

1.1.3 Request for Comments - Proposed MI 31-102, Companion Policy 31-102CP, OSC Rule 31-509 and Companion Policy 31-509CP

Notice of Request for Comments

**Proposed Multilateral Instrument 31-102 and
Companion Policy 31-102CP -
National Registration Database
Proposed Ontario Securities Commission
Rule 31-509 (*Commodity Futures Act*) and
Companion Policy 31-509CP -
National Registration Database**

The Commission is publishing in today's Bulletin proposed Multilateral Instrument 31-102 and proposed Companion Policy 31-102CP: National Registration Database and proposed OSC Rule 31-509 (*Commodity Futures Act*) and Companion Policy 31-509: National Registration Database.

The Notices, Instrument, Rule and Companion Policies are published in Chapter 6 of the Bulletin at <http://www.osc.gov.on.ca/en/HotTopics/nrd.html#expanded>.

Chapter 6

Request for Comments

6.1.1 Republication for Comment of Proposed Multilateral Instrument 31-102 and Companion Policy 31-102CP, National Registration Database (NRD)

Republication for Comment of Proposed Multilateral Instrument 31-102 and Companion Policy 31-102CP National Registration Database (NRD)

Introduction

The members of the Canadian Securities Administrators (CSA) are republishing for comment proposed Multilateral Instrument 31-102 and Companion Policy 31-102CP *National Registration Database*.

The proposed multilateral instrument is expected to be adopted as a rule in each of British Columbia, Alberta, Manitoba, Ontario and Nova Scotia, as a commission regulation in Saskatchewan and as a policy in all other jurisdictions represented by the CSA other than Québec. The proposed multilateral instrument and companion policy are not being proposed for adoption at this time by the Commission des valeurs mobilières du Québec (the "CVMQ").

Purpose

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

Background

On December 14, 2001, the CSA published for comment earlier drafts of the proposed instrument and companion policy. During the comment period, we received 15 submissions. A summary of these comments, together with our responses, is contained in Appendix A to this notice. After reviewing the comments and further considering the instrument and companion policy, we are proposing a number of amendments to the 2001 drafts.

For additional background information on the proposed instrument and companion policy as well as a detailed summary of the contents of the 2001 drafts, please refer to the notice that was published with those drafts.

Summary of Changes

This section describes the substantive changes made to the proposed instrument and companion policy since the 2001 drafts were published for comment.

Subsection 6.1(2) of the proposed instrument has been added to require that during the application of the temporary hardship exemption a notice of a change to Form 33-109F4 information must be made in Form 33-109F5.

Under Part 8, the definition of "NRD launch date" has been removed. The launch of NRD is expected to occur on November 25, 2002 and the proposed instrument includes this date.

The definition of "data transfer date" has also been removed from Part 8. Sections 8.4, 8.5 and 8.9 have been amended so that this definition is no longer required.

In response to the request of commentators, sections 8.4, 8.6 and 8.9 have been amended to provide that certain submissions are due within 30 business days of the firm's NRD access date instead of within 15 business days. These sections have also been amended to clarify that certain information of individuals is to be submitted to the database if it does not appear on NRD on a firm's NRD access date.

In response to the concerns expressed by commentators, section 8.5 has been amended to delay until March 2004 the requirement on firms to input Forms 33-109F4 for their registered and non-registered individuals who appear on NRD on a firm's

Request for Comments

NRD access date. This section has also been amended to reduce by half the number of Forms 33-109F4 required each month. In consideration of RRSP season, the section does not require any submissions in January and February 2005.

The proposed instrument is scheduled to come into force on November 20, 2002, instead of September 1, 2002 as was proposed in the 2001 draft. This delay is to accommodate a second comment period.

The proposed companion policy has been amended to provide that an AFR is acting as the NRD filer's agent when making a submission on behalf of a firm or individual. This change is to clarify that it is the responsibility of firms and individuals to ensure that submissions made on their behalf are accurate.

Request for Comments

Interested parties are encouraged to make comments on the proposed instrument and companion policy. Please submit your comments in writing on or before August 15, 2002.

Address your submission to the CSA member commissions listed below:

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

Deliver your comments only to the following address:

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

A diskette containing the submissions (in DOS or Windows format, preferably WordPerfect) should also be submitted. As securities legislation in certain provinces requires a summary of written comments received during the comment period be published, confidentiality of submissions cannot be maintained.

Questions

Please refer your questions to any of:

Dirk de Lint
Legal Counsel
Ontario Securities Commission
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Kathleen Blevins
Legal Counsel
Alberta Securities Commission
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Request for Comments

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British Columbia Securities Commission
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The text of the proposed instrument and companion policy follow.

DATED: June 14, 2002

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

Commentators

Scotiabank Wealth Management Group
Investment Funds Institute of Canada
Manulife Securities International Ltd.
Royal Bank of Canada and affiliates
Dundee Private Investors
The Toronto Dominion Bank
Canadian Bankers Association
Dundee Securities Corporation
Edward Jones
BMO Nesbitt Burns
Berkshire Investment Group Inc.
Credit Suisse First Boston Canada Inc.
National Bank Financial
Mutual Fund Dealers Compliance Officers Forum
McCarthy Tétrault

