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**DELIVERED BY COURIER**

British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Securities Commission  
The Manitoba Securities Commission  
Ontario Securities Commission  
Office of the Administrator, New Brunswick  
Registrar of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Nunavut  
Registrar of Securities, Yukon Territory

c/o John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West  
Suite 800, Box 55  
Toronto, Ontario  
M5H 3S8

Attention : Mr. John Stevenson, Secretary

Dear Sirs:

**Re: Proposed Multilateral Instrument 31-102 - National Registration Database and  
Proposed Multilateral Instrument 33-109 - Registration Information  
Requirements**

On December 14, 2001, the Ontario Securities Commission ("OSC") published for comment the following proposed multilateral instruments/rules governing the electronic submission of registration information: Proposed Multilateral Instrument 31-102 - National Registration Database ("NRD"), Proposed Multilateral Instrument 33-109 - Registration Information Requirements (collectively "the Proposed Instruments"). In addition, the following related proposed rules were also published by the OSC for comment: Proposed

OSC Rule 31-509 (Commodity Futures Act) - National Registration Database and Proposed OSC Rule 33-506 (Commodity Futures Act) - Registration Information Requirements (“the Proposed Rules”). We have restricted our comments to the Proposed Instruments because of the similarity between the Proposed Instruments and the Proposed Rules.

We are submitting comments on behalf of the following affiliates of the Royal Bank of Canada: Royal Mutual Funds Inc. (“RMFI”), the principal distributor of the Royal Mutual Funds, registered as a Mutual Fund Dealer or its equivalent across Canada, RBC Dominion Securities Inc. (“RBC DS”), a wholly owned subsidiary of the Royal Bank of Canada registered as an Investment Dealer/Broker or its equivalent across Canada, Royal Bank Action Direct Inc. (“Action Direct”), also registered as an Investment Dealer - Equities & Options, RBC Global Investment Management Inc. (“RBC GIM”), registered as an Adviser in the category of Investment Counsel and Portfolio Manager, as well as a Limited Market Dealer (Conditional) and a Commodity Trading Manager under the *Commodity Futures Act* and RBC Private Counsel Inc., which is registered in the categories of Investment Counsel and Portfolio Manager and Limited Market Dealer.

### **General Comments**

We fully support the Canadian Securities Administrator’s (“CSA”) initiative in developing the NRD; a web-based system that will permit dealers and advisers to file registration forms electronically. The move to a system that will allow registrants to electronically submit certain registration information to the securities regulatory authorities and self-regulatory organizations will hopefully reduce the time of the registration approval process. In addition, the NRD should facilitate registration in multiple jurisdictions, since registrants will only need to submit one application to register in multiple jurisdictions, rather than file separate forms with each province or territory, as is currently the case.

While we are generally supportive of the NRD and the move away from a paper-based registration system, we do, however, have a number of concerns primarily related to the costs of the NRD system as proposed and its implementation, which are outlined below.

#### **Cost of Developing and Operating the NRD**

One of the stated objectives of the NRD is that the new system will be cost efficient for registrants. In addition, the CSA are of the view that the investor benefit of timely disclosure will outweigh any added costs to registrants of identifying and submitting changes to their registration through the NRD. A survey of registered firms last year indicates that the OSC expects the benefit to registered firms during the first five years of the NRD’s operation to be \$85 million. The current value of the projected cost of developing and operating the NRD over the same period is \$47 million. The annual NRD filer fees and NRD submission fees are intended to cover this cost.

We are concerned that the benefits to the industry will not in fact be sufficient to justify the

cost of the NRD, let alone to justify passing the entire cost on to the industry. In particular, we are concerned with the lack of clarity concerning some of the details surrounding the cost of developing and operating the NRD. The new proposed fees, in addition to the one time enrolment fee that are proposed to be levied on registrants to cover the costs of developing and operating the NRD will be extremely costly and impose a heavy fee burden on registrants. The affiliated entities within the Royal Bank of Canada on whose behalf we are submitting comments together have approximately 13,000 registrants. Based on our preliminary calculations, we estimate a significant increase in our total costs over our current registration fees. A rough calculation indicates that our costs will increase by a minimum of \$1,100,000 per year. We have based this on our understanding that the annual NRD filer fee will be charged in addition to the annual renewal fee. In addition, there is no sunset date or proposed future reduction to NRD submission or filer fees, which are supposed to cover costs of developing the NRD.

This increased fee burden will be in addition to the fees currently prescribed under securities legislation that are payable to the securities regulators and to other self-regulatory organizations, such as the Investment Dealers Association (“IDA”) and the Mutual Fund Dealers Association (“MFDA”). In our view, it is inappropriate to levy significant new fees on registrants that already pay substantial fees to cover the regulator’s costs of administration. Instead, the securities regulatory authorities should look to existing and future revenues from registration fees to help defray these costs.

#### *Population of the NRD and the Administrative Cost to Registrants to file Form 33-109F4*

Multilateral Instrument 31-102 places the primary responsibility for populating the NRD database upon registrants. Registrants will bear the lion’s share of the cost of the NRD and we strongly object to also requiring them to absorb the significant administrative expense of populating the NRD database.

Section 8.5 of Multilateral Instrument 31-102 requires all registered and non-registered individuals of firms to submit completed Form 33-109F4s “Registration Information for an Individual,” (which will replace the current Form 4) in NRD format in accordance with a listed schedule (10% of individuals per month). We submit that it should not be necessary to file a new Form 33-109F4 for each individual registrant, as that would impose a significant administrative burden on registrants. Since the securities regulators currently maintain the registrant information that is required to be transferred to the NRD system as of the transfer date, it would make more sense for the regulators to populate the NRD database with information from their own records. The dealers could then undertake a review of certain data transferred by the securities regulatory authorities to verify its accuracy. The scope of this review should be limited to important and relevant data and exclude non-material historical data, such as the requirement in Item 2 of Form 33-109F4 to provide a 10 year residential history.

#### *Information Requirements for Registered Individuals*

In our view, information requirements pertaining to individuals that are already registered

should be abbreviated, as they are not reapplying for approval and consequently we see little utility in providing updated non-material information such as their residential or employment history.

#### NRD Implementation Timetable

The CSA has specifically requested comments regarding when the implementation of the NRD should occur. Under the current proposals, CSA Staff are considering two plans for implementation of the NRD system. Under one plan, the Proposed Instrument would come into force on September 1, 2002, the data transfer date would be October 7, 2002 and the NRD launch date would be October 28, 2002. Under the second plan, the Proposed Instrument would come into force on November 15, 2002, the data transfer date would be December 16, 2002 and the NRD launch date would be January 5, 2003.

The proposed implementation dates of October 28, 2002 and January 5, 2003 are both unworkable for a number of reasons. As it is currently set up, the NRD system would impose a substantial administrative burden on registrants by requiring them to collect, verify and input into the NRD a large quantity of historical registration information. All registration staff would require training and the system would have to be tested. Moreover, we will inevitably have to respond to numerous enquiries from individual registrants, who will also be using the system. All this is being required at a time when other new rules are being imposed on registration. Unlike in previous years when firms were able to spread registration renewals throughout the year, registrants will now have to meet a deadline of December 15, 2002 to complete all registration renewals. In addition, the first cycle of Continuing Education will end on December 31, 2002 for all IDA member firms (RBC DS and Action Direct) and those firms will be busy reporting to the IDA concerning registrants that have or have not passed required courses. This creates a significant regulatory burden on registrants within a very short period of time.

Our recommendation is for the Proposed Instruments to delay the bringing into force of these Rules and aim for a launch date of April 2003, instead of January 5, 2003.

#### IDA Policy No.8 - ComSet/NRD - Potential Dual Input of Data

The IDA recently approved changes to Policy No. 8 relating to Reporting Requirements of IDA Members and registrants. One of the most significant changes was to expand the IDA's ability to collect information relating to complaints, claims, judgments, awards and settlements pertaining to its Members. Policy No. 8 requires IDA Member firms to provide statistical and summary reporting of all securities-related settlements, civil claims, judgments, arbitrations, awards, or other resolutions of any securities-related claim or complaint against a Member regardless of the monetary amounts involved. Systems to implement these changes are currently being designed and should be ready in early 2002. ComSet (Complaints and Settlement Database) is a web-based database system developed

by the IDA. Information gathered under it will be used by the Compliance and Enforcement areas of the IDA so that they may focus their efforts on high risk areas within the securities industry.

The reporting requirements for IDA Member firms under Policy No. 8 outlined above are broad and as a result, the potential exists for a significant overlap in the reporting that will have to be done via the ComSet system and the NRD. We would appreciate clarification as to whether or not dealers will in fact be made to file overlapping information with both the ComSet system and the NRD, as IDA Members that will be required to use ComSet will also be reporting on the NRD system. If so, we suggest that a sharing of information between the two systems should be a priority, since it is unreasonable to expect dealers to file overlapping information separately, or bear any additional costs that might be incurred as a result of this duplication of reporting.

#### *Integrated NRD/Regulatory Fee Schedule*

Most registrants do not file in a single jurisdiction, but rather multiple jurisdictions across Canada. To this end, it would be useful from an administrative perspective to be provided with a fee schedule that consolidates into one document the various NRD user and filing fees, along with regulatory filing fees for all provinces and territories.

#### *The Need for Harmonization and Mutual Reliance*

We understand that each applicable jurisdiction will review and approve applications submitted on NRD. It is also not clear in the Proposed Instruments, exactly what documents will need to be filed in paper format with each jurisdiction outside of the NRD system. We have received some verbal indications from CSA Staff that certain jurisdictions may require different filings in paper format. We urge the CSA and IDA to use the NRD as a first step towards harmonization of registration policies and procedures and to eliminate as much as possible any paper filings. We strongly believe that a system of mutual reliance must be implemented in connection with the NRD, which would permit an applicant's jurisdiction of residence to approve applications on behalf of all jurisdictions. To require registrants to file different documents with different regulators, keep different documentation on file (e.g., course marks), as well as have different approval processes with the various regulators, greatly diminishes the promised benefits of the NRD.

#### **Specific Comments**

##### *National Registration Database (NRD) - Filer Manual*

On page 17 of Chapter 3 - "Enrolling Your Firm to Use the NRD," a list is provided that sets out the sequence of actions to be taken by a firm applying for registration for the first time as a dealer, adviser or underwriter. We find the list helpful and would ask that a similar list be included in the filer manual for dealers, advisers and underwriters that are

already registered.

*Proposed Multilateral Instrument 31-102 - National Registration Database (NRD)*

*NRD Submission Fee*

The Notice to Multilateral Instrument 31-102 explains that a firm will be required to pay, (in addition to the fees currently prescribed under securities legislation), \$75 for each individual who is applying for registration in a single jurisdiction and \$50 for each additional jurisdiction for which an individual has applied to register. Currently, new registrants are charged approximately \$250 annually in each province in which they are registered. We submit that the \$75 submission fee should be a one-time fee and not charged annually as a filer fee on top of the standard \$250 registration fee. To do otherwise, represents almost a 35% increase in these fees.

Upon submitting a Form 33-109F4 for a non-registered individual, a firm will be charged \$50 irrespective of the number of jurisdictions in which the firm is registered. There is no rationale provided for the discrepancy in fees charged for registrants and non-registrants.

