

May 29, 2008

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, Yukon Territory
Registrar of Securities, Nunavut

Via email to:

c/o John Stevenson
Secretary
Ontario Securities Commission
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M5H 3S8
email:
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c/o Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
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c/o Colin Nickerson
Senior Manager,
Industrial and Financial Policy Branch
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Dear Sirs/Mesdames,

Re: Proposed National Instrument 31-103 Registration Requirements

Thank you for giving us the opportunity to respond to the revised Proposed National Instrument 31-103.

We are frustrated with the Securities Commissions reluctance in dealing with the requirements of small business. Your treatment of small investment counsellors is bordering on discrimination. Small businesses make up a meaningful segment of the Canadian economy and smaller firms also provide many creative products and services to consumers across a vast array of markets. Consumers want services and products from smaller firms. Many of the requirements of this instrument seem to place undue constraints on smaller firms that are already compliant under the existing legislation.

An Investment Counselor that is starting a firm will take approximately 6-10 years to build a reasonable book of business. We feel strongly that the securities commission have not taken this fact into serious consideration when developing many of their proposed rules or notices. In short, new firms will require significant backing or face onerous capital requirements, which they may not have.

While there are still a number of items in the proposed NI 31-103 that place undue constraints on smaller firms that are already compliant under the existing legislation, we are focusing on the following items:

Fund Company Definition

The definition of a fund company needs to be changed. Investment counselors with one or two funds for their own clients and do not sell or market through third party relationships do not strike us as representing a fund company. A change in definition or an exemption may be appropriate for this situation.

Small and or start up firms – additional classification or exemptions

There would appear to be a need for an additional classification and some exemption for smaller firms. Not all small firms fit the proposed classifications. Some firms may require further lead time to meet the proposed financial requirements.

The introduction of much larger working capital requirements greatly limits the growth and stability of smaller firms that typically can take 6-10 years to grow before they can gain the proper traction to reflect a strong going concern. The proposed legislation favours the larger firm that is not encumbered at all by the proposed working capital requirements.

Working Capital

Pooled Funds

We believe that the Commissions need to review the working capital requirements for investment counselors that have pooled funds for the specific purpose of managing their own clients' funds. These investment counselors should not be viewed as "fund companies" in terms of the proposed legislation.

These firms do not have third party relationships and therefore do not have the same risk profile as "fund companies" that are marketing their products through a wide variety of third-party providers. In addition, the working capital requirements for companies that are using pooled funds for their clients, needs to be reduced and should be more in keeping with the existing working capital requirements that exist today.

Smaller Firms

The working capital requirements for firms that sell their funds to their own clients appear restrictive and punitive as that money could be put to better use than sitting in a bank account. The working capital requirements place an uneven burden on smaller firms without giving due consideration to the size of the firm.

Handling Clients' Cash

We believe that the commissions should review their definition of "the handling of clients' cash". The term should refer to the custodial service not the delivery of a cheque or certificate. We provide the "delivery service" to our custodian, National Bank Correspondent Network. It is part of our service and is expected by the client that the cheque(s) or certificate(s) will reach the required

destination through us. We do not view this action as “handling the clients’ cash” on an ongoing basis.

Exempt Market Dealer

When selling ones own proprietary fund(s), assets are custodied at an independent custodian. We feel that this business risk is different from fund companies that market their funds through third party relationships. We do not believe this business structure should require a registration for exempt market dealer.

We will be more than happy to provide further input, to a subsequent review of the proposed NI 31-103, which will address the feedback brought forth by both the investment community and the public.

We look forward to the harmonization and streamlining of the reporting structure and requirements for participants in the investment community.

We thank the CSA for considering our comments. If you require any additional information, please feel free to contact me directly at 905-823-2500 x 201.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Floyd". The signature is written in a cursive, flowing style.

Robert Floyd CFA
President

RAF/js