Ernst & Young Corporate
Finance (Canada) Inc.
Member FINRA
Ernst & Young Tower
222 Bay Street, P.O. Box 251
Toronto, Ontario M5K 1J7
Tel: 416 943 3101
Fax: 416 943 3864
ey.com/ca

Sent by e-mail

08 September 2008

Secretary
Securities Exchange Commission
100 F Street, NE
Washington, DC
20549-1090

File number S7-16-08

Ladies and Gentlemen:

Ernst & Young Corporate Finance (Canada) Inc. ("EYCF") appreciates the opportunity to comment on the proposed changes to Rule 15a-6. With some modifications, we support the change in the categories of U.S. persons with whom non-U.S. broker-dealers can conduct a brokerage relationship, subject to the conditions expressed in the amended rule.

Background

EYCF is a U.S. registered broker dealer that is part of a global network of member firms of Ernst & Young Global Limited ("EY"). EYCF offers advisory services with respect to equity and debt financing, mergers and acquisitions, purchases and sales of businesses, divestitures, fairness opinions, business valuation and takeover strategies (collectively, "M&A advisory services"). In addition, EYCF assists corporations in the private placement of debt and equity to entities who qualify as accredited investors under Regulation D of the Securities Act of 1933.

EYCF is currently in the process of entering into R15a-6 chaperoning arrangements with EY member firms that are non-U.S broker dealers. EY has many member firms with offices located outside the U.S., as do most global professional services firms. These member firms periodically provide M&A advisory services regarding transactions that could involve contact with Major U.S. institutional investors. Our proposed chaperoning arrangements are intended to streamline access to U.S. based entities in M&A transactions while ensuring compliance with the U.S. securities regime.

Comment

There are cases where foreign firms that provide exclusively M&A advisory services will be disadvantaged by the change in the permitted categories of investors from *major US institutional investors* with a $100 million total asset threshold to a *qualified investor* category with a $25 million investments threshold. For example, under the current rules a non-U.S. M&A advisory broker dealer could assist a non-US company and its shareholders negotiate a merger with a U.S.-based company, resulting in a sale of stock, provided that: (i) the US-based company has substantial assets, whether in the form of tangible assets, intellectual property or investments, and (ii) the remaining conditions of Rule 15a-6 are satisfied. Under the proposed amendments the non-U.S. M&A advisory broker dealer could only provide the services where the U.S.-based companies have sufficient investments to satisfy the $25 million threshold.

We submit that the *qualified investor* category does not contemplate traditional U.S. based corporations that undertake M&A activities. Such entities would not typically satisfy the investment thresholds specified in section 3(a)(54) of the Exchange Act notwithstanding the fact that they have substantial assets.

We further submit that this is an unintended result, but one that naturally flows from the breadth of the definition of "broker" in the Exchange Act. We submit that an asset threshold should be maintained for foreign firms advising entities involved in an M&A transaction involving the sale of a business or business line where at least one of the parties to the transaction is a non-U.S. entity. The $25 million investment threshold was designed with a conventional brokerage relationship in mind and does not take into account the fact that specialized foreign M&A broker-dealers are nonetheless subject to registration absent an exemption. We submit that an asset threshold of at least $25 million for U.S. based entities involved in such transactions would be appropriate to trigger an exemption from broker-dealer registration.

Given the effect of the proposed change to an investments test, we do not believe that this issue can be deferred pending possible consideration of special treatment for M&A advisory broker-dealers generally, as has been proposed by some groups within the United States. We also do not believe it would be efficient to require such foreign firms to seek no-action relief on a case by case basis. Existing Rule 15a-6 successfully accommodated such activities and we submit that such relief be retained, and enhanced as we have suggested.

Sincerely,

Anthony Ianni
President