

Merrill Lynch Canada Inc.
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May 29, 2006

To: Canadian Securities Administrators
British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
New Brunswick Securities Commission
Office of the Attorney General, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland & Labrador
Registrar of Securities, Northwest Territories
Legal Registries Division, Nunavut
Registrar of Securities, Yukon Territory

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario M5H 3S8

Madame Anne-Marie Beaudoin
Directrice du secretariat de l'Autorité
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal (Québec) H4Z 1G3

Re: Comment on proposed National Instrument 24-101

Merrill Lynch Canada appreciates the opportunity to comment on the proposed National Instrument 24-101. Members of our organization have been active participants in discussions to-date within the Canadian Capital Markets Association regarding the content of this instrument and the future impacts which will result. Our comments focus on three areas.

First, it is Merrill Lynch's perspective that all DAP and RAP trades should be included in the scope of this instrument. We would also like those client trades which utilize prime brokerage arrangements to be

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included in NI 24-101. As a result, if the scope of the matching requirements changed to all “cash on delivery” accounts, it would encompass all DAP, RAP and transactions which clients have a prime broker arrangement.

Secondly, Merrill Lynch Canada Inc. would like the IDA to administer a list of broker/dealers who have established policies and procedures which will enable them to adhere to the stated matching timelines. The IDA has enforcement capability with all registered broker/dealers. This list will facilitate the IDA to enter into one written standard agreement with each advisor who demonstrates the roles and responsibilities of a trade matching party. This agreement should encompass all advisors/investment managers who transact in the Canadian marketplace, regardless of residency. If an advisor has yet to establish an agreement with the IDA, and a transaction has been requested, provisions for margining the entities on a temporary basis should be considered.

The quarterly exception reporting for registrants whom do not meet the stated matching criteria will make it difficult to determine which counterparty was the offending entity. Advisors are dependent upon the broker/dealers for timely notice of execution information. Broker/dealers are dependant upon the advisors for timely allocation details. If the custodians were also required to submit reporting statistics on their advisors regarding the receipt of trade details; this would help illustrate delays in reporting. The regulated clearing agency could then compile reporting statistics on the timely and accurate trade details from both the custodian and broker/dealer.

And finally, given a 7:30 p.m. End of Day, it will be difficult for the trade matching parties to achieve a T matching rate of 98 per cent by July 1, 2008. In the event that the broker/dealer and advisor do not agree on the terms of a trade, consultation with front office participants (portfolio managers, sales traders) may be required to amend the trade details to achieve a ‘match’. This participation will require behavioural changes for both operational and front office personnel. Processing trade details is largely an operational function. Amending those details to match counterparty after the close of business requires front office decision making. If the counterparties to a trade were evaluated based on trade reporting, as opposed to trade matching, we believe the exception reporting would illustrate accurate trade processing behaviours.

Merrill Lynch Canada thanks you for the opportunity to comment on NI 24-101 and ensuring our capital markets continue to be efficient and competitive.

Sincerely,

Cliff Bowers
Vice President
Institutional Sales and Trade Support
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