*Annual NRD Filer Fee*

The Notice states that on December 15<sup>th</sup> of each year, a firm will be charged an annual NRD filer fee. Under this fee a firm is required to pay \$75 for each registered individual sponsored by the firm and registered in a single jurisdiction. For each additional jurisdiction in which the individual is registered, the firm will be charged \$50. A firm will be charged \$50 for each of the firm's non-registered individuals irrespective of the number of jurisdictions in which the firm is registered. As above, there is no rationale provided for the discrepancy in fees charged for registrants and non-registrants.

*Part 6 - Temporary Hardship Exemption*

Section 6.1, the "Temporary Hardship Exemption" indicates that an NRD Filer making a paper submission in reliance on the hardship provisions must subsequently resubmit the information in NRD format within 3 business days after the unanticipated technical difficulties have been resolved. We are of the view that 3 days is too short and that the time required to submit the information in question in NRD format will depend upon the nature of the technical difficulties encountered and the size of the submission that has to be recreated. Since the securities regulatory authorities would already have all of the relevant information in paper format, we suggest that the time limit be "as soon as practicable," or alternatively, no later than 10 business days after the unanticipated technical difficulties have been resolved.

*Multilateral Instrument 33-109 - Registration Information Requirements*

*Part 1 - Definitions*

The term “non-registered individual” in Section 1.1 of Multilateral Instrument 33-109 includes officers, directors, partners and shareholders that are not registered to trade or advise on behalf of a firm. The industry terms used for the parties described in section 1.1 as “non-registered” individuals are “non-trading” and “non-advising.” Accordingly, the proposed term may lead to confusion. We therefore recommend that the term “non-registered individual” in section 1.1 be replaced by “non-trading individual” or “non-advising individual.”

### Part 3 - Changes to Registered Firm Information

Section 3.1 provides that a registered firm must notify the regulator of a change to “any information” previously submitted in Form 3 within 5 business days of the change. The IDA and MFDA currently require reporting of similar changes within 10 business days. We propose that the filing deadline for changes be 10 business days instead of 5 days to harmonize it with the IDA and MFDA rules. In addition, this requirement is much broader than current reporting requirements in some jurisdictions. For instance, the British Columbia Securities Commission only requires certain changes to previously filed information to be reported, such as a change in a residential address, legal name, employment or bankruptcy etc. Typically, only changes that impact on the legal identity of the individual, or their fitness for registration are required to be reported.

Accordingly, we propose that the reporting requirement for changes to information under this section be made narrower and more specific. We would also request that certain changes that do not require a copy of an original document to be maintained be permitted to be filed electronically and exempt from filing a paper copy. For instance, changes to residential address information should be exempt from paper filing.

### Part 4 - Changes to Registered Individual Information

Section 4.1 provides that a registered individual must notify the regulator of a change to any information previously submitted in Form 33-109F4 within 5 business days of the change. We reiterate the comment made in Part 3 and propose that the filing deadline for changes be 10 business days instead of 5 days to harmonize it with the IDA and MFDA rules.

It is not entirely clear what information firms will need to submit by hardcopy to the regulators and what information is mandated to be filed electronically under the NRD. We recommend that a chart or list be drawn up indicating what items or documents are to be submitted in hardcopy and/or electronically. Where signatures and/or certain documentation are required to be submitted in hardcopy, it would be useful to know if the hardcopies must be filed with all jurisdictions or just in specified jurisdictions. It would also be helpful to know what documentation must be retained at a firm in hardcopy.

### Part 6 - Due Diligence and Record Keeping

Section 6.1 of Multilateral Instrument 33-109 requires that a sponsoring firm exercise due diligence to ensure that information submitted by the firm for a non-registered individual, or by a registered individual or an individual applying for registration is true and complete. This section imposes a new obligation on sponsoring firms. Companion Policy 33-109CP to Multilateral Instrument 33-109 stipulates that in order to exercise due diligence, a registrant should make enquiries regarding the identity, prior record of employment, credit and banking history and proficiency of the individual.

