

March 15, 2002

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 Mr. John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario
M5H 3S8
jstevenson@osc.gov.on.ca

Re: Proposed Multilateral Instrument 31-102 – National Registration Database (NRD)

The Investment Funds Institute of Canada (“IFIC”) is the member association of the Canadian investment funds industry. IFIC members manage assets representing almost 100% of all open-end mutual funds in the country and comprise a diverse cross-section of the industry, including representatives from mutual fund management companies, retail distributors and affiliates from the legal, accounting, and other professions. We have completed our review of the Proposed Multilateral Instrument 31-102 – National Registration Database (“NRD”), Multilateral Instrument 33-109 Registration Information Requirements,

the NRD Filer Manual and the affiliated Companion Policies and Forms and are pleased to provide comments on behalf of our members.

Scope

NRD Implementation Dates

Our comments have been divided into three parts. We note that Commission staff had specifically requested guidance as to the most appropriate date to implement the NRD. Part I of our submission addresses the issue of selecting an appropriate implementation date for the NRD. In our view, adopting one or the other of the suggested plans for the implementation of the NRD is problematic and we have, as a consequence, proposed a staggered implementation that would incorporate both of them.

Priority Items

The items dealt with in Part II of our submissions are concerns that have been identified as being of particular importance. They have, accordingly, been separated from the rest of our comments as we wish to have them considered by commission staff on a priority basis.

Remaining Issues

Part III sets out our comments on individual items that examine with greater specificity some of the more operationally detailed concerns that we wish to raise with respect to the actual day to day workings of the NRD system.

Part I

Date implementation discussion

Our recommendation is for the instrument to be brought into force in two stages. To this end, both implementation dates would be incorporated. The instrument should come into force for small dealers (250 registered individuals or less) on October 28, 2002. The instrument would come into force for firms with more than 250 registered individuals in April of 2003. Note that this would allow for a test period of the NRD system with manageable groups of individuals and provide an opportunity to address/clarify operational difficulties prior to April 2003. Financial institutions with affiliated/subsidiary operations should be given a choice between the two implementation dates to the extent that they have operations that are both more and less than 250 registered individuals in size. A bank, for example, that had both small firms (250 registered individuals or less) and larger firms (more than 250 registered individuals) would have the October 28, 2002

implementation date apply to its smaller firms and the April 2003 date apply to the remainder of its operations.

Part II

Priority Items

1. Multilateral Instrument 31-102, Section 8.5 – Individuals included in data transfer

Comments/Thoughts on Section 8.5 Requirements

Regulators Should Populate the NRD: Regulators currently maintain the registrant information that must be populated in the NRD system as of the transfer date. Instead of having dealers allocate staff time or undertake the expense of hiring new staff to populate this information, we strongly suggest that the regulatory bodies who are currently in possession of this data populate the NRD database from their own records and at their own expense. Dealers could then undertake a review of data input by the regulatory authorities however, this review would be limited to verification of “tombstone” data (i.e. name, current address and current business location of each registrant).

Section 8.5 places primary responsibility for populating the NRD database upon mutual fund dealers. Mutual fund dealers are already being made to bear the brunt of the costs of the NRD and we are of the opinion that requiring them to absorb the administrative expense of populating the database is inappropriate.

Information Requirements for Registered Individuals: These requirements should be abbreviated for individuals who are already registered as they are not reapplying for approval and thus have no need to provide information such as their residential and employment history.

Completion of Form 33-109F4 within 11 Months: Section 8.5 requires that all individuals included in the data transfer be required to complete a new Form 33-109F4 within an 11-month period as per a set schedule. This process of conversion will be time consuming and extremely costly for firms and will only become more so as the numbers of registrants in the firm increases.

Large firms will have significant difficulties in meeting monthly quotas and we propose that monthly quotas be removed and substituted with a single deadline by which all information must be submitted. Such a deadline should be set far enough out in recognition and accommodation of the fact that time and resource demands on firms will increase with the number of registrants in the firm that will have to be part of the data transfer.

2. IDA Policy No. 8 - ComSet/NRD – potential dual input of data implications

The Investment Dealers Association (“IDA”) has recently released its Policy No. 8, due to come into force in the second quarter of 2002.

Policy No. 8 Reporting Requirements will require IDA Member firms to provide statistical and summary reporting of all securities-related settlements, civil claims, judgements, arbitrations, awards or other resolutions, and customer complaints regardless of monetary amounts.

ComSet (Complaints and Settlement Database) is a web-based database system whose development was initiated by the IDA and which will be used by the IDA in its risk-based approach to compliance and enforcement. IDA Member firms will be required to report certain IDA Policy 8 matters.

Policy No. 8 reporting requirements are broad and the potential exists for a significant overlap in the reporting that will have to be done via the Comset system and NRD, particularly with respect to updating registrant information.

As a preliminary matter, 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 NRD. In the event that dual filing of overlapping information is being contemplated, we would note that IDA members that will be required to use Comset will also be reporting on the NRD system. A sharing of information between the two systems should thus be arrived at as it is unreasonable to expect dealers to file overlapping information twice or bear any additional costs that might be incurred with this manner of duplication.

3. Multilateral Instrument 33-109, Part 6 - Due diligence and Record Keeping

Part 6 (Due Diligence and Record Keeping), Section 6.1(1)

This section imposes a new obligation on sponsoring firms to exercise due diligence to ensure that information submitted by its registrants is true and accurate. The companion policy indicates that to exercise due diligence, a dealer should verify identity, prior record of employment, credit and banking history, and proficiency of the individual.

We question the need to place this requirement onto the sponsoring firm as evaluation of these matters has generally been performed by the regulators. We do not understand how an individual’s creditworthiness is relevant as part of an assessment of their fitness to sell mutual funds. Moreover, to the extent that employment history and credit worthiness are necessary factors for evaluation of an applicant’s fitness for registration the checks on these items should be performed by the regulatory body that is granting approval.

Requiring sponsoring firms to perform these checks in each and every case will increase the administrative cost to the industry, while reducing costs to the regulators who will be able to receive and review applications with these checks already provided. Will the cost savings experienced by regulatory authorities in this respect be passed on to the firms who are being made to bear this increased administrative burden?

Additionally, information that the dealer may require to comply with this provision may be subject to privacy legislation and government agencies would, as a consequence, be in a better position to obtain the required information.

We would ask that the Companion Policy state what types of inquiries dealers 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 not generally available to the public. In addition, we would ask that the Companion Policy state explicitly what criminal records and financial information are deemed to have bearing on an individual's fitness to sell mutual funds (i.e. set out in the manner of a "bright line" test what types of criminal convictions/financial information about an applicant would render them unfit to sell mutual funds).

We would also ask that the Companion Policy be amended to state that dealers are not required to perform due diligence on individuals that are already registered and that are providing Form 33-109F4 pursuant to section 8.5 of Multilateral Instrument 33-102.

Section 6.1(4) (Sponsoring Firm Obligations)

"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".

A dealer should not be required to keep its due diligence materials at the office where the registrant is working. Most firms will want to consolidate their registrant/employment files at a central location where their human resources functions are located. It is from this central location that dealers will use the information. The physical location of registrant records should make little difference so long as such records can be produced in a timely manner upon request. Firms should thus be given the ability to maintain these records wherever it makes the most business sense to do so, on condition that the documents are readily accessible and available for review within a specified time frame.

4. *Submission checklist – All Submissions*

It would be useful from an operations perspective to have the process of making submissions via NRD separated into individual steps and summarized in a checklist/itemized format. Such a checklist would at a minimum have the following parts:

- Step by step instruction on how to make/amend submissions via the NRD system
- A comprehensive list of all of original documents that must be kept on file (i.e. photographs/original signatures)
- suggested minimum policies/standards with respect to the submission of all forms and retention of original supporting documentation
- a separate step by step transition checklist for firms that are already registered

5. Form 33-109F4

Certification and Agreement of Applicant and Sponsoring Firm

The section of text that we wish to comment upon notes as follows:

“We submit to the jurisdiction of the self-regulatory organizations...we agree that any approval granted pursuant to this application may be revoked, terminated or suspended at any time...In the event of any such revocation or termination, the undersigned applicant agrees to forthwith terminate his / her association with the undersigned sponsoring firm and thereafter not accept employment with or perform services of any kind for any member or member house of the self-regulatory organizations or any approved affiliated company or other affiliate of any such member or member house, in each case if and to the extent provided in the then applicable by-laws, rulings, rules and regulations of the self-regulatory organizations”.