	Category	Comment	Response
1.	31-102 Fees	If the fees are being applied to pay the costs of developing NRD, then such fees should be substantially reduced after a prescribed period of time.	The CSA anticipates that once the costs of developing NRD have been paid NRD fees will be set at an amount that will cover the costs of maintaining and upgrading the system. At this time the CSA is unable to confirm whether this will result in a reduction in the NRD fees.
2.	31-102 Fees	<p>The submission fees and filer fees for individual non-resident filings and non-registered individuals should be reduced to reflect the value for the responsible dealer.</p> <p>NRD can recover the costs through enrolment fees based on the number of registered individuals under the dealer's sponsorship</p>	<p>The CSA is of the view that the NRD fees charged in respect of non-resident individuals should be roughly equivalent to fees charged in respect of resident registered individuals because the benefits to industry of making submissions for these individuals through NRD should be equivalent.</p> <p>The benefits of making NRD submissions for non-registered individuals should be equivalent to the benefits of making NRD submissions for registered individuals.</p> <p>The enrolment fee is a one-time fee that is charged when a firm enrolls to use NRD. The other NRD fees (i.e., the submission fee and the annual NRD fee) are intended to reflect a firm's use of the system. If only the enrolment fee were charged, NRD fees would not reflect a firm's changing size and consequently the changing use the firm would make of NRD.</p>
3.	31-102 Fees	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. The \$75 submission fee should be a	Charging an annual fee for each individual will help ensure that the development costs of NRD are paid within a reasonable period of time. The CSA is of view that the benefits to industry of NRD exceed the proposed costs of the system.

Request for Comments

	Category	Comment	Response
		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.	
4.	31-102 Fees	Why are the fees for registered individuals and non-registered individuals different?	The CSA is reconsidering whether fees for registered and non-registered individuals should be different. If the proposed fees (set out in the December 14, 2001 notice) change, the CSA will publish a notice describing the new proposed fees.
5.	31-102 Fees	The \$50 NRD fee charged for each additional jurisdiction in which an individual is registered is onerous.	The CSA is of the view that fees should be greater in respect of individuals submitting information to multiple jurisdictions since NRD will benefit these individuals more than individuals who are only submitting information to a single regulator. The CSA is of view that the benefits to be derived by individuals submitting materials to multiple regulators exceed the proposed fees to those individuals.
6.	31-102 Fees	Firms should not be charged for individuals who are terminated within four weeks after the December 15 th annual renewal payment date. Advanced notice to regulators of such terminations is not practical because a dealer generally is not aware that an individual is leaving the firm until they have left.	The annual fee payment date will be moved to December 31. Those jurisdictions that will maintain a renewal system will have an annual renewal date of December 31. Given that fee payment and renewal will occur on the same date, refunds will not be given for individuals who leave a firm after the renewal date. Because there is no "renewal date" under a permanent registration system (only a suspension date if fees are not paid), the CSA disagree that a jurisdiction that has implemented a permanent registration system should refund a firm if individuals leave the firm after the annual fee payment date but before the suspension date.
7.	31-102 Fees	Despite the benefits listed in the OSC's economist's report, there are concerns that the benefits and value to industry do not justify the cost of NRD, especially since the costs are being borne by industry. The operational efficiencies that will be derived from NRD do not warrant the registration fee increases imposed on industry by NRD.	The CSA has reviewed the survey conducted by the Chief Economist's Office of the Ontario Securities Commission and is of view that the benefits to industry of NRD exceed the proposed costs of the system.
8.	31-102 Fees	The cost of NRD should be borne by the regulators because it will be used by them to execute their obligations and systematize their procedures. Rather than imposing NRD fees in addition to existing registration fees, the existing registration fees should be used to pay the costs of NRD. Since NRD is aimed at upgrading the technology and processes of the regulators, the cost of NRD should be first paid from the savings gained by regulators before levying fees upon industry to	To submit and maintain current and accurate registration information is the obligation of registrants. Given the benefits that industry is expected to derive from such functionality as the electronic filing and storage of registration information, the CSA is of the view that the proposed NRD fees are reasonable. Only after NRD is operational will the CSA be able to determine whether savings derived from the system will permit the reduction of regulatory fees.

Request for Comments

	Category	Comment	Response
		<p>recover the cost of NRD.</p> <p>Industry should not have to pay the cost of NRD. The regulators should use the registration fees to pay for it since the establishment and maintenance of NRD is for the fulfillment of the regulators' obligations.</p>	
9.	31-102	In Part 1.1, the inclusions of definitions of "NRD number" and "NRD Account" (in order to identify the account designated under Part 3.2 (c)) would be helpful. In addition, the words "through NRD" in Parts 5.1 (1), 5.2 (1) and 5.3 (1) should be replaced with "from the filer's NRD Account".	Staff have added definitions for these terms to MI 31-102. Staff did not make the second requested change as, in the opinion of Staff, the provision is clear. Staff did, however change (2) of these provisions to reference the firm filer's NRD account
10.	31-102	In Part 4.2 (b) (ii) replace "any" with "a"	Subsection 4.2(b)(ii) of MI 31-102 stipulates that in order to use NRD a firm filer must deliver to the NRD administrator "any Form 31-102F2 completed under section 4.2". MI 31-102 does not stipulate that "a Form 31-102F2" be delivered to the NRD administrator as such a form will not always be required before a firm filer can use NRD.
11.	31-102	In Part 4.4 (2) reference is made to "any change to the contact information previously submitted" while in Part 4.3 reference is made to "of a change to the information" as triggering an obligation to provide a completed Form 31-102F3 and Form 31-102F1 respectively. Was it intended to differentiate between information and contact information? If so, what information on Form 31-102F3 is "contact information"?	"Information" as referenced in subsection 4.3 includes any information on the Form 31-102F1 save for the legal name of the firm and NRD account information. "Contact information" as referenced in subsection 4.4(2) means item 2 of the Form 31-102F3. This form instructs a firm to complete items 1, 2 and 4 if a change to contact information in item 2 occurs.
12.	31-102	Consider making reference to Form 33-109F5 with the other listed forms in Section 2.1 or exclude it by specific reference.	<p>Subsection 2.1 only references submissions that are to be made electronically through NRD.</p> <p>Changes to an individual's registration information previously submitted on Form 33-109F4 will be made directly to the Form 33-109F4 electronically through NRD. This submission type is referenced in item number 4 of subsection 2.1 of MI 31-102. A Form 33-109F5 will only be used</p> <p>a) when an individual filer is required (either under the transition process or the temporary hardship exemption) to notify the securities regulatory authorities or regulators of a change in paper format or</p> <p>b) when a firm filer is required to notify the securities regulatory authorities or regulators of a change to its Form 3 information.</p>
13.	31-102	Please clarify whether it is the intent of Section 8.7 that firm filers provide notices in regards to changes to Form 4 information that occurred after August 31, 2002, no earlier than October 28, 2002 (presupposing a September 1, 2002 enforcement date).	Currently, November 25, 2002 is the proposed NRD launch date. A firm's NRD access date will not be earlier than the NRD launch date. As such, the earliest NRD access date would be November 25, 2002. Any changes to Form 33-109F4 information by registered individuals (and non-registered individuals) would not have to be

