PORTFOLIO STRATEGIES

July 20, 2020

BY EMAIL

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

The Secretary
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Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
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Dear Sirs/Mesdames,

Re: Proposed Amendments to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations" ("NI 31-103")

and to

Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations ("NI 31-103CP")

Portfolio Strategies Corporation ("PSC") is a Calgary-based dealer that is a member of the Mutual Fund Dealers Association of Canada and registered as a mutual fund dealer and exempt market dealer in Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Northwest Territories and Quebec, and as an investment fund manager in Alberta and Ontario.

We appreciate the opportunity to provide comments on the CSA/ACVM Notice and Request for Comments (the "Notice") dated March 5, 2020. We strongly support this initiative to enhance investor protection by addressing issues of financial exploitation and diminished mental capacity of older and vulnerable clients. Having said that, it would be helpful if the CSA were to include "Safe Harbour Provisions" to protect registrants from legal or regulatory action, when they were acting in good faith to protect the interests of vulnerable clients. Our firm has had to deal with this very issue recently and the lack of guidance and protection for advisor and dealer registrants has been a concern. Below we provide our responses to the questions posed in the Notice.

Questions for Comment

In addition to comments on any aspect of the proposed Amendments, we invite views on the questions below. Please provide a specific response.

Trusted Contact Person

1. *We have proposed that the new paragraph 13.2 (2)(e) not apply to a registrant in respect of a client that is not an individual. We acknowledge that some individuals structure their accounts as holding companies, partnerships or trusts for various reasons. Should registrants be required to take reasonable steps to obtain the name and contact information of a trusted contact person for the individuals who,*
   (i) In the case of a corporation, is a beneficial owner of, or exercises direct or indirect control or direction over, more than 25% of the voting rights attached to the outstanding voting securities of the corporation, or
   (ii) In the case of a partnership or trust, exercises control over the affairs of the partnership or trust?

Yes, we agree that the concerns for vulnerable clients still exist in the situations listed above. In our opinion, the idea of a trusted contact person will improve investor protection and it will also serve as a valuable asset that registrants can use in shielding their clients from being financially manipulated, and may help eliminate concerns with regard to a client's mental capacity.

Likewise, we also concur with the comment from the CSA that says that registrants may carry on with account opening if a client refuses to identify a trusted contact person, given that the registrant has taken sufficient measures to acquire the trusted contact person information.

While we agree with the approach the CSA is taking, we believe that these practical steps ought to be fulfilled by offering clients more education about the concept of a Trusted Contact Person, and the situations in which the Trusted Contact Person information will be utilized by the registrant, and by procuring a pre-recorded "yes" or "no" answer from clients to a question in which they are asked if they would wish to provide a Trusted Contact Person. If they give a "yes" reply, then the registrant is expected to record the suitable Trusted Contact Person information. Having said that, PSC proposes that the CSA give extra directions as to what represents reasonable steps.

13.2 Know your client

In our opinion, it would make sense for the Trusted Contact Person definition to be clearly defined, and how a TCP could or should be utilized when it comes to protecting vulnerable clients, earlier in the National Instrument or in a preamble to the Know Your Client section. It should be clear that a registrant can still go ahead with opening a client's account if the client declines to provide a Trusted Contact Person even though the registrant has made reasonable efforts.

1.1 Definitions

We accept that the recommended definitions for "mental capacity" "vulnerable client" "financial exploitation" and "temporary hold" are all clear and appropriate.

2. *For IIROC Dealer Members exclusively offering order execution only services, please comment on any specific considerations or factors that may impact the appropriateness of the proposed framework in the order execution only service context, particularly the requirement to take reasonable steps to obtain TCP information under new paragraph 13.2(2)(e)*

   Order execution only dealers should still be required to obtain TCP information because their vulnerable clients are subject to the same risks. If an OEO firm receives an "out of character" or unusually large redemption request, this trade should be questioned. If OEO firms are exempted from the requirement to obtain TCP information, an unintended consequence could be that predatory beneficiaries may encourage vulnerable clients to move their investment accounts to OEO firms, where detection and prevention of improper trades are less likely to be challenged.

3. *We have proposed that the new temporary hold requirements apply to holds that are placed if there is a reasonable belief that, with respect to an instruction given by the client, the client does not have the mental capacity to make financial decisions. We have heard from stakeholders that an individual that is suffering from diminished mental capacity is more susceptible to financial exploitation, and, because of their diminished mental capacity, may need to be protected from mishandling or dissipating their own assets. Should the temporary hold requirements apply to holds that are placed where there is a reasonable belief that the client does not have the mental capacity to make financial decisions or should they be limited to cases of financial exploitation of vulnerable clients?*

   Yes. We think it is realistic to expect temporary hold requirements to apply in these mentioned situations where there is a reasonable belief that the client does not have the mental capacity to make financial decisions as well as in a situation where the client is being exploited financially.

4. *We have proposed that the new temporary hold requirements may apply to holds that are placed not only on the withdrawal of cash or securities from an account, but also on the purchase or sale of securities and the transfer of cash or securities to another firm. We have heard from stakeholders that transactions and transfers, in cases of financial exploitation or diminished mental capacity, can be just as harmful to clients as withdrawals. Should the temporary hold requirements apply to holds that are placed on the purchase or sale of securities and the transfer of cash or securities to another firm?*

   Yes. We agree that the purchase, sale and transfer of securities in addition to the withdrawal of cash or securities from an account are just as critical, so it is right for the new temporary hold requirements to apply to them as well. Vulnerable clients may come under pressure from family members to make equity or debt investments in failing businesses controlled by those same family members, or corporations where these family members are officers or directors.

5. *We have not proposed a time limit on temporary holds considering the complex nature of issues relating to financial exploitation and diminished mental capacity, and the length of time it takes to engage with third parties such as the police and the relevant public guardian and trustee. Instead of a time limit on the temporary holds, we are proposing to require firms to provide the client with notice of the decision to not terminate the temporary hold, and reasons for that decision, every 30 days. Should we prescribe a time limit on temporary holds? Or is the notice requirement proposed by the CSA sufficient to protect investors?*

We are of the belief that currently, the proposed 30-day guideline should be sufficient for most cases, therefore there would be no need to prescribe specific time limits.

6. *Are the Proposed Amendments regarding temporary holds adequate to address issues of financial exploitation of vulnerable clients or diminished mental capacity, or does more need to be done to ensure these issues are addressed? The CSA will consider next steps based on the input received.*

   We are of the opinion that the current proposed amendments are adequate enough in addressing the issues regarding diminished mental capacity, as well as financial exploitations, therefore nothing more needs to be done in that regard.

Thank you for the opportunity to provide our comments. If the CSA/ACVM have any questions or require additional clarification, we would be pleased to discuss our comments further.

Yours truly,

"Mark Kent"

Mark S. Kent, CFA, CLU
President & CEO
Portfolio Strategies Corporation