Our members have advised that they find the ban on subsequent employment that is contained within this certification to be very onerous as it too rigorously seeks to restrain an individual's re-employment in the industry. Accordingly, we would ask that this section of the certification's language be amended so as to be less restrictive to an applicant's future career prospects within the industry.

6. Form 33-109F4

Certification and Agreement of Applicant and Sponsoring Firm

The section of text that we wish to comment upon notes as follows:

“The undersigned applicant has discussed the questions in this application...with an officer or branch manager of this firm. The undersigned authorized officer is satisfied that the applicant fully understands the questions”.

It is unclear to us how an officer or branch manager can ascertain whether an applicant truly understands the questions set out in 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? In the absence of defined criteria, an officer or branch manager would be reluctant to certify that the applicant has met an unspecified standard of understanding.

To this end, we suggest the following amended language:

“The undersigned applicant has discussed the questions in this application with an officer or branch manager of this firm, and the applicant has affirmed that he/she fully understands the questions”.

7. Integrated NRD/Regulatory Fee Schedule Across Provinces

Most dealers file in 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 the provincial regulatory filing fees for all provinces.

Part III

NATIONAL REGISTRATION DATABASE (NRD) FILER MANUAL

ITEM: Chapter 3, P. 14 –Form 31-102F1 requires a firm to provide its NRD number. We note however, that instructions as to how a firm will be given access to its NRD number (so that it can be included in Form 31-102F1) for initial enrolment with the NRD Administrator are not provided. Please clarify this item by providing step by step instruction in Chapter 3 as to how a firm will be given access to their NRD number so that it can be included in Form 31-102F1.

ITEM: Chapter 3 Section C 2(b) P.16 - mention is made of regulators reviewing the firm’s “application materials”. Please indicate the specific application materials being referred to by listing these documents by name and/or form number.

ITEM: Chapter 3, P. 17 – 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, advisor or underwriter. We would like to have clarified on a step by step basis what the sequence of events would be for a dealer, advisor or underwriter who is already registered. To this end, we would ask that a similar list be included in the filer manual for dealers, advisors or underwriters who are already registered.

ITEM: Chapter 5, P. 23 - It is mentioned that fees will be paid from the firm's designated accounts automatically on December 15th for annual registration fees.

Firms need to arrange and plan the collection of monies from advisors in advance. In addition, firms should also be given the opportunity to verify the correctness of the amounts being automatically withdrawn prior to such withdrawal so as to enable them to reconcile their own records prior to the payment of these fees.

We would like to see a clear statement indicating whether annual registration for all provinces will also be at the same time of the year, (December 15th) and whether or not these fee payment withdrawal dates will include the withdrawal of funds for extra provincials.

ITEM: Chapter 7, P.31/32 – The instructions state that a transfer is possible only if three conditions are satisfied. Condition (B) states, “the employment or agency of the individual with his or her last sponsoring firm was terminated between September 16 and December 15 of a given year, and he or she is applying for registration prior to December 15 of that year”.

The above provision makes it difficult to determine the course of action to be adopted with respect to a “transfer” if the individual was terminated from his/her last sponsoring firm before September 16 of any given year. Also problematic with respect to transfers are circumstances where the individual is attempting a transfer from one firm to another, but has not yet terminated employment with the first firm.

Please provide written clarification as to what procedure is to be followed with respect to the use of a transfer form if the dates noted are not the dates that apply in one's case. Also please clarify whether there will be a way for individuals to determine if their registration has been terminated from the first firm.

