

## Chapter 5

# Rules and Policies

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### 5.1.1 Notice and Commission Approval of Rule Under the Securities Act - MI 31-102 and Companion Policy 31-102CP - National Registration Database

#### NOTICE AND COMMISSION APPROVAL OF RULE UNDER THE SECURITIES ACT MULTILATERAL INSTRUMENT 31-102 AND COMPANION POLICY 31-102CP NATIONAL REGISTRATION DATABASE

#### Introduction

The Commission has, under section 143 of the *Securities Act* (the "Act"), made Multilateral Instrument 31-102.

The instrument and the material required by the Act to be delivered to the Minister of Finance were delivered on November 15, 2002. If the Minister approves the instrument, does not reject the instrument or return it to the Commission for further consideration, it will come into force on February 3, 2003.

#### Purpose

The instrument requires that certain registration information be submitted to regulators electronically through the National Registration Database (NRD) and that fees paid in respect of registration are paid through NRD.

#### Background

On December 14, 2001, the Canadian Securities Administrators published for comment drafts of the instrument and companion policy. On June 14, 2002, the CSA republished for comment amended drafts of the instrument and companion policy, together with a summary of the comments received during the first comment period and our responses. During the second comment period we received 5 submissions. A summary of these comments, together with our responses, is contained in Appendix "A" to this notice.

For additional background information on the instrument and companion policy as well as a detailed summary of the contents of the drafts of previously published materials, please refer to the notices that were published with those drafts.

#### Summary of Changes

This section describes the changes made to the instrument and companion policy since the June 2002 drafts were published for comment.

Paragraph 3.1(1)(b) has been added to the instrument to ensure that multiple records are not created for non-registered individuals or business locations.

The part of the June 2002 draft instrument that mandated the process of enrolling to use NRD has been removed. The reason for this is that enrolment is an administrative process that does not need to be mandated in the instrument. For the same reason, the enrolment forms have been removed from the instrument. The enrolment process will be set out in the NRD filer manual.

Sections 7.5, 7.6, and 7.8 have been amended to provide that a firm no longer has an obligation to submit a Form 33-109F4 for an individual under those sections if another firm has submitted that form for the individual. The amended sections provide that if a firm is relieved of the obligation of submitting a complete Form 33-109F4 for an individual, it must still ensure that the individual's employment location is still properly recorded on NRD.

Subsection 7.9(2) of the instrument has been added to clarify that a Form 33-109F4 submitted under subsection 7.9(1) must show the individual's registration categories as they were at the time the individual applied to change his or her categories in paper format.

## Rules and Policies

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The companion policy has been amended to clarify that if a person or company is required to make a submission under both this instrument and OSC Rule 31-509 (*Commodity Futures Act*) with respect to the same information, the Commission is of the view that a single filing on the required form satisfies both legal requirements.

Part 8 has been amended to clarify that transition firms are required to start enrolling to use NRD on February 3, 2003. The remaining obligations in the instrument are scheduled to come into force on March 31, 2003, the date on which NRD will launch.

### Questions

Please refer your questions to any of:

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The text of the instrument and companion policy follow.

DATED: November 15, 2002

**Appendix "A"**  
**Comment Table**  
**Multilateral Instrument 31-102 National Registration Database**

**Commentators**

Edward Jones  
 Royal Bank of Canada  
 Scotia Bank Management Group  
 TD Bank Financial Group  
 Friedberg Mercantile Group

	<b>Category</b>	<b>Comment</b>	<b>Response</b>
1.	31-102 Implementation Date	<ul style="list-style-type: none"> <li>• Launch of NRD should be later than November 25, 2002.</li> <li>• Launch in spring of 2003.</li> <li>• A November launch is problematic because it conflicts with the increased workload of registration due to year-end registration renewals and staffing changes resulting from the RRSP season.</li> </ul>	The launch of NRD has been postponed until March 31, 2003.
2.	31-102 Fees	<ul style="list-style-type: none"> <li>• Question whether benefits of NRD to industry would exceed the proposed NRD user fees.</li> <li>• NRD fees will increase one commentator's costs related to registration by nearly 40% per year. The savings provided by the system will not offset this amount.</li> </ul>	Based on the conclusions of the survey conducted by the Chief Economist's Office of the Ontario Securities Commission, the CSA is of the view that over time most firms will realize significant benefits from the implementation of NRD.
3.	31-102 Fees	<ul style="list-style-type: none"> <li>• The CSA should reduce the proposed NRD user fees by applying registration fees to pay for NRD.</li> <li>• The CSA should estimate the operational savings it expects to achieve with the implementation of NRD and use those savings to reduce the costs of NRD.</li> </ul>	NRD user fees and registration fees are used to cover distinct costs. NRD user fees cover the cost of NRD while registration fees cover the cost of ongoing regulator operations. If, following the implementation of NRD, a regulator realises a reduction in its operational costs and decides to pass those savings to industry, that should be done by reducing registration fees.
4.	31-102 Help Manual (Filer Manual)	The Help Manual (Filer Manual) is not sufficiently user friendly and would be an inadequate guide for the day-to-day use of NRD.	The Help Manual (Filer Manual) is undergoing changes to become more user friendly. It will ultimately be much more user friendly in its on-line form than in its paper form.
5.	31-102 Paper Filings	The CSA should indicate what registration documents will be filed in paper outside NRD. The CSA should eliminate such paper filings where possible.	<p>The NRD Help Manual (Filer Manual) provides a list of filings that will be required to be made in paper form. Please note that, on occasion, regulators may ask for additional paper documentation if further information is required about an individual. Because a request for specific additional documentation will be unique to the circumstances of each case, CSA staff cannot provide an itemized list of documents that may be requested. CSA staff are confident that such circumstances will be relatively limited.</p> <p>A primary aim of NRD is to limit paper filings. The current incarnation of NRD reduces paper</p>

	Category	Comment	Response
			filings significantly. Future versions of NRD will be designed to further reduce paper filings.
6.	31-102 Mutual Reliance	A mutual reliance system should be implemented. This would permit an applicant's jurisdiction of residence to approve applications on behalf of all jurisdictions.	The use of mutual reliance in other areas of securities regulation such as registration is being considered. While there is no formal mutual reliance registration system yet, NRD will provide many of the benefits of such a system by streamlining the submission and response process. Registrants will only have to file one set of documents once for all jurisdictions and the jurisdictions will share, maintain, and review one central set of registration records for individuals. NRD will act as a foundation for the regulators to create a formal mutual reliance registration system.
7.	31-102 MFDA	The CSA should ensure that the MFDA will use NRD.	Discussions are being undertaken with the MFDA about this matter. The MFDA's requirements have not been finalized.
8.	31-102 Access to Information	<ul style="list-style-type: none"> <li>NRD should allow an individual to obtain his or her NRD number at any time without the assistance of the firm and without relying upon paper records.</li> <li>It would help firms if they could, with the individual's consent, access a potential employee's NRD registration information.</li> </ul>	A future release may allow individuals to gain easier access to their own registration information. In the current release an individual who knows his or her NRD number would be able to provide it to an AFR at a firm to which the individual is considering transferring. Together with the AFR, the individual will be able to look at his or her registration information. An individual who has forgotten his or her NRD number and is unable to get it from the employer would be able to get it from a regulator.
9.	31-102 Permanent Record	Firms would find it useful to be able to print an individual's permanent record at any time in PDF.	This function will be added to NRD prior to the launch of the system.
10.	31-102 Implementation Communication	<ul style="list-style-type: none"> <li>The CSA provide some training to firm representatives who could then train other users in their respective firms.</li> <li>The CSA should make resources available to answer technical questions that firms' information technology staff might have.</li> </ul>	The CSA is in the process of developing a training plan for NRD. This plan will be communicated to industry by year-end. The CSA has also launched a web site ( <a href="http://www.nrd-info.ca">www.nrd-info.ca</a> ) that will be regularly up-dated with information to assist firms to prepare for NRD.
11.	31-102 Temporary Hardship	Please clarify the meaning of "unanticipated technical difficulties". Could it, for example, include technical problems within a firm?	<p>Circumstances may arise where a firm has technical difficulties that are sufficiently severe such that a firm or individual is unable to make timely submissions via NRD. CSA staff are of the view, however, that these circumstances will be extremely rare. CSA staff are confident that firms and individuals will be able to ascertain when such circumstances arise.</p> <p>Please note that a registrant's access to NRD will not be confined to a specific computer or system as NRD is a web-based system. A registrant should be able to access NRD via an alternative computer or system in most circumstances.</p>

