option to direct that complainant to the regulatory body in their jurisdiction without formal requirement to investigate and report to the regulators.

### **Referral arrangements**

CSA should make it clear that NI 31-103 does not apply to soft dollar or other commission sharing arrangements that are covered by NI 23-102, Use of Client Brokerage Commissions.

### **Terminations**

The revised process for dealing with terminations and information sharing using the Notice of Termination form is a significant improvement from the last version of the Instrument. We remain concerned, however, with the open ended nature of Question 10 on the form which reads: *Is there any other matter relating to the individual's termination or conduct leading up to it that the firm is aware of, and believes is relevant to his or her suitability for registration?* An appropriate balance must be struck to ensure that regulators obtain the required information without exposing the firms to legal liability by providing such information.

### **Conclusion**

We thank you for taking our comments into consideration. If you have any questions relating to this submission, please do not hesitate to contact me.

Yours sincerely,



Torstein Braaten  
Vice President, Chief Compliance Officer  
416-874-0830  
[torstein.braaten@itg.com](mailto:torstein.braaten@itg.com)