ITEM: Chapter 7, P. 36 - No explanation as to the differences between a registrant/applicant/non-registrant *changing* an individual registration and a registrant/applicant/non-registrant voluntarily *surrendering* an individual registration are provided. Please provide an explanation as to the distinction

between these two submission types and also explain in detail the significance/consequence of making one of these submissions versus the other.

ITEM: Chapter 7, P.45 – In the section dealing with the review of submissions by regulators, no indication is given as to how long the regulator will wait for a response from a firm before they abandon the submission.

The process of registration via NRD is new and there will invariably be a learning curve/gaining operational familiarity period. Establishing a fixed time period within which submissions must be provided will allow users who are trying to manage a workload while gaining familiarity with all aspects of this system to prioritize their tasks.

Please clarify by indicate how long a regulator will wait for a response from a firm before they abandon a submission

ITEM: Chapter 8, P. 50 – While it is possible to use the same user ID for all firms for which one is acting as Chief AFR, we note that the Filer Manual states that an error message will be received if any one given report contains more than 200 items.

This is problematic, particularly for larger firms as an AFR logging on with one user ID and generating all companies submissions, will easily exceed the 200 item limit.

While a single user ID for all firms for a Chief AFR would be the preferable option, it could lead to disadvantages with respect to how data is displayed and the amount of data that can be displayed at once. It is imperative that the 200 item limit be increased. Our strong preference is to see the 200 item limit increased while preserving a single user ID. However and only to the extent that this is not possible, it may be necessary to consider the use of multiple user ID's as a 200 item limit will not in practice be sufficient for the Chief AFR's of larger firms or when one is acting as Chief AFR for multiple firms.

Administrative AFR's: Since all submissions of all the AFR's can be viewed, we would like to see clarification as to whether or not submissions and works in progress will be clearly identified as to who the processing AFR was.

NOTICE OF PROPOSED MULTILATERAL INSTRUMENT 31-102 NATIONAL REGISTRATION DATABASE (NRD)

ITEM: Please indicate whether or not there is there a limit to the number of AFRs a firm can have.

ITEM: No rationale is provided for using a different approach regarding submission fees for registered and non-registered individuals. Is it more expensive to process the submissions of non-registered individuals vs. registered individuals?

It was indicated to the industry that NRD expenses would be for the exclusive purpose of cost recovery (and not to turn a profit). In the absence of an explanation/breakdown of costs incurred in the processing of submissions for registered and non-registered individuals, the default should be a uniform submission fee.

Please justify the difference in submission fees for registered and non-registered individuals.

MULTILATERAL INSTRUMENT 31-102 NATIONAL REGISTRATION DATABASE (NRD)

ITEM: Part 2 (Information to be Submitted in NRD Format), Section 2.1 (Registration Information) - No reference is made to Form 33-109F5 with the other listed forms. If Form 33-109F5 is to be included in this section, please add it to the list of forms that are already mentioned. If Form 33-109F5 is not meant to be included in this section, please exclude it by specific reference.

ITEM: Part 6/Section 6.1(4) (Temporary Hardship Exemption) – The section notes that an NRD Filer making a paper submission pursuant to 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 opinion that this time period is too short. 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.

As regulators will already have the relevant information in paper format, we would ask that this time limit be left at “as soon as practicable” or, alternatively, extended beyond the current 3 business days limit to a minimum of 10 business days.

ITEM: Part 8 (Transition), Section 8.4 (Accuracy of Business Location Information) – This section provides that missing or inaccurate information respecting the business location of a transition firm shall be submitted via a completed Form 33-109F3 within 15 business days of the NRD Access date.

Large firms will find it extremely difficult to comply with a 15 day requirement owing to the significant number of locations that forms will have to be processed for.

We would recommend a minimum of 30 business days or staggered submission times for Form 33-109F3 based on firm size/number of branch offices.

ITEM: Part 8 (Transition), Section 8.6 (Individuals not Included in the Data Transfer) – We note that this section provides only 15 business days for the submission of Form 33-109F4 for the individuals mentioned.

