

MUTUAL FUND DEALERS COMPLIANCE OFFICERS FORUM

April 8, 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

Dear Sir or Madam:

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

The Mutual Fund Dealers' Compliance Officers Forum (the "Forum") is a non-partisan group created in April 2000. Its mandate is to provide compliance officers of mutual fund dealers that are members of The Investment Funds Institute of Canada ("IFIC") with an opportunity to exchange ideas and views on compliance matters affecting the mutual fund distribution industry in Canada.

Participants of the Forum represent a broad cross section of both large and small mutual fund dealers across Canada and includes members from both independent dealers and dealers affiliated with financial institutions. Chapters are currently located in Vancouver, Calgary, Winnipeg, Toronto and Montreal.

We have been made privy to the comment letter submitted by IFIC. Rather than reiterate their comments we would like to take this opportunity to say by way of this letter, we support those comments in their entirety. Our additional comments follow.

Date Implementation Discussion

We believe that there are, in addition to IFIC's comments, sound business reasons to adopt their suggestions regarding a staged implementation, in particular, the implementation of the NRD in April 2003. We support entirely their discussion regarding a test period and were disturbed to learn at a NRD seminar that no field-testing was planned. Those who are experienced with the implementation of new programs, especially those that are technology based, know that field-testing should form an integral part of the introduction of new processes.

In addition, September through March in the mutual funds industry represents our busiest time of the year. In the fall we begin strategic planning and budgeting for the following year. We prepare our organization for its fiscal year end, which for most dealers is December 31st. With the December 31st universal registration date that many have already conformed to, we will be renewing all representative and corporate licenses manually - implementing the NRD in the fall of 2002 will not assist in this. We ready our head offices and field force for the coming RSP season and in addition during that time, we usually fall under our year-end financial audit. All of this is in addition to our day-to-day business operations. The implementation of an initiative as important as the NRD which will impact dealers significantly with respect to workload should not be added to the above-noted fall/spring agendas.

Section 8.5 Requirements

In project terms, the regulators are the clients of the technology developers. Regulators initiated the project and will be the primary users. Within the context of that relationship either the technology unit or the client populates the database, not the secondary users - the dealer community. As it is, the secondary users are being asked to bear the significant financial burden, yet all required information is currently held with regulators, the database was not the dealer community's initiative, dealers did not plan for it, have had no control over it and have had limited effective input into its construction. We consider the requirement to have dealers populate the site to be an unfair regulatory burden.

Integrated Fee Schedule

In the spirit of harmonization, one schedule should be mandatory.

MFDA Acceptance

It is of great concern to us that although the IDA has accepted the NRD, the Mutual Fund Dealers Association (the "MFDA") has not. The mutual fund dealer community has been forced to accept the implementation of the MFDA and many are still in the throws of the yearlong application process. As we understand it, at some point in the future the MFDA will assume registration responsibility and it disturbs us that they have not come forward at this time and accepted the system. From our perspective we see a tremendous amount of time, energy and money being spent by us on an initiative that ultimately may not be utilized by the organization assuming responsibility. It is important that the MFDA be encouraged to accept this initiative.

In addition, we question the long-term viability of the NRD in light of recent regulatory initiatives calling for the disbanding of the current registration structure altogether.

Functional Issues

- The dealer should be notified by way of email when the regulator approves an individual application. It is very time consuming for the dealer to check the regulator database everyday on all its submissions
- It is problematic for the individual registrant/dealer to file a new Form 4 with the regulator for the following reasons:
 - The time frame is not realistic in view of the annual renewals in all provinces and RSP season (as noted above);
 - AFRs will not be familiar with NRD when it initially launches;
 - Extra manpower will be required to input the data to NRD;
 - Verification of the accuracy of the new Form 4 will be necessary. Registrants who changed dealerships may not know the details of their previous licensing/registration application;
 - It will be problematic for the dealer to verify the accuracy of the new Form 4 for registrants who were transferred to one dealer from another dealer - normally the dealer does not have a copy of the original Form 4 which was filed with the regulator);
 - Will the licensed salesperson be required to provide historical information with respect to "student numbers" when filing the new Form 4 with the regulator? This will also be problematic.

- The feature “Exclude Individuals from Annual Fee Calculation” should encompass registered locations in order to minimize applications for refunds.
- The annual renewal fee should be calculated based on the number of salespersons and locations as of December 31st and deducted from the account either on the 1st or the 15th January. All salespersons have paid their renewal fee to December 31, 2002. If the renewal fee is being charged on December 15th and covers the period from December 15th 2002 to December 15 2003, the salesperson has paid double for 15 days.
- Individuals/AFRs should be able to generate a complete Form 4 from NRD any time they are working on it instead of browsing page by page.
- If the regulator does not require a dealership to appoint a designated officer in the province in the MFDA environment, why is “Address for Service” information required?
- It will be difficult for the individual to provide the exact year/month/date for all their employment history. Dealers only provide year/month for the current Form 4. The ‘date’ requirement should be deleted.
- The NRD should be compatible with Word or Excel in order for a dealership to be able to export data from the NRD for reporting and cost allocation purposes.
- The regulator should also input the data for those individuals who filed a Form 4 application and are approved by the regulator 30 days before the dealer starts using the NRD.
- Please clarify if the dealer is required to file an “Application for Amendment of Registration” for the opening and closing of a registered location (e.g. Form 7 for B.C.).

Regarding the start up costs, as this is not an initiative of the dealer community we are curious as to why we are funding it. Should the NRD move forward to implementation, and should the dealer community ultimately pay for it, we should receive a full accounting as to where the money went/is going.

We appreciate the opportunity to have commented and invite you to contact us in the event that you wish to discuss our submission further. Inquiries may be directed to Sandra Kegie by telephone at 905-415-9310 x 243 or by email at skegie@cmginfosource.com.

Regards,

Mutual Fund Dealers Compliance Officers Forum

Sandra L. Kegie
Chair