	Category	Comment	Response
			submitted electronically through NRD any earlier than 15 days after the firm's NRD access date. Please note, however, that pursuant to MI 33-109 a paper filing (a Form 33-109F5) would have to have been made within five business days of most changes to an individual's Form 4 information during this interim period.
14.	31-102 Temporary Hardship Exemption	The actual time needed to prepare submissions in NRD format as required by the hardship exemption provisions 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 will already have all of the relevant information in paper format, the time limit should be "as soon as practicable," or alternatively, no later than 10 business days after the unanticipated technical difficulties have been resolved. The proposed 3 business day limit is too short.	Staff agree that 10 business days will be a reasonable amount of time to update the NRD record after the temporary hardship exemption has been employed. MI 31-102 has been amended accordingly. If further time is required in extraordinary circumstances, an NRD filer may make an application under section 7.1 of MI 31-102.
15.	31-102 Termination	The procedures for terminating an employee in one province and in all jurisdictions should be clearly listed so dealers are certain what procedures they must follow.	<p>The concept of "terminating" an individual's employment is distinct from the concepts of "surrendering" or "changing" an individual's individual category. If an individual's employment is terminated then the firm will submit a 33-109F1 Notice of Termination electronically through NRD. A Notice of Termination terminates an individual's employment with a firm in all jurisdictions. If an individual wishes to surrender or change his or her individual category, he or she will submit a Form 33-109F2 Change of Individual Categories electronically through NRD. An individual may change his or her individual category on a jurisdiction by jurisdiction basis.</p> <p>For example, if an individual is registered in both Alberta and Ontario, the individual may surrender his or her Alberta registration using a Form 33-109F2 Change of Individual Categories while remaining an Ontario registrant. However, if the individual files a 33-109F1 Notice of Termination, he or she will cease being employed with his or her firm in Alberta <i>and</i> Ontario and the individual's registration in both jurisdictions will be suspended.</p> <p>The procedures for when and how to submit a Notice of Termination and a Change of Individual Categories electronically through NRD are clearly set out in MI 33-109 and the user interface on the NRD system.</p> <p>It should be noted that there may be some confusion between terminations of employment and changes of individual categories because presently, a Uniform Termination Notice is used to notify regulators of both terminations of employment and surrenders or changes to individual categories.</p>

	Category	Comment	Response
			Please note that individual categories include registration categories and categories of non-registered individuals.
16.	31-102 Transition	With respect of Section 8.6 and 8.9 it should be possible to make the necessary changes to NRD in instances when the firm filer has submitted an application in writing prior to the data transfer date.	<p>If an individual's application for registration or application to change or surrender a registration category has been approved by the data transfer date, that individual's updated record will be on the relevant securities regulatory authorities' legacy systems. Information must be on one or more legacy system to form part of the data transfer.</p> <p>If an application is not approved prior to the data transfer date, NRD must be updated directly by the individual upon receipt of confirmation of approval of the change or surrender. This "update" will take the form of Form 33-109F4 completion.</p> <p>The securities regulatory authorities will make every effort to ensure that as many pending applications are processed as possible prior to the data transfer date. It is in the best interests of all parties to include as much information as is possible in the data transfer.</p>
17.	31-102 Transition	<p>Requiring each individual to complete an updated F4 is an unfair regulatory burden that will be costly and time consuming. It will be even more burdensome for larger dealers to accomplish this within a 12-month period. Dealers should have to only review the tombstone information for accuracy and the Regulators should input the required F4 information for existing registrants because they already have the information on file. One firm estimates that it will have to hire 5 additional people and spend \$266,000 to comply with the proposed transition rules for all F4s to be updated within 12 months. The regulators should bear the burden and cost of transferring all F4 data to NRD.</p> <p>If the regulators transfer the F4 information to NRD, then Dealers could possibly undertake a review to verify the accuracy of certain data transferred by the securities regulatory authorities. The scope of this review would 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.</p> <p>If it is decided that the firms and individuals are required to complete the transfer of F4 information to NRD, then it is suggested that:</p> <ul style="list-style-type: none"> • only new individual registrants and existing ones that transfer their registration be required to submit new F4s; • F4 information for existing registrants 	<p>NRD is designed to be a complete database of individual registration information rather than a simple information delivery system. NRD was designed as such to bring maximum benefits to industry and the participating CSA. A few of the benefits of a complete database to industry include:</p> <ol style="list-style-type: none"> 1. Easy access by firms, directly through an AFR, to the information the securities regulatory authorities hold on firms' registered individuals and non-registered individuals in each relevant jurisdiction. Firms can easily ensure that their records are up to date and accurate. 2. Easy access by firms' registered and non-registered individuals, directly through an AFR, to the Form 33-109F4 information of those individuals. This access makes it easy for individuals to confirm that they have met their registration information requirements under MI 33-109. 3. Easy access by firms, directly through an AFR, to the Form 33-109F4 information of potential transferee registrants (with the permission of those registrants). 4. Easy access by the relevant securities authorities to information about registrants and non-registrants thereby streamlining the approval process for transfer and change of category applications. Ultimately, this will result in quicker turnaround of these applications.

	Category	Comment	Response
		<p>need only be updated as material changes occur in the information and therefore their records will be updated on a “as need basis”;</p> <ul style="list-style-type: none"> • the transfer of the information be scheduled for after the RRSP contribution season; • there be no transition quotas as set out in s.8.5 of 31-102, only a deadline date that takes into account the resource demands of the larger firms to comply with the requirement; • NRD fees be waived or reduced to offset the costs to the firms of getting new F4s from existing registered individuals; • the monthly quotas for the 12 month transition schedule take into consideration the size of the dealer. For example, a firm with more than 500 reps should have a range requirement between 5%-10%. A merger and acquisition should not be counted as part of the 12 month completion schedule; and • full F4s only be required from individuals requesting registration approval. Existing individual registrants should at most only have to complete items 1 –7, and 9 of F4 	<p>The participating CSA jurisdictions have determined that the database should be populated directly by firms for a number of reasons. Most importantly, compliance audits of firms have indicated that the securities regulatory authorities do not have completely up to date records of firms’ registered and non-registered individuals. A number of individuals have been remiss in complying with their statutory obligations to inform the relevant securities authorities of changes to their registration information. In other instances, the record of which registered individuals and non-registered individuals are associated with which firm is incorrect. Ultimately, Form 33-109F4 completion by firms in NRD will give firms and individuals the opportunity to ensure compliance with their obligations.</p> <p>Please note that the securities regulatory authorities do not have complete Form 4 information for registrants that obtained registration using the old abbreviated Form 4A.</p> <p>As the securities regulatory authorities are self-funding entities, the cost of populating the database will be borne by industry in any event. Form 33-109F4 completion by firms gives each firm the ability to control their proportionate amount of any costs associated with populating the database.</p> <p>Some commentators have asked whether an NRD fee reduction or waiver would accompany Form 33-109F4 completion by firms. Please note that there will be no submission fees for Form 33-109F4 completion for current registered and non-registered individuals for the sole purpose of populating the database. The NRD set-up and user fees do not relate to Form 33-109F4 completion.</p> <p>The CSA are cognizant of the fact that database population by firms is not an insignificant undertaking. As such, the initial draft of the rule staggered the database population period over a ten month timeframe. After considering industry comments and further analysing system capacity, the participating CSA jurisdictions have agreed to lengthen the timeframe for database population. The rule has been revised such that firms will be required to input Form 33-109F4 information for various triggering events only (e.g., transfer applications) for the first year after the launch date. Over the next two years, firms will be required to input Form 33-109F4 information for 5% (rather than the current 10%) of their registered and non-registered individuals each month starting the second month after the implementation of NRD. Please note, however, that there will be no Form 33-109F4 completion requirements for the months of</p>

Request for Comments

	Category	Comment	Response
			January and February. The CSA are sympathetic to the concern that firms will not be able to meet the Form 33-109F4 completion obligations during the peak of the RRSP season. Ultimately, the database population will be complete within three years of the launch of NRD rather than within 12 months.
18.	31-102 Transition	Large firms anticipate having many pending applications for registration that are not included in the Data Transfer. Therefore, it will be extremely difficult for such firms to have the pending applicants complete F4s within 15 days of having access to NRD. It is suggested that a minimum of 30 days or staggered submission times based on firm size would be more appropriate.	Staff will endeavour to process as many applications for registration prior to the data transfer date so as to minimize any potential backlog of applications. Staff agree, however, that a 30 business day period would be reasonable in the circumstances. MI 31-102 has been amended accordingly.
19.	31-102 Transition	Please consider developing a process to ensure that the registration data is accurate and up to date prior to the population of the database with tombstone information. Alternatively, please consider a post-implementation phase that would allow for corrections to be made to the records of the securities regulators without triggering unwarranted fees.	The CSA's NRD Transition Committee is concerned about how to best ensure the accuracy of the tombstone information. As such, they are considering different procedures and processes to increase the percentage of accuracy of this information. One suggestion is that some securities regulatory authorities may consider providing each firm with a list of registrants registered in the jurisdiction at least once or twice prior to the data conversion date. The list would include the birth dates of each registrant. Firms would be able to confirm that the information contained on the report is correct. The NRD Transition Committee will update industry on its decisions regarding this issue. Otherwise, firms will be required on a no-cost basis to input a Form 33-109F4 for each registrant. Firms should elect to input a Form 33-109F4 for any individuals about whom they are concerned in the first 5% tranche.
20.	31-102 Transition	The information requirements for existing registered individuals should be abbreviated because they are already registered and are not reapplying for approval and thus have no need to provide information such as their residential and employment history.	NRD is designed to be a complete database of information. As such, the system is not designed for partial Form 33-109F4 completion.
21.	31-102 Transition s.8.4	Having only a short period, 15 business days after NRD access date, to confirm the accuracy of NRD information for all business locations will have consequences on operational effectiveness. For example, one firm has over 1,450 locations. It is recommend that a minimum of 30 business days or staggered submission times for Form 33-109F3 based on firm size/number of branch offices would be more appropriate.	Staff agree that a 30 business day period would be reasonable in the circumstances. MI 31-102 has been amended accordingly.
22.	31-102 Implementation	The proposed implementation dates of September, October, November 2002 and January 2003 are the busiest times for registration activity due to the RRSP season and the need for additional registrants. The timing of	The CSA has decided upon an NRD launch date of November 25, 2002. By changing the transition requirements of Multilateral Instrument 31-102, the regulators expect that the burden on industry of launching at this time should be