A large firm with thousands of individuals will find it extremely difficult to comply with a 15 day requirement.

We would recommend a minimum of 30 business days or staggered submission times based on firm size.

ITEM: Part 8 (Transition), Section 8.7 (Changes to Form 4 Information) - Please clarify whether the intent here is for registrant firms to provide notices respecting changes to Form 4 information that occurred: after August 31, 2002 and no earlier than October 28, 2002 (supposing a September 1, 2002 enforcement date).

ITEM: (Appendix A to Form 31-102F1) – The terms of use for the site are set out here. The terms of use can be amended by the NRD Administrator, with CSRA approval, and firms are deemed to accept the new terms by continued use of the system. We note however that firms have no opportunity for input with respect to these amendments and have been given no recourse beyond abandoning use of the system.

Use of the NRD is mandatory and “opting out” to avoid terms that are found to be oppressive is not an option. Firms will in fact have no recourse with respect to amendments that they do not agree with. We are of the opinion that a process should be established for approving amendments to the terms of use, and the process should permit industry comment.

Please indicate whether or not the CSRA will solicit comments from the industry before a proposed amendment is approved and further describe what realistic avenues of recourse will be available to firms who take issue with amendments made to the NRD terms of use.

MULTILATERAL INSTRUMENT 33-109 - REGISTRATION INFORMATION REQUIREMENTS

ITEM: Part 1/Section 1.1 (Definitions) - “Non-registered individuals” are defined to include: officers, directors, shareholders that are not registered to trade or advise on behalf of the firm. This definition conflicts with the current industry definition of “non-registered” individuals.

The industry term used for the parties described in section 1.1 as “non-registered” individuals is “non-trading” or “non-advising”. Adopting a definition that will now refer to these individuals as “non-registered” may confuse people at the administrative level who do not have the definitions readily available.

The term “non-registered” is moreover misleading because approval for these individuals is still required.

We propose that individuals currently defined in section 1.1 as “non-registered” individuals be redefined as “non-trading individuals” or “non-advising individuals”.

ITEM: Part 1/Section 1.1 (Definitions) The definition of “business location” lacks specificity. The proposed definition could include locations, which a registrant/applicant/non-registrant was able to carry on business as a dealer or advisor, yet would not be considered as registered locations (i.e. coffee shops, a client’s home).

We propose that “business location” be more clearly defined (i.e. to include only locations where a registrant/applicant/non-registrant could carry on business as a dealer or advisor AND that would also be considered registered locations)

ITEM: Part 3 (Changes to Registered Firm Information), Section 3.1 Changes to Form 3 Information – This section currently requires a registered firm to notify the regulator of a change to any information previously submitted in Form 3 (particularly 33-109F4).

This is broader than current reporting requirements. For example and with respect to the British Columbia Securities Commission only certain changes to previously filed information are reported. These include: changes in residential address, change in legal name, change in employment, bankruptcy, etc. In essence, only areas that have bearing on the identity of the individual or their fitness for registration are subject to reporting upon any changes.

We propose that the reporting requirement for changes in information be made narrower and more specific.

We would also ask that certain changes that do not require a copy of an original document to be maintained (as in a legal name change) be permitted to be filed electronically and exempt from paper filing (i.e. changes to residential address information might be exempted from paper filing).

ITEM: It is unclear what information firms are going to have to submit by hardcopy in addition to what is required to be filed electronically through the NRD.

We propose that items to be submitted in hardcopy and/or electronically be set out in one document (i.e. in a list/table/chart) that indicates in what formats each item is to be submitted

ITEM: Where signatures and/or certain documentation are required in hard copy, please clarify whether or not these hardcopies must be filed with all jurisdictions. We would recommend that the filing of hard copies be restricted to maintaining such copies at one given office (head office or a location chosen on the basis of what is commercially practicable) without the requirement to file in multiple jurisdictions.

ITEM: Please clarify who will have access to each of Forms 33-109F1-F5. Current industry practice is for some of these forms to be completed by the applicant. Other forms are completed by the Branch Manager or the Registration Department. We suggest that access to Forms that contain confidential/sensitive information, such as Form 33-109F1 be limited to specifically named parties.

