



THE INVESTMENT FUