

Susan Copland, LLB, BComm
Managing Director
scopland@iiac.ca

The Secretary
Ontario Securities Commission
20 Queen Street West 22nd Floor
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

Me Anne-Marie Beaudoin
Corporate Secretary, Autorité des marchés financiers
800, rue du Square-Victoria, 4e étage
Place Victoria Montréal (Québec) H4Z 1G3
Consultation-en-cours@lautorite.qc.ca

July 31, 2019

Dear Sir/Madam:

Re: Proposed National Systems Renewal Program Rule and Related Amendments (the “Renewal Program”)

The Investment Industry Association of Canada (the “IIAC” or “Association”) appreciates the opportunity to comment on the Proposed Systems Renewal Program. The redevelopment of the existing outdated and unwieldy systems into an integrated framework is an important step in ensuring that the regulatory infrastructure employs appropriate technology and system design to meet the industry’s current and future requirements.

We understand the development of the Renewal Program requires time for ascertaining user needs, programming time and testing. We are, however, disappointed that the complete system will not be delivered until sometime after 2021. Although it may be practical to deliver the four components of the Renewal Program in separate phases, we believe it would be appropriate to prioritize the National Registration Database (“NRD”). The current NRD system is used to keep track of registrant details, has design and operational flaws that require a significant amount of manual entry, often of the same information. In addition, the data contained in the NRD is not well indexed and categorized and as such time-consuming individual searches are necessary to find specific information. These design problems result in a disproportionate amount of time spent entering, re-entering and searching for data that should be easily accessible.

We recommend that the team responsible for developing the Renewal Program examine the AMF site, as it has been found to be user friendly and effective in storing and providing the appropriate information in an efficient manner. In particular, the public search site referred to as the "Register of Firms and Individuals" allows users to easily find an individual's registration details, NRD number, and firm etc.

In addition, the Central Registration Depository ("CRD") system, operated by FINRA in the US also is a useful example of a system that works well in the registration context. The CRD is the licensing and registration system used by the U.S. securities industry and its regulators, and contains the registration records of broker-dealer firms and their associated individuals including their qualification, employment and disclosure histories; it also facilitates the processing of form filings, fingerprint submissions, qualification exams and continuing education sessions.

We recognize that it is not appropriate to overhaul the existing NRD system when it will be replaced as part of the larger project. However, given that the expected time for delivery of the NRD component of the Renewed System is several years away, we recommend a few adjustments that could be made to the existing system to significantly improve its functionality until the Renewed System is fully implemented.

Adjustments to Existing System

One of the most significant problems with the existing NRD system is that the ability to query in the existing system is extremely limited, as key fields are not searchable. Although the system contains the salient information in defined fields, users cannot access the information through a simple query of a given field. This makes finding specific information quite difficult, as users must search using general terms, which often yields a significant amount of irrelevant data that must be manually reviewed to find the intended information.

For example, when searching for Outside Business Activities (OBA), the system does not provide an ability to search by effective dates or other elements under the OBA category. This means that a search will yield all OBA information, with the most current year presented first. Users must then search individually for each item on an OBA. The results are often voluminous, and it is time-consuming to search for older OBA information. This query limitation seems unnecessary, given that the information is already contained and indexed in the database.

Another example, is in respect of searching by UIN field. This field can be anything the dealer member wishes to insert. The result of having a such a searchable field is that firms would then easily be able to pull records or reconcile against their record by pulling report with this unique identifier.

The existing system could be significantly improved and made more efficient if all defined fields in the NRD were query-able.

If possible, the existing system should also be adjusted to allow users to check off several jurisdictions rather than repeating the filing for each relevant jurisdiction when filing an initial submission. This would save significant time and effort as currently, users must complete several identical submissions relating to the same registration for each different jurisdictions. We note that there is currently some

functionality in this regard, in particular, there is a checkbox selection for surrenders, initial and additional jurisdictions. However, in respect of the annual file exclusions (before doing the surrenders and/or terminations), it is necessary to make separate submissions each province as there is no checkbox selection.

A similar approach should be adopted when de-registering from jurisdictions, so that it could be done on a checkbox basis rather than deregistering with a separate submission for each jurisdiction.

The information in Form F1, notice of termination, should be added to the NRD reporting section or under the profile section. This would be helpful to hiring firms when the individual's registration is being re-instated. All of the information on the F1 should be entered into NRD, to ensure that the actual form cannot be manipulated. Firms have seen F1s altered by former employees when they provide it to a new employer, so populating the profile section would ensure the information provided to the firm is accurate. In addition, it would be helpful if "letters of explanation" could be uploaded.

It would be extremely helpful if the system could allow for corrections to submissions rather than requiring users to re-enter an entire submission when an error is made. For example, if a user is entering a reactivation of a registrant and makes an error, they must to redo the entire entry.

It would also be helpful if NRD could send a notification when an application is approved. This would prevent the extra work of continually having to check back to determine approval status. For example, when an application for new registration is approved, the approval date becomes the effective date. Currently firms cannot readily see when an approval is granted, and must check in each day to see if the registrant was approved.

Currently, only the regulator can add notes to entries. It would be helpful if firms were also granted the ability to add notes which may or may not be able to be shared with other firms.

Suggestions for the Renewal Program

In the development of the NRD component of the Renewal Program, we have several suggestions for regulators and programmers to consider.

In respect to access to certain documents, it would be helpful if certain regulatory information about registrants could be made available as between dealers, so that when registrants, or former registrants are applying for jobs or moving between firms, the hiring firm could have access to key information. This function is available in the CRD. This information could include: courses completed, WMD due date, and if the individual's registration is subject to terms and conditions. In addition, information relating to certain CE requirements would be useful. For example, if the individual was granted an extension to complete the required CE through a hardship application, it would be helpful to have that information on the system. In order to manage privacy concerns, this could be made available to view to authorized firm representatives at dealers rather than to the public or dealers in general.

Currently, exemption requests are submitted via a free form box. This creates difficulties, as simple text features such as numbering or adding a tab are difficult. Under the existing system, a user cannot submit a table or an externally created box, graph or other such item. In addition, NRD doesn't accept

certain characters, so any open fields should be able to accept a wide variety of characters, tables and ideally, uploaded documents.

The new system should also keep track when a registrant writes an exam. This would increase efficiencies as firms would no longer be required to obtain this information from CSI and other course providers. It would also be useful to have a tracking mechanism for CE credits, particularly given the high penalties for inadequate CE credits. Although it would be helpful to include several course providers, it should at least provide this function for CSI accredited courses. This feature should not be difficult to provide, given that the NRD profile currently contains a CSI student number.

All 33-109 Form updates should also be able to be filed under the Renewed System. Housing the Forms in all one place would permit users to have all the information about the firm in one place. Users would be able to see all changes to firm information.

It is our Members expectation that all information that is currently housed in NRD will be automatically transferred over to the new system to avoid the significant resources required to re-enter such data.

We also recommend that the Renewed System be able to accommodate multiple submissions such as multiple terminations using a bulk spreadsheet. For example, if a supervisor is reassigned to a different region, it is necessary to reassign the new supervisor to all relevant registrants. It would be efficient to accommodate this in one filing using a spreadsheet. Currently this very time consuming as it must be done individually.

It would also be helpful to be able to create an API interface between the system and firms' systems to create the ability for NRD to take feeds from other systems. Although currently NRD does have this capability, it requires the payment of a significant fee. We recommend retaining this functionality, but building it in a manner that is not as costly. We also recommend that the system have the ability to take a feed from an outside source similar to the CRD.

In respect of registration fees, currently, NRD does not break down the fee per person, despite that when firms enter the information by person it would have that information. When firms get the information back from NRD, it is on a bulk basis. In order to ascertain the registration fee per person, firms can do a mathematical exercise, but it may not be correct. Not all provinces break down the fee per person, and some individuals may be charged differently. Ultimately the firm must use manual means to ascertain fee per registrant. Although Ontario charges the same fee per registrant, other jurisdictions have different fee models. Since the information is entered into NRD in an individual basis, NRD should be able to provide the information back to firms on this basis with a set query.

A unique identifier (transit #) is helpful in that helps identify each registrant. This should be retained.

Although some firms have built internal systems to identify the location of the registrant, NRD does not have the ability to do this independently. It should be included in the Renewal Project.

It is difficult to find historical branch information, such as who the supervisor was in a branch on a historical basis. This is useful information in situations such as if there was an investigation or complaint, and a need to identify the supervisor at a specific point in time.

Currently, it is difficult or impossible to delete an individual's access if there are outstanding files connected with them. Although firms can change the password and reassign the access, the access connected to that individual cannot be deleted. As an example, a firm cannot delete a submission on NRD where someone else created it, and they are no longer with the firm, or reassigned.

If there is a name change, the system does not allow for editing of the previous entry of names on certain entries. The system is inconsistent, in that it will permit this on some entries but not on others. This may lead to confusion as when the current information is entered, the old information may still exist on the system.

It would be useful to create a section on registrant "issues". Perhaps this could be query-able on a permission basis, as would allow new firms of potential employees to check the full NRD record for a potential employee. The permission could somehow be provided by the registrant.

Firms should also be able to access the past IIROC registration category of an individual. We note that the past CSA registration category is available through the CSA website. However, the IIROC registration is not included.

Although firms can tell if an individual passed an exam, they cannot query if they were licensed through IIROC at another firm. Although the record of passing an exam is on RFD, the licensing information is not. Currently, if someone is no longer registered, NRD cannot show this.

It would be helpful if NRD would facilitate uploading supporting information such as criminal records bankruptcies, garnishments, failure to pay, court orders etc. and other documents, as part of reinstatement, rather than requiring firms to obtain this information from the regulator. There should be a facility to upload these documents into the NRD and then give permission-granting status to the employee. Currently there is an issue with data integrity as firms have to rely on the employee to provide this information.

Regulators often encourage investors to check the registration of their financial advisor – to understand who they're dealing with and to check if they're appropriately registered. While it would be helpful for the CSA to centralize registrant-related information, particularly in the context of the various Disciplined Lists, it would be of greater value to ensure consistency of the information presented. Currently, disciplinary actions the SROs are inconsistently messaged on the CSA website. In the review of integrating the Disciplined Lists into the Renewed System, we'd advise for the CSA to consider fostering additional harmonization with the various SROs to ensure disciplinary actions for registrants are consistent across platforms.

Another area of opportunity for the CSA to consider is to address the current methodology of how cease trade orders (CTOs) take effect across multiple jurisdictions. The incorporation of the CTO Database into the Renewed System will provide a single point of access for information; however, this proposal does not address a key process flaw and challenge for the industry with the application of CTOs. The current search function on the existing CTO Database is often inaccurate and there are concerns that CTOs don't automatically take effect in provinces other than Alberta, Quebec, Nova Scotia, New Brunswick, and Manitoba. As such, the industry often encounters challenges in being able to accurately identify and

note CTOs for clients and trades in a timely fashion across Canada. We encourage the CSA, while addressing the database in the context of the Renewed System, to also consider applying a consistent approach across all jurisdictions in respect of CTOs.

The CSA's intention of inserting the CTO Database and the Disciplined Lists into the Renewed System is a positive step to consolidating information, however the current underlying process challenges noted above should also be considered as part of the Renewed Systems initiative.

Thank you for considering our comments. We would be pleased to meet with the relevant regulators and developers for more detailed comments and information. If you have any questions, please don't hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S. Copland', written in a cursive style.

Susan Copland