In addition, information that the registrant may require to comply with this provision may be subject to federal and/or provincial privacy laws. We would like clarification as to what types of enquiries registrants are expected to make to ensure accuracy of responses with respect to registration history, disciplinary actions, civil claims, criminal charges and other information that is generally not available to the public. We would also ask that clarification be provided that registrants are not required to perform due diligence on individuals who are already registered and are providing Form 33-109F4s pursuant to the requirements of Section 8.5 of Multilateral Instrument 31-102.

There is also a record keeping requirement that documents used by a firm to satisfy its due diligence obligations be retained for a period of 7 years and kept at the location of the registered firm at which the individual is working. Section 6.1(4) reads as follows:

“Records required to be kept under this section with respect to a registered individual or a non-registered individual shall be kept at the location of the sponsoring firm at which the individual is working.”

We submit that this requirement is problematic, as a registrant should not be required to keep its due diligence materials at the office where the registrant is working. Many national firms prefer to consolidate their registration/employment files at one central location such as the head office, instead of in the branch office where the individual is working. The physical location of registrant records should not pose a regulatory concern, as long as such records can be produced in a timely manner upon request. Firms should therefore be given the ability to maintain these records wherever it makes the most business sense, on the condition that the documents are readily accessible and available for review within a specified timeframe.

*Form 33-109F1 - Notice of Termination/Form 33-109F5 - Change of Registration Information*

Please clarify who will have access to each of Forms 33-109F1 “Notice of Termination” and 33-109F5 “Change of Registration Information.” Current industry practice is for some of these forms (with the exception of a Notice of Termination) to be completed by the applicant, while the branch manager or staff of the registration department completes others. Due to the sensitive/confidential nature of certain information contained in some forms we suggest that access to forms like 33-109F1 be limited to specific parties, such as an AFR.

Form 33-109F4 - Certification and Agreement of Applicant and Sponsoring Firm

We would like clarification on who is required to submit Form 33-109F4 on behalf of a firm. For large firms, it would not be feasible to have a senior person submit all forms without the ability to delegate this function. We are also of the view that it is inappropriate to expect the person who submits the application to ensure that the information in it is accurate and correct. Since the information in the form is provided by the individual applicant and the individual is not required to sign the form, liability is being placed on the registration officers, most of whom are junior staff.

Form 33-109F4 requires an authorized officer or partner of the firm to certify on behalf of the sponsoring firm that the applicant will be engaged by the sponsoring firm as registered or approved. Further, this section asks the authorized officer or partner to certify as follows:

“I certify that I have discussed the questions set out in this application with the applicant or where the applicant has applied through one of our branch offices the branch manager or another officer has done so and I am satisfied that the applicant fully understands the questions.”

We are unclear as to how an officer or branch manager can properly ascertain that an applicant truly understands the questions on Form 33-109F4. To what extent would an officer or branch manager be required to go to be satisfied that an applicant has understood the items in question? We suggest the following revised language be used:

“The applicant was provided with an opportunity to discuss the questions in this application with an officer or branch manager of this firm. The undersigned authorized officer or partner further certifies on behalf of the sponsoring firm that the applicant will be engaged by the sponsoring firm as registered or approved.”

**Concluding Remarks**

Thank you for providing us with an opportunity to comment on this important initiative. As requested, we are also enclosing a diskette with our submission in WordPerfect. If you have any questions, or require any additional information, please do not hesitate to contact the undersigned at (416) 955-3592 (darcy.chadwick@rbc.com), or Lori Lalonde, Senior Counsel, at (416) 955-7826 (lori.lalonde@rbc.com).

Yours sincerely,

D’Arcy Chadwick

Assistant General Counsel

cc: Charlie Macfarlane, Executive Director, Ontario Securities Commission  
OSC Regulatory Burden Task Force  
The Investment Dealers Association of Canada  
The Mutual Fund Dealers Association of Canada

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