	Category	Comment	Response
12.	31-102 Form 33-109F4 Completion	<ul style="list-style-type: none"> <li>• Registrants should not be responsible for populating the NRD database. Since the securities regulators currently maintain the registrant information that is required to be transferred to the NRD system, regulators should populate the NRD database with information from their own records. The registrant's role should be limited to checking the accuracy of certain material data that the regulators have transferred.</li> <li>• Whether firms are required to submit completed Forms 33-109F4 within one year or within three years their resource requirements will be the same. It should be sufficient for this information to be inputted if an individual's registration information changes or the individual transfers firms.</li> </ul>	<p>CSA staff understand the concerns expressed but maintain the view that firms are in the best position to provide up to date information on their registered and non-registered individuals. In the experience of CSA staff, some registrants have not been diligent about keeping regulators up to date with their registration information. Further, some registrants have only provided abbreviated forms (e.g. Form 4A) that do not contain all requisite information.</p> <p>CSA staff understand that Form 33-109F4 completion is a significant undertaking. CSA staff are confident that the Form 33-109F4 completion process will be more easily managed over a three-year period rather than a one-year period as costs and other resources will be stretched out over a significantly longer time period. For example, strain on technological and management resources should be eased by a longer transition period.</p> <p>Form 33-109F4 completion is required for all registered and non-registered individuals to achieve the goal of ultimately eliminating paper-based systems for plain vanilla applications. If all relevant information is not stored on NRD, registrants and regulators alike will have to maintain two systems indefinitely.</p>
13.	31-102 Transition and Change of Registration Category	Should an individual include prior registration category information upon submitting a Form 33-109F4 under subsection 8.9(a) if the regulator has already approved his or her change of category application? The individual must include his or her new category information in order to comply with section 8.10. Will the individual still have to input a Form 33-109F2, as required under section 8.9(b)?	The instrument has been amended. If an individual's change of category application is approved outside of the system during the freeze period, the individual will be required to submit a Form 33-109F4 reflecting the old category after the NRD Access Date. Within one business day of submitting the Form 33-109F4, the individual will be required to submit a Form 33-109F2 Change or Surrender of Individual Category application even though a paper application had previously been made. CSA staff expect few such situations to arise during the transition period.
14.	31-102 Notice of Termination	Will a transition firm be able to submit a Form 33-109F1 Notice of Termination for an individual whose Form 33-109F4 has not been submitted?	Yes. NRD will contain basic tombstone information about all registered individuals including an individual NRD number.
15.	31-102 Commodity Futures Legislation	It should be made clear that where identical filings would be required of a person or company registered under both securities and commodity futures legislation, filing under the Multilateral Instrument would be deemed to constitute a filing under the applicable Ontario Securities Commission Rule and vice-versa.	The OSC Companion Policies have been amended to indicate that a requirement to make a submission under a Securities Act instrument will be satisfied if the identical submission is made under the Commodity Futures Act rule, and vice-versa..

	<b>Category</b>	<b>Comment</b>	<b>Response</b>
16.	31-102 British Columbia Registration Proposals	Does NRD have long-term viability in light of recent regulatory initiatives calling for the disbanding of the current registration structure altogether?	One jurisdiction asked industry to comment on ideas for reforming the registration process. However, to date, no jurisdiction has implemented any proposal to do so. NRD will provide benefits for the present registration regime and therefore it is not prudent to delay the delivery of such benefits based on ideas that may or may not come to fruition.