Request for Comments

	Category	Comment	Response
		<p>the Continuing Education reporting requirements and the proposed December 2002 transition to permanent registration add to the burden and risk of implementing NRD at the proposed times. To ease the burden on industry and for an effective implementation of NRD consideration should be given for a Spring 2003 effective date.</p> <p>Several commentators supported a pilot or field test prior to the launch of NRD.</p>	<p>significantly reduced.</p> <p>At this time the regulators are of the view that given the other testing that will be done on the system prior to its launch a pilot test will not be necessary.</p>
23.	31-102 Implementation	One commentator proposed an October 2002 effective date for small firms and an April 2003 effective date for large firms for the purpose of allowing for a better testing period with manageable groups in the beginning.	Staff has considered implementation plans such as this but have come to the conclusion that they are administratively very complex and that all testing should be finalized prior to the mandated use of the system.
24.	31-102CP	Section 2.1 should refer to "securities regulatory authorities" as opposed to "securities regulatory authority".	Staff agree with this comment and have revised the MI 31-102 companion policy accordingly.
25.	31-102F1	With regard to the Initial Filing under NRD, given that securities regulators are already aware of the legal names of firm filers and firm filers are obliged to notify the securities regulators of any change in their legal name, why is it necessary to provide documentary evidence that confirms the legal name of a firm filer.	<p>The NRD administrator will be provided with a firm's legal name only upon submission of NRD enrolment forms by a firm with the NRD administrator. On occasion, the individual submitting the enrolment forms may not be aware of, or may be misinformed about, the correct legal name of the firm.</p> <p>The NRD administrator wants to make certain that all firm legal names entered on NRD are correct. The NRD administrator also wants to confirm that no duplicate firms show up on the system (albeit with slightly different names).</p> <p>A simple and economical way to obtain accurate legal name information is to ask for documents such as the articles of incorporation, business registration, etc.</p>
26.	31-102F1	With regard to change to Previous Filing please consider replacing the second bullet with "Change in information in section 3" as the reference to "other change to account information" is unclear as no section of the form is entitled account information. This change would be consistent with the language found in the third paragraph of Section 4. Please consider revising the first sentence in Section 4. The phrase "shall complete a Change of Previous Filing to this form" is awkward. A similar change is suggested in the third sentence of this paragraph.	Bullet number two under Previous Filing in Form 31-102F1 has been changed to read "NRD account information." Item number 3 of Form 31-102F1 has been changed to read "NRD Account Information for Electronic Pre-authorized Debit".
27.	31-102F1 Appendix	In the preamble above section 1, reference is made to the terms and condition of use <i>above</i> and below. Which terms and conditions are above?	The opening to the Appendix has been revised to reference the "following terms and conditions".
28.	31-102F1 Appendix	With respect to the second paragraph in Section 1 the language should be modified such that firm filers are clearly liable only for actions of	The liability provision has been amended to add the word "its" before "AFRs and individual filers".

Request for Comments

	Category	Comment	Response
		individual filers who are sponsored by the firm filer.	Please note that a firm's individual filers include its non-registered individuals. These individuals are not sponsored by the firm.
29.	31-102F1 Appendix	The use of the word "could" in the first sentence of the second paragraph of Section 2 is troublesome as it is impossible for any one to conclude that any particular use could not overburden or impair NRD or the NRD's web site. The test should be based on knowledge or belief that the use would likely damage, disable, overburden or impair.	A firm filer will have to use its judgment to determine whether or not its use of the system could be harmful to the system. Staff have revised the form to include a test that is based on "reasonable belief".
30.	31-102F1 Appendix	Both the fact that there is to be a penalty for payment for unpaid fees of 1% per month and the fact that it is payable to the NRD Administrator are objectionable. Is the rate to be applied on a per diem basis or is it 1% for any late payment within the first month?	The relationship between a firm filer and the NRD administrator is commercial in nature. As such, it is within the NRD administrator's control to charge late penalties. Having said that, NRD is designed to automatically withdraw fees from a firm filer's account through an electronic debit system. As such, fees would only be late if funds are not available in a firm filer's account. Please note that the late payment penalty only applies to NRD user fees payable to the NRD administrator.
31.	31-102F1 Appendix	The limitation of liability provisions and disclaimers found in section 6 should be amended such that NRD filers' responsibilities and liabilities are suspended automatically during a system failure.	These terms and conditions by and large relate to the use of NRD. If NRD is not operational, these terms and conditions will, for the most part, not be relevant.
32.	31-102F1 Appendix	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	Material changes to the forms must be made following proper legislative procedures. Those procedures include the publication of the forms for comment.
33.	Manual Definitions	Consider changing the definition of "sub-branch" to exclude locations of a firm that do not need to be registered. At present it reads "any location", which is confusing.	This definition will be redrafted for clarity.
34.	Manual Chapter 3	With regard to Chapter 3 (C) consider providing instructions as to how a firm will be given access	Form 31-102F1 has been revised so that a firm filer will only have to input an NRD number if a

