INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

Ian C.W. Russell FCSI
President & Chief Executive Officer

May 31, 2010

To: Mark Attar
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Division of Trading and Markets
Securities and Exchange Commission

Cc: Michael A. Macchiaroli
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Risk Oversight & Operational Regulation
Financial Industry Regulatory Authority

Richard Corner
Member Regulation Policy
Investment Industry Regulatory Organization of Canada

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Financial and Business Conduct Compliance
Investment Industry Regulatory Organization of Canada

SENT VIA E-MAIL

Dear Sirs/Madams:

RE: U.S. – Canadian Cross-Border Clearance and Settlement Arrangements

The Investment Industry Association of Canada (the IIAC) is writing this letter to indicate the Association's support for the submission made by Arnold & Porter LLP on May 28, 2010.

The IIAC is the professional association representing over 200 investment dealers in Canada. Our mandate is to promote efficient, fair and competitive capital markets for Canada and assist our member firms across the country.

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The IIAC understands that recently, Investment Industry Regulatory Organization of Canada (IIROC) registered member firms were informed that their U.S.-Canadian cross-border clearing arrangements may need to be modified considerably as a result of U.S. regulatory concerns identified by the Financial Industry Regulatory Authority (FINRA). The areas of concern include the fact that FINRA is considering whether the arrangements may be impermissible introducing/carrying arrangements with unregistered foreign firms and that the arrangements may involve impermissible outsourcing of customer protection functions to unregistered foreign firms.

In response to notifications by the self-regulatory organizations both in Canada and the U.S. regarding these concerns, the IIAC developed a strategic plan to assist members including discussion with members and receiving guidance from U.S. counsel representing our firms.

As a result of a review of this issue and current industry practice, the IIAC, on behalf of our members, wishes to underscore the importance of continuing to maintain the current structure, as outlined in the Arnold & Porter memorandum.

U.S.-Canadian cross-border clearance and settlement arrangements were developed with the knowledge of the Canadian and U.S. regulators. These clearing arrangements are well established and have operated effectively and efficiently without posing any undue risks to U.S. customers.

Specifically, the U.S. broker-dealers use their Canadian affiliates to perform U.S. settlement services and related administration functions on their behalf, notwithstanding that the Canadian affiliates are not registered clearing firms in the United States This is because the U.S. broker-dealers under discussion are self-clearing brokers and are not entering into clearing agreements. The U.S. broker-dealers maintain responsibility for all of their clearing and settlement activities and are fully responsible for such things as monitoring the settlement process, dealing with fails-to-deliver and ensuring that they are in net capital compliance.

Further, unlike in traditional clearing agreements, the service agreements between the U.S. broker-dealers and their Canadian parent companies have no effect on the obligations between the U.S. broker-dealers and their customers and create no obligation or relationship between the U.S. broker-dealers' customers and their Canadian parent companies.

In addition, the Canadian parent companies do not hold customer funds or securities or have any other responsibilities with respect to U.S. customers.

Due to the affiliate relationship between the U.S. broker-dealers and the Canadian parent companies, the U.S. broker-dealers are able to closely monitor the outsourced functions. Although the U.S. broker-dealers and the Canadian parent companies are separate and distinct entities, the U.S. broker-dealers' familiarity with the Canadian parent companies' operations and employees, and dually registered supervisory personnel, enable the U.S.

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broker-dealers to fully monitor the Canadian parent companies' activities. In addition, the U.S. broker-dealers have designated employees who are responsible for overseeing the outsourced activities.

While it has been suggested that the U.S. broker-dealers establish an omnibus clearing arrangement between the U.S. broker-dealers and their Canadian parent companies, the IIAC believes that the creation of such accounts would only create unnecessary steps in the execution of customer orders, without any added customer protection. Therefore, we do not believe that omnibus accounts would provide any appropriate solution.

Lastly, there has been no evidence of regulatory issues arising from these clearance and settlement arrangements in the past and thus it is not apparent why current practices are not sufficient to address any regulatory concerns. Further, any revisions to existing arrangements will result in significant operational and compliance costs to our members without any increase in customer protection.

The IIAC supports the arguments and the recommendation to maintain the existing U.S.-Canadian clearance and settlement arrangements in their current format for the reasons outlined in the Arnold & Porter memorandum and the IIAC welcomes an opportunity to meet with the SEC and FINRA staff to further discuss our submission.

Yours sincerely,

"Ian Russell"

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