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Toronto, September 14, 2012

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Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

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BY EMAIL

Re: Proposed amendments toNI 31-103 and 31-103CP- pertaining to cost disclosure, performance reporting and client statements- republished for comment June 14, 2012

We at B2B Bank (B2B) appreciate the opportunity to provide comments on the Notice dated June 14, 2012, in which proposed amendments to National Instrument 31-103 (NI 31-103) and its Companion Policy (31-103CP) were republished for comment by the Canadian Securities Administrators (CSA).

B2B is a wholly-owned subsidiary of the Laurentian Bank of Canada (LBC). LBC is a Schedule 1 Canadian bank and a reporting issuer with shares traded on the Toronto Stock Exchange (TSX) under the ticker symbol LB.

B2B is a Schedule 1 Canadian bank which owns 100% of 3 registered firms (together the B2BB dealers): 1) B2B Bank Financial Services Inc. (B2BBFSI), formerly M.R.S. Inc., a mutual fund dealer and an exempt market dealer registered in ali CSA jurisdictions and a member of the

Mutual Fund Dealers' Association of Canada (MFDA); 2) B2B Bank Securities Services lnc. (B2BBSSI), formerly M.R.S. Securities Services lnc., an investment dealer registered in ali CSA jurisdictions and a member of the lnvestment lndustry Regulatory Organization of Canada (IIROC); and 3) B2B Bank lntermediary Services lnc. (B2BBISI), formerly M.R.S. Correspondent Corporation, a mutual fund dealer and an exempt market dealer registered in Quebec.

Through the B2BB dealers, B2B operates one of the largest carrying services businesses in Canada. Collectively, the B2BB dealers have agreements to provide carrying services to 130 registered firms. The registered representatives of these firms introduce their clients to the B2BB dealers for the purpose of establishing accounts for their clients through which securities can be traded. Pursuant to agreements with the introducing registered firms, the B2BB dealers assume responsibility for the provision of back office services that support the trading of securities. Back office services provided or facilitated by the B2BB dealers may include trade execution, clearing, settlement, trade confirmation, deposit taking, custodial services, position keeping, record keeping, and reporting, including account statement production.

We remain supportive of the Client Relationship Model (CRM) being advanced by the CSA, the MFDA and IiROC. We appreciate your collective efforts to harmonize the CRM. In particular the CRM initiative pertaining to cost disclosure, performance reporting, and client statements, as put forth in the June 14, 2012 Notice, promotes transactional transparency, client awareness, and registrant accountability. We are responding to the CSA's request for comments and to the issues raised in the Notice to do our part to assist in bringing about the most workable and beneficiai regulatory result for ali stakeholders, to point out potential difficulties in the application of the current proposai to businesses like ours, and where appropriate, suggest alternative measures.

Issue 1 –In the interest of making fixed income transactions more transparent, we invite comments on whether it is feasible and appropriate to mandate the disclosure of ali of the compensation and/or income earned by registered firms from fixed-income transactions. This would include disclosure of commissions earned by dealing representatives as weil as profits earned by dealers on the desk spread and through any ether means.

Our comments here may be somewhat broader than the issue framed above, but are nonetheless related to it.

The B2BB dealers are responsible for producing client account statements for the clients of introducing registered firms and for sending these account statements. Under the proposed amendments, section 14.15(3)(a) would require both the report on charges and other compensation, and the investment performance report, to be delivered to the client with or in the client's account statement. Effectively this means that the 828B dealers would also be assuming responsibility for generating these 2 new reports. This is consistent with 31-103CP which states that: "Registered firms must deliver the annual report on charges and other compensation and investment performance reports with a client statement or incorporate them directly into the client statement so that the client receives one comprehensive reporting package on an annual basis." Despite the tact that the B2BB dealers would be responsible for producing the report on charges and other compensation as part of a reporting package to clients, the B2BB dealers are not made aware of any compensation that registrants may receive from investment fund managers with respect to the purchase of investment fund units for clients. Normally, with respect to securities transactions, sales commissions and trailer fees to the registered representative do not flow through the carrying dealer- they flow through the introducing registered firm. In the Notice, it is clear that the CSA is aware of the potential difficulties in obtaining compensation information, as follows: "We understand that currently, dealers and advisers may not have ali of the information they would need to comply with the proposed disclosure of the dollar amount of trailing commissions paid to dealers in respect of clients' investments. We therefore propose to require

that investment fund managers provide that information to them." However, in reading section 14.1(2), which attempts to resolve this issue, it is not clear that the investment fund manager would be required to provide the information on charges and ether compensation to the carrying dealer. It appears that the requirement only extends to the introducing registered firm that receives the commission payments.

The B2BB dealers are currently able to track ali of the transaction charges and operating charges that are imposed by the B2BB dealers with respect to the client's account(s). But if an introducing registered firm imposes its own charges in respect of the client's account(s), the B2BB dealers might not be made aware. Despite this, the B2BB dealers would be responsible for producing the report on charges and ether compensation, as discussed above. It is not clear in section 14.15 whether the report on charges and ether compensation includes the charges imposed by bath the introducing registered firm and the carrying dealer. We believe this would make the most sense for the client, but we feel this needs to be clarified.

In arder to produce a comprehensive and accurate report we suggest that there should be a requirement for the ether registrants who impose charges or receive compensation with respect to the client's account(s) to provide this information to the party that is producing the report. We suggest specifically with respect to investment fund managers that section 14.1(2) be clarified to require the provision of charges and compensation information to carrying dealers. Finally, we suggest that the requirement in section 14.15(3) that the 2 new reports be provided together with the account statement be made a best practice as opposed to a requirement, in order to allow for flexibility in how these materials are delivered to clients.

Regarding whether it is feasible and appropriate to mandate the disclosure of ali of the compensation and/or incarne earned by registered firms from fixed-income transactions- we strongly suggest that it is neither feasible nor appropriate to require this information to be included in reporting to clients as sorne of this information is embedded in the priee of the security and is currently unavailable to us. While we remain supportive of the end goal that the CSA is trying to achieve with respect to transactional transparency for fixed income securities, we are critical of the approach being taken here. If this is considered a critical disclosure, to require equivalent reporting to the client for bonds as you would for equities, we suggest that prier to implementing this requirement, pre and post trade transparency in the bond market should be made equivalent to what currently exists in the equity market.

Issue 2 – We understand that ali securities transactions are carried out through an account, even when the securities are not held in that account. We have drafted the Rule on this understanding and invite comments on the practicality of this or other approaches to including the securities listed in section 14.14(6.1) in client statements and performance reports.

This new client account statement requirement could benefit from sorne clarification to specify the type of information required. There is a sample of the report on charges and ether compensation and a sample investment performance report in 31-103CP but no sample client account statement. We appreciated the samples provided for the 2 new reports. Having a sample client account statement incorporating the current proposed requirements will assist us in properly implementing any proposed change to our current client account statements.

It should be noted that most of the securities traded through B2BB dealer client accounts would not be held by the B2BB dealers. Most securities transactions in client accounts at the B2BB dealers would be handled by an unrelated third party investment dealer and custodian, and the securities would be held by a clearing and depository company like Clearing and Depository Services Inc. (CDS) or Depository Trust and Clearing Corporation (DTCC) in the name of the depository with allocation made to the dealer's participant account with the depository. With respect to mutual funds- the client's mutual fund holdings are held at the mutual fund companies

that issue the funds in the name of the dealer in trust for: 1) the client account # at the dealer or 2) the client name. Because of the variety of permutations in who holds the securities and how they are held for the client, this may also entail a large system fix that might not be cast justified on a principles basis. It is also an open question as ta whether this change will only serve ta confuse the client rather than elucidate relevant tacts. It was probably not the intention of this initiative ta have our account statements showing that the client's securities are held at CDS. Sa we feel further clarification is warranted if these amendments are going ta be properly implemented.

It is unlikely that the registered introducing firm would ever hold any securities on behalf of the client. The treatment of carrying dealers in section 14.14 should be clarified if the additional disclosure ta the client regarding who holds their securities is going ta be required.

We believe the account statement should be used ta give the client a snapshot of what has transpired in the client's account during the period and ta consolidate client holdings and their value. Introducing esoteric information into the client's account statement will not help advance the goals of the CRM.

Issue 3 – We invite comments on the benefits and constraints of the proposai to mandate the use of the dollar-weighted method, in particular as they relate to providing meaningful information to investors. We are not prohibiting the use of the time-weighted method, but if a registered firm uses such a method, it must be in addition to the dollar-weighted calculation.

We are in favaur of the CSA's push ta adopt standardized and harmonized performance reporting methodologies. As long as the methods chosen support a harmonized standard used industry-wide, we are supportive.

Other Issues

The carrying services business is not a client-facing business. It is the registered representatives of the introducing registered firms who meet with clients, assess suitability, recommend securities transactions, provide trading instructions, and ultimately receive sales commissions (if applicable) for purchases of securities on behalf of their clients through the introducing registered firms that oversee them. Recognizing and understanding this reality, we are of the view that it behoves ali parties participating in this business madel ta clarify that the client-facing introducing registered firm is responsible for providing ali pre-trade disclosure ta the client. As such, we suggest that carrying dealers be included in the exception provisions of section 14.2(5) and section 14.2.1(3) of NI 31-103.

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Most of the comments we make here, essentially amount ta a request for clarification regarding the treatment of carrying dealers under these rules. Since bath the MFDA and liROC are looking ta the CSA for guidance with respect ta their own CRM initiatives, it should not be expected that the self-regulatory organizations will deviate from the proposai the CSA ultimately adopts. As such, we ask that the CSA give due consideration ta carrying dealers and the numerous introducing registered firms they serve, in its next publication of these amendments.

We commend the CSA for its continued efforts to put forward a comprehensive and harmonized proposai on cast disclosure, performance reporting and client statements. We appreciate the opportunity provided here ta engage with you. We look forward to the results of this stakeholder consultation.

If you have questions regarding our submission please direct them to the undersigned via phone at 416-413-7222 or by email at brian.prosser@b2bbank.com.

Yours truly,
B2B BANK

Brian Presser
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