Request for Comments

	Category	Comment	Response
		to their NRD number, so that they can put it on their 31-102F1 for initial enrolment with the NRD Administrator.	change is being made to the previous Form 31-102F1. A firm filer will not yet be assigned a number upon an initial filing. As such, the NRD number section will not be completed by the firm filer.
35.	Manual Chapter 3	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.	The filer manual is being revised to reflect this comment.
36.	Manual Chapter 3	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.	A firm's application materials are listed in s. 2.1 of MI 33-109. Securities regulatory authorities or regulators may also ask for some supporting materials at their discretion.
37.	Manual Chapter 5	<p>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.</p> <p>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.</p> <p>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</p>	<p>On December 1 of each year, firms will have access to a report setting out which individuals they will be responsible for paying fees for to cover the upcoming year. The report will also set out the amount of fees payable for these individuals. After reviewing the notice, a firm will advise the securities regulatory authorities as to which individuals should not be on the firm's list. Firms shall do this by submitting a bulk annual fee exclusion notice for those individuals. A Form 33-109F1 Notice of Termination should also be filed with respect to those individuals. Please note that bulk annual fee exclusion notices can be filed as often as required each December. For example, if an individual resigns on December 30, 2003, a bulk annual fee exclusion notice should be filed for that individual.</p> <p>Please note that the fee payment date has changed. On December 31 of each year, fees will automatically be debited from each firm's NRD account. Because NRD accounts will be automatically be debited you will want to be vigilant about ensuring your list of registrants remains current and accurate. This will be easy to do as you will have access to this list through NRD. This regular access is designed to ensure that there are not the same discrepancies that exist currently.</p> <p>Each jurisdiction will have a common fee payment date. All requisite fees (registration fees and NRD user fees) will be payable on this date.</p>
38.	Manual Chapter 7	With reference to Chapter 7 (E), consider indicating how long the regulators will wait for a response from a firm before they will treat a submission as abandoned.	This will be decided on a case-by-case basis. Typically, if a securities regulatory authority has not received a response from a filer for a significant period of time, the securities regulatory authority will send a written notice prior to treating a submission as abandoned. The period of time will vary depending upon the circumstances.

	Category	Comment	Response
39.	Manual Chapter 7	<p>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”.</p> <p>The 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.</p>	This provision has been redrafted for clarity.
40.	Manual Chapter 7	<p>Chapter 7, P. 36 - No explanation as to the differences between a registrant/applicant/non-registrant <i>changing</i> an individual registration and a registrant/applicant/non-registrant voluntarily <i>surrendering</i> 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.</p>	A “change” involves the change from one individual category to another by a registrant or non-registrant. A “surrender” involves the surrender of all registration categories by a registrant.
41.	Manual Chapter 8	<p>The NRD Filer Manual states in Chapter 8 (G), “You will receive an error message if your report contains more than 200 items or if no information is retrieved.” One of the proposed reports a firm can generate is the Individual Registrant Report, which lists all individuals associated with the firm. How will a firm with more than 200 associated individuals be able to access this report?</p> <p>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.</p> <p>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.</p>	This is no longer true. We have revised the software to ensure that there is no limit as to how many items can be referenced on a report.

Request for Comments

	Category	Comment	Response
42.	Manual Chapter 8	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.	Submissions of AFRs can only be viewed by the submitting AFR and by that AFRs chief AFR and AFR administrator. The AFRs user number will be displayed on each work in progress.
43.	Manual Feature Request	Please provide guidance in situations where the individual is attempting a transfer from one firm to another, but has his relationship with the first firm has not yet been terminated. Will there be a way for individuals to determine if their registration has been terminated with the first firm?	In order to transfer to a new firm, an individual's employment must be terminated with the prior firm. An individual can ask the new firm's AFR to check to see if evidence of the termination (i.e., a Notice of Termination) has been processed by the relevant securities regulatory authority.
44.	Manual Feature Request	Use screen shots to assist with understanding how to use NRD	The filer manual is being revised to reflect this comment.
45.	Manual Feature Request	Manual should include: A transition checklist for implementation of NRD and a detailed summary of the supporting documents that are required to be submitted and the documents required to be kept by the firm. For example, current F4s must be signed and notarized. What documentation are the firms required to have on file? Will signatures still be required for audit purposes?	A transition checklist is being considered for the filer manual. Each firm will have to refine their due diligence practices and determine which supporting documents they intend to maintain. The rule does not mandate that Forms F33-109F4 be signed, notarised and kept by firms.
46.	31-102 Clarification	Will registrants be able to initiate the filing of a material change in their record using the NRD?	An individual will be required to submit all changes to his or her Form 33-109F4 information via NRD. An AFR will submit these changes on behalf of the individual filer. A registered firm will be required to submit all changes to its Form 3 information outside of NRD in paper format. There is one exception, however. A registered firm will be required to submit any changes to information about a business location (other than a head office) via NRD (using the Form 33-109F3 submission).
47.	31-102 Clarification	Will the "fast-tracking" agreement with IFIC under which new registrants are conditionally approved remain in place after the implementation of the NRD?	The OSC has a current arrangement with IFIC under which IFIC reviews registration applications, primarily for clerical errors, on behalf of the OSC and provide conditional registration approval subject to final approval by OSC staff. This arrangement was designed to ensure that the registration process would not be delayed inordinately, due to simple clerical errors. This "fast-tracking" agreement with IFIC will not remain in place after the implementation of NRD for two reasons: 1. IFIC will not have access to the information of NRD filers in NRD and 2. NRD is designed to eliminate a number of the previously mentioned clerical errors.
48.	31-102 Clarification	Please indicate whether or not there is a limit to the number of AFRs a firm can have	There is no limit to the number of AFRs a firm can have.

Request for Comments

	Category	Comment	Response
49.	Clarification	Will there be a test environment available to dealers to train staff on how to use NRD?	Dealers will be provided with training seminars on how to use NRD. Dealers will be provided with the details of the NRD training program once they are finalized.
50.	Clarification	What does NRD require when setting up a new manager with a new branch?	Under Part 3, a notice of the new location must be submitted using a completed Form 33-109F3. The position of branch manager is not a registration category of its own though registered individuals may also be branch managers. Part 1.1 of MI33-109 will be amended to reflect this. If the new manager is not registered then the firm will have to submit a Form 33-109F4, otherwise the new manager will have to submit an amendment to their existing Form 33-109F4 indicating that they are now also categorized as a non-registered individual.
51.	Clarification	Does NRD contemplate incorporating financial planning requirements as per provincial jurisdictions?	Not at this time.
52.	Clarification	What information will ultimately be made public as referred to in the Notice?	This issue has yet to be determined. However, certain information such as name of individual, name of dealer, category of registration and past orders are already made public on some of the provincial regulator's websites.
53.	Clarification	How senior a person must an AFR be? Does the Chief AFR have to be an officer of the firm?	It is left to the sole discretion of the firm to determine who will be their AFRs and Chief AFR.
54.	Clarification	Will a member be able to seek permission to access info on a prospective registrant?	If the prospective registrant has given the firm his NRD identification information then the firm will have access to his information. Otherwise, the firm may only obtain information that is already made available to the public.
55.	Clarification	With ON proposing to move to a sustaining fee rather than an annual fee per registrant, how will this impact the annual renewal process?	Other than how the fee is calculated, the renewal process will be the same. Ontario's proposed participation fee will be paid through NRD on December 31, the same day that annual fees will be paid in other jurisdictions.
56.	Clarification	Screening of new applicants – the RCMP form is not included in the new application as well as the Collection of Personal Information Form. This means added costs and responsibilities to Dealers for conducting their own credit or background checks. How is this an economic benefit to the dealer?	The regulators will continue to conduct criminal record checks on prospective registrants. Conducting proper due diligence will help firms ensure that they hire competent and qualified people. This should assist firms in providing their clients with proper service and thus protect against vicarious liability losses due to improper registrant conduct.
57.	Clarification	Specifically clarify the tasks required when applying for registration with NRD. Does one list all jurisdictions on a single F3 or use a separate F3 for each jurisdiction?	An F3 is filed for each branch office and only in the jurisdiction where the branch office will be opened.
58.	Feature Request	The F4 should provide additional sections in order to include specific information desired by the dealer. For example, the number of accounts of the salespersons, etc.	Due to cost considerations this feature cannot be included in NRD at this time. This suggestion will be considered for future releases of NRD.

Request for Comments

	Category	Comment	Response
59.	Feature Request	Will an individual registrant be able to access their information by using their own NRD ID#? Please consider giving registrants access to their permanent record. It is more likely that registrants will recognize whether the information that has been filed on their behalf is accurate and up to date if the registrant can view the record.	At present, the NRD system does not permit individuals to access their own information unless they are an AFR. However, it is being considered whether such a feature can be implemented prior to the NRD launch date.
60.	Feature Request	For instances where forms listed in Part 2 of 31-102 need to be submitted outside of the NRD system, the Forms should be made available on the regulator's websites in PDF format to facilitate their completion in electronic format	As with all other existing forms, each CSA member will have the NRD forms available in PDF format on its web site.
61.	Feature Request	An optional field should be added that the dealer can use to capture a code that will link a record/transaction to a registrant or to a region within the dealer. This would be particularly helpful for dealers who recover the costs of registration from their registrants. Information from this field should be included in the statement that dealers receive to aid in the process of the bank account reconciliation and in the reports that NRD generates. The system must be able to quickly identify the amount you debited out of a dealer's account, and to whom that was related to so that a dealer can reconcile its records	NRD will generate a firm Reconciliation Report. For each NRD submission the report will show: the date it was made; the fee that was paid; the individual's name for whom it was made; and the name of the responsible AFR.
62.	Feature Request	It is important that the MFDA be encouraged to accept NRD to ensure that the NRD is the appropriate tool for use by the MFDA to maximize NRD's efficiency and effectiveness. NRD should capture all data required by the MFDA such as trade names of mutual fund dealers	Discussions are being undertaken with the MFDA in regard to this matter. However, the MFDA's requirements have yet to be finalized.
63.	Feature Request	Please consider marking the mandatory fields on the database especially for those who will not be using NRD with any frequency, such as registrants.	Whenever a user submits any screen information, NRD will automatically check it to ensure that the required fields have been completed. The system will advise the user of any information that is missing and that the submission cannot be accepted until such information is provided.
64.	Feature Request	Please consider developing a process of communication that uses NRD to deal with such things as filing deficiencies identified by the Securities Regulators.	The system will automatically check to ensure that the required information fields have been filled in before the submission is completed. Any additional deficiencies that are identified by the regulators after a submission has been made will be conveyed to the filer through existing communication channels. Using NRD as one of those communication channels will be considered for future releases of NRD.
65.	Feature Request	Regulators should disclose the NRD processing times that can be expected for transfers and the approval of new registrants for in-good-order.	NRD will improve the efficiency of the registration process. Once NRD has been in operation for a sufficient amount of time to provide service standards, its procedures will be continually reviewed with the goal of improving their effectiveness and efficiency.

Request for Comments

	Category	Comment	Response
66.	Feature Request	Please consider changing the reporting platform from Adobe Acrobat to MS Excel. Excel has data sorting capabilities that are not available with Adobe Acrobat.	Phase I of NRD will only provide reports in the Adobe Acrobat format. Alternate formats will be considered for future releases of NRD.
67.	Feature Request	A comprehensive training and communication plan will be needed to ensure that individuals have the opportunities to become familiar with the database before going live. In addition, there should be publicized training events held across Canada, an internet training device, and a well-staffed 1-800 help line for the first few months of operation.	The CSA plans to hold training seminars for industry. The suggestions will be considered when finalizing the details of the training sessions.
68.	Feature Request	NRD should integrate with the IDA's ComSet to ensure that registrants do not have to enter the same data twice, once for NRD and once for ComSet. It is unreasonable to expect dealers to file overlapping information twice or bear any additional costs for multiple filing of the same information. Please provide clarification as to whether or not dealers will in fact be made to file overlapping information with both the ComSet system and NRD.	This is not possible for phase I of NRD due to time and budget constraints. However, further expansion and integration will be considered for future releases of NRD. Because NRD's initial release will not be integrated with ComSet, any information required by both NRD and ComSet will have to be filed with both systems.
69.	Feature Request	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.	The NRD user interface is organized to walk users through their particular task without the need for a check list. In addition, on-screen instructions, automated checking for required information, and task tables in the filer's manual should provide sufficient guidance as to what is required to complete any particular task.
70.	Feature Request	Prior to implementation of NRD system, consider allowing public access to the NRD website to complete and print form 33-109F4. This would eliminate the need to type or handprint the applications submitted during the period between the effective date and access date. Alternatively, consider an overlap to accept 1-U-2000 or Form 4 for a two month period after the access date	This was considered and it was decided that a firm will not be granted access to the system prior to being enrolled to use NRD and being granted access by the NRD administrator as set out in the instrument. In addition, it was decided that the most efficient and effective transition is as indicated in the instrument and will not include the suggested overlap of the two forms.
71.	Feature Request	Consider utilizing common software for NRD reports, i.e. MS-Excel. Also, consider enabling firms to download the reports as well as the ability to print.	This will be considered
72.	Feature Request	Consider adding an alpha numeric free form text box whereby firms can add their own accounting codes for reconciliation purposes and internal accounting processes	This will be considered.
73.	Feature Request	When a registered individual transfers to another firm, they or their new firm should be able to obtain the individual's NRD number through NRD and not have to obtain it from the individual's previous firm outside of NRD	If individuals do not wish to request their NRD numbers at the time of a transfer then they can obtain their NRD numbers from their dealer as soon as they are registered with NRD and keep it in a safe place for future use.
74.	Feature Request	We want to be able to generate and print reports at anytime, not just initial submissions of completed F4s.	This is not possible for phase I of NRD due to time and budget constraints. However, further expansion and integration will be considered for future phases of NRD.

Request for Comments

	Category	Comment	Response
		To be useful, reports and data should integrate into a dealer's system.	
75.	Feature Request	Please consider the next release you develop having drop down boxes for all the branch locations to allow the address for service of the firm to be selected by the applicant	This will be considered.
76.	Feature Request	Once inputted, the Address for Service should be available for use elsewhere via a drop down menu selection.	This will be considered.
77.	Feature Request	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.	Persons can compile their own copies of the applicable fee schedules since the NRD fee schedule will be provided on the system and each CSA member's fee schedule is published and made available to the public for free. In addition, prior to making any payments for a submission, the NRD fee payment screen will present the user with an itemized fee calculation for the submission.
78.	Feature Request	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.	This will be considered.
79.	Mutual Reliance	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. 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 NRD.	Though there is no formal mutual reliance registration system yet, NRD will provide many of the benefits of one by streamlining the submission and response process. Registrants will only have to file one set of documents once for all jurisdictions and the jurisdictions will each share, maintain, and review one central set of registration records for individuals. While providing these benefits, NRD will act as a foundation for the regulators to continue to create a formal mutual reliance registration system.
80.	De-regulation proposals	We question the long-term viability of NRD in light of recent regulatory initiatives calling for the disbanding of the current registration structure altogether.	One jurisdiction asked industry to comment on ideas for reforming the registration process. However, to date, no jurisdiction has implemented any proposal to do so. NRD will provide benefits for the present registration regime and therefore it is not prudent to delay the delivery of such benefits based on ideas that may or may not come to fruition.
81.	Uniformity	NRD should embrace uniformity and be the foundation for implementing uniformed and harmonized registration requirements among all NRD jurisdictions. Please clarify how NRD will address the various supplementary requirements from each province and whether all provinces will agree on uniform requirements? How will NRD deal with other non-uniform requirements such as BC's and AB's resident supervisor requirement for out-of-province reps.	For the first phase of NRD registration requirements were harmonized as much as possible. It is anticipated that they will continue to be harmonized as NRD progresses. In addition, the CSA has implemented initiatives to work towards a Canadian harmonized securities regime.

Request for Comments

	Category	Comment	Response
82.	Uniformity	The NRD proposal illustrates the high cost of a fragmented system of securities regulation and, indirectly, underscores the merits of national regulation.	NRD is a step towards a harmonized registration system. 100% harmonization will take some time, but NRD is part of the first steps towards it.
83.	General	The dealer community should have been invited to participate in the planning and creation of NRD as a gesture of goodwill and to ensure that industry obtains the maximum benefits from the NRD system. Further, given that the Instrument presumes that the industry is to pay for the development and maintenance of NRD, it would seem only fair and reasonable that the industry's views must be given full and due consideration, even if this means a significant delay in the implementation of NRD. We are concerned that the desire to get the system up and running in the short term will override any decision to have a system that meets its potential in terms of ease of use and economic efficiency for all those involved.	<p>Industry feedback has been obtained through industry information sessions and the assistance of certain industry members during the ongoing testing of the system.</p> <p>Staff takes all of industry's comments very seriously and will respond to each one. It is intended that phase I of NRD will form the basis upon which a fully integrated and functioning national registration system can be built. Such systems are built and released in phases otherwise they remain in production and are never delivered because of constant change requests and advances in technology.</p>
84.	General	Where signatures and/or certain documentation are required in hard copy, please clarify whether or not these hardcopies must be filed with all jurisdictions. It is recommended 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.	All NRD submissions other than enrolment with the NRD administrator and those under the hardship exemption will be made electronically. Persons will have to continue to make hardcopy filings that are not NRD submissions unless an alternate system is provided. In regard to the due diligence material a firm collects in connection to an individual's NRD submission, the firms will not have to submit such materials to CSA members unless specifically requested to do so.