

May 29, 2008



To:

British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Securities 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 & Labrador  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Yukon Territory  
Registrar of Securities, Nunavut

C/o John Stevenson, Secretary, Ontario Securities Commission  
jstevenson@osc.gov.on.ca  
Anne-Marie Beaudoin, Directrice du secretariat  
[Consultation-en-cours@lautorite.qc.ca](mailto:Consultation-en-cours@lautorite.qc.ca)

**Re: Proposed National Instrument 31-103 Registration Requirements**

Highstreet Asset Management ("Highstreet") appreciates the opportunity to provide further comments to the CSA on the proposed Rule.

Highstreet is registered as an IC/PM or equivalent in all jurisdictions. We provide discretionary advisory services to pension plans and other institutional investors and we provide sub-advisory services to third party funds. We serve high net worth clients through pooled funds that are advised by Highstreet and one sub-adviser. We distribute these pooled fund units in certain jurisdictions under the exemptions available in NI 45-106 except in Ontario where we are registered as a Limited Market Dealer.

Our comments are presented in the same order as they appear in the Rule.

**Division 2: Solvency Requirements**

**Capital Requirement**

The capital requirements for the dealer and investment fund manager are excessive and present a real barrier for new registrants.

These minimum capital requirements will require a new fund company to charge fees that do not allow it to compete for business and meet a capital requirement that does not reflect the company's ability to manage their business.

The only way to effectively deal with this capital requirement is to limit the business to segregated accounts, thereby only requiring a minimum capital of \$25,000. As a business model segregated accounts mean higher expenses for the client and higher costs for the company without compensatory benefit.

We ask CSA to consider tying the capital requirement for smaller fund companies to a percentage of assets under management.

### **Insurance Requirement**

A direction for the calculation of capital requirements is found in 2.10.3 of the Companion Policy "The solvency requirements for firms, as set out in Part 4 Division 2, are not cumulative. If a firm is registered in multiple categories it must meet the highest capital requirement of its various categories of registration". We believe that this relief is sufficiently important that it should be part of the rule.

In Part 2: Categories of Registration and Permitted Activities in the Notice and Request for Comment dated February 23, 2007 the relief from cumulative calculations covered insurance as well as capital: "However, capital and insurance requirements are not cumulative for a firm holding multiple registrants, for these requirements only the most stringent would apply". We ask that the language in 2.10.3 of the Companion Policy be amended to include insurance.

### **Division 3: Financial Records**

We request that the requirement to file quarterly financial statements be defined as a minimum of a balance sheet and an income statement. The term "financial statements" can mean a full set of unaudited statements that include direction to refer to the notes in the last audited statements and a Statement of Cash Flows. These additional requirements add administrative work and very little additional disclosure.

### **Part 5 - Conduct Rules**

#### **Division 2: Client assets**

##### **Holding client assets in trust - 5.10 and 5.11**

Some of Highstreet's clients have accounts with a Prime Broker and that broker may hold cash belonging to the client. These accounts are not in trust with a Canadian financial institution or a Schedule III bank. This requirement will require us to restructure our current arrangements and may be a barrier to the implementation or development of alternative investment strategies.

## Part 6 - Conflict of Interest

### Prohibition on certain managed account transactions

6.2(2) A registered adviser must not cause an investment portfolio managed by it to (c) purchase or sell a security from or to another investment portfolio managed by the adviser or a responsible person including an investment fund for which the adviser or responsible person acts as adviser,

Highstreet believes that if crosses are executed through a broker to ensure that the trade is fair to both buyer and seller (ie: done at the average of bid/ask), the costs of trading are reduced and the end result is a win/win for both parties. There is no undue benefit to the adviser to execute a cross trade but there are some real execution cost savings for the client.

Again, we appreciate the opportunity to comment and we look forward to the CSA's responses.

Yours truly,

A handwritten signature in black ink, appearing to read "Paul A. Brisson". The signature is fluid and cursive, with a large initial "P" and "B".

Paul A. Brisson  
President