ITEM (General Comment): We have been given to understand that each applicable jurisdiction will review and approve applications submitted on NRD. We propose that a system of mutual reliance be implemented to permit an applicant's jurisdiction of residence to approve applications on behalf of all jurisdictions.

COMPANION POLICY 33-109CP – REGISTRATION INFORMATION REQUIREMENTS

ITEM: Part 2/Section 2.1 (Due Diligence) - Currently most firms do perform some form of due diligence when hiring an individual in the role of a registered representative. However, as each firm may approach the process of doing background checks for new hires differently, there may not be uniformity within the industry as to the specific types of checks that are undertaken or how exhaustive these checks may be.

We propose that guidelines or a template be provided as to what newly hired individuals should sign off on so as to initiate the proper checks on the required information. We are of the opinion that a template/guidelines would also assist in ensuring the relative consistency of due diligence practices from dealer to dealer.

FORMS

Form 33-109F1 – Notice of Termination

ITEM: Please clarify who the intended authorized signature on specific forms such as the 33-109F1 is.

ITEM: The term “for cause” is not defined. A registrant/applicant/non-registrant that is terminated as a result of low performance, personality conflicts or poor attendance should not be included in the definition of “for cause”.

While the necessity for breadth of meaning is understood, a terminated registrant/applicant/non-registrant who falls within the above mentioned scenario and who wishes to transfer to another firm should not have his/her transfer delayed as a result of further unnecessary screening.

We propose that “for cause” be defined so as to exclude a registrant/applicant/non-registrant who is terminated as a result of low performance, personality conflicts or poor attendance.

Form 33-109F4 – Registration Information For An Individual

ITEM: Form 33-109F4 requests, as does the current Form 4, residential addresses for the past 10 years. This item seems to us to be without relevance and we would ask that its relevance be explained or that it be omitted as a request for information from Form 33-109F4.

ITEM: Form 33-109F4 now asks for the individual’s student number with the CSI or similar agency. Please explain the necessity for this information. As physical proof of a passing grade is still required, this item serves no purpose other than adding extra work for the applicant.

ITEM: Form 33-109F4 requests, as does the current Form 4, employment history for the past 10 years. As all industry employment should already be on the system, please explain what the relevance of collecting this information is. In addition we are of the opinion that a blanket request for all employment information in a 10 year period is over-broad. There is no purpose to collecting employment history information that is not related to employment in the financial services industry (i.e. it is not relevant to employment in the mutual funds industry to know that an applicant worked at a fast food establishment 5 years ago).

ITEM: Form 33-109F4 requires detailed information on all garnishments and/or directions to pay – please clarify (by explicit inclusion/exclusion) as to whether or not the information sought in this item includes child support and alimony payments.

ITEM: Form 33-109F4’s “sign off” refers to “we” instead of the applicant directly. Please indicate whether it is the firm or applicant that is being referred to. If the firm is being referred to, please provide the justification/necessity for requiring a sign-off requirement from the firm as opposed to just the applicant.

ITEM: Please clarify whether all schedules can be filed electronically or whether a hard copy needs to be forwarded. Firms do not want to submit hardcopies unnecessarily as the electronic transmission benefits of NRD will be rendered moot to industry users if they are required to provide parallel submissions of schedules in hardcopy.

ITEM: (Item 2) – We suggest that the word “current” be placed before “Residential” on the line that requests residential information.

ITEM: (Item 5) – This item does not contain a box for application to self-regulatory organizations as appears on current form (IDA/MFDA). We have been given to understand that the IDA will be adopting use of the form. Please indicate how approval from the SRO is to be documented, particularly in the event that dual approval is required in a given jurisdiction.

ITEM: (Item 6) – The final form of Schedule “C” (categories of registration) is not provided. We recommend that the categories of registration be harmonized across the provinces in support of the NRD.

ITEM: (Item 7) - It appears as if the form only has room for one address and name of agent of service. If this is the case, we suggest that more spaces be provided so as to accommodate circumstances where a registrant/applicant/non-registrant has more than one agent of service.

ITEM: (Item 8(1)) – Example stating “if you are a non-registered individual, you are not required to complete this Item.” We ask that clarification be provided as to what specific categories of individuals are being referred to with the words “non-registered” individuals. We suggest the following by way of amended text:

“if you are a non-registered individual (set out the categories of people being referred to), you are not be required to complete this Item. Non-trading officers of IDA firms must provide evidence of having met established proficiency requirements”.

ITEM: (Item 8(2)) – We note that the CSA is considering the addition of a field for student numbers issued by the Trust Company Institute or for other institutions. If this addition is made, the CSA’s proposals with respect to this section will only be incorporated in a later release of NRD and firms using NRD at its launch will not have an indication of how this information will be captured upon NRD’s launch.

With respect to this item, please indicate how student number information is to be captured upon the NRD launch date.

ITEM: (Item 8(2)) – Please explain why it is felt to be necessary for the applicant to provide student numbers from the CSI, CAIFA etc. If the regulators intend to validate proficiency using student numbers, then the responsibility for doing so should be removed from the dealer’s set of responsibilities. If not, then this information need not be provided.

ITEM: (Item 11) - Consider removing the last line that requests the applicant/registrant/non-registrant to “check here if all disclosure required by this section has been made in response to Item 10.” It would seem that there would not be any instances where this option could be used. Moreover, one cannot provide disclosure relating to previous employment in the current employment section if they are newly employed and now seeking registration.

ITEM: (Item 12(a)) - There are many participants in the Canadian financial services industry, each with different standards of conduct. We would ask that this item be clarified by stating explicitly in the question that the CSA are referring to requirements/standards of conduct that have been established by regulators.

ITEM: (Item 14) – The wording of the question on criminal disclosure is inappropriate. As the question currently reads, an applicant has to disclose “...if he/she has been charged with an offence or found guilty of an offence that was committed in Canada or had it been committed in Canada, would constitute an offence under the laws of Canada”.

This question seems to require the applicant to draw a legal conclusion about the similarity between offences in other jurisdictions and the laws of Canada. It would be more appropriate to ask if the applicant has been convicted of an offence under the laws of Canada or of any other state, country or territory.

ITEM: Schedule “L” requires individuals to state the source of funds they propose to invest in the firm (if applicable). Please clarify what the purpose of this item is as we are of the opinion that this requirement is unnecessary and would propose that it be deleted.

ITEM: (Item 14(a) and (b)) – We note that the current Form 4 does not state that it excludes minor traffic violations and parking tickets. It has been the practice of staff of the securities commissions to not include an investigation into these matters as part of the assessment of eligibility for registration or continued registration.

Requiring an applicant/registrant/non-registrant to disclose information that will not actually be useful to an assessment of their suitability or continued suitability for registration is unnecessary. Moreover, we consider requiring registrants/non-registrants to complete a change form each time they were issued a traffic ticket to be excessive disclosure.

Re-directing an individual who is unsure of how to respond to contact his/her compliance or legal department (who may or may not be sure of precisely what the CSA is looking for) is not the answer, and will only result in deficient applications or longer processing times.

Accordingly, we would ask for greater specificity as to the types of charges and offences that applicants must disclose, and those that they do not need to disclose.

ITEM: (Item 14(c)) - Consider redrafting this question by removing the words “*are or*” as it should be the responsibility of the firm, not the applicant, to disclose whether any charges occurred prior to the applicant’s association with the firm.

We propose the following by way of amended text:

“Have charges been laid, alleging an offence that was committed in Canada, or any other country against any firm, in which you were at the time of such event, a partner, director, officer or holder of voting securities carrying more than 10 percent of the votes carried by all outstanding voting securities?”

ITEM: (Item 15(b)) – It is suggested that this item be reworded. The current wording suggests that a civil proceeding involving the firm occurred, and asks whether the applicant/registrant/non-registrant was an officer, partner, director or shareholder at the time the events occurred that led to the civil proceeding.

The item should first inquire if any civil proceedings actually occurred other than any of those mentioned in section 15(a).

ITEM: (Item 16(2)) - This item has no stated threshold for the types of financial obligations necessary for disclosure and this leaves the question unnecessarily over-broad. Would, for example, this item require a registrant/applicant/non-registrant to disclose a missed \$100.00 credit payment that occurred 15 years ago?

We propose the inclusion of a de minimus limit below which disclosure is not required.

ITEM: (Agent for Service and Submission to Jurisdiction) - The stated requirements are:

- To file a notice appointing a new agent for service of process at least 30 days prior to termination for any reason of the appointment of the existing Agent for Service, and

- To file a notice amending the name or address of the Agent for Service at least 30 days before any change in the name or address of the Agent for Service

These requirements are impractical and we propose that notice be submitted by the registrant/applicant/non-registrant within a specified number of days after the registrant/non-registrant has become aware of the termination or pending termination of the agent for service.

Additionally, please indicate what sanctions will be applicable for non-compliance in those instances when it is impossible for the registrant/applicant/non-registrant to comply (i.e. the registrant/applicant/non-registrant themselves had less than 30 days notice prior to a change in the name or address of the Agent for Service).

ITEM (Schedule F) - It appears as if the form has room for information for only one current employer. If this is the case, consider adding more space to accommodate a registrant/applicant/non-registrant that may have more than one current employer. Also consider amending the wording of the item so as to require specificity in each application as to which legal entity of a particular company the applicant belongs to.

Please also specify whether the requirement to provide full disclosure referred to in the first sentence is satisfied by answering the questions in the schedule. If the requirement is to provide any additional disclosures, please specify what type of disclosure is requested, and where to disclose the information.

ITEM: (Schedule “F”) – Schedule F of Form 33-109F4 asks for considerable detail for the person’s current and past employer. We do not understand what the relevance of collecting this information is. May this form also be used for “specialized” registrations such as portfolio managers? If so, please indicate this explicitly.

ITEM: The overall “day to day” policies/procedures for using the NRD system are not adequately described. Firms require more step by step and operationally detailed policies and procedures so as to be able to understand how to use the NRD and deal with problems on a day to day basis.

ITEM: The phrase “*major portion of your time*” has been left undefined. This phrase is too broad and can be interpreted differently. Include along with this phrase a specific number of hours per week (or a specific percentage of total hours worked on average on a weekly basis) that would be considered a major portion of a registrant/applicant/non-registrant’s time.

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ITEM (Schedule G) - It appears as if the form has room for information for only one previous employer. If this is the case, consider adding more space to accommodate registrants/applicants/non-registrants that may have and need to list more than one previous employer.

Please specify whether the requirement to provide full disclosure referred to in the first sentence would be satisfied by answering the questions in Schedule G. If more disclosure is required, please indicate what type of disclosure (beyond Schedule G information) is requested.

ITEM: Schedule H (1)(d), (e), (2)(c), (3)(c), K (1), (2), (4), L (1)(e), (f) and (g) - With respect to the terms “full disclosure” and “relevant details”, consider using plain language and providing definitions so that any individual who is required to complete this form (including the firm’s compliance and legal departments) may understand what is required.

Directing an individual who is unsure how to respond to contact his/her compliance or legal department, who may not know what the CSA is looking for, is not the answer, and will only result in deficient applications or longer processing times.

ITEM: Schedule H (1)(a), (b), (2)(a) and (3)(a) – We propose that the words “the period of registration or licensing” be replaced with “the dates between which you held the registration or license” or “the length of time you held the registration or license”.

Form 33-109F5 – Change of Registration Information

ITEM: The purpose of the blank line following the second bullet “Form 33-109F4” is unexplained. Please specify the purpose of this line or remove it.

Additional Information

We invite you to contact us in the event that you wish to discuss our submissions further. Inquiries may be directed to Aamir Mirza, Legal Counsel by telephone at (416) 363-2150 x 295 or by email at amirza@ific.ca.

Yours truly,

John Mountain
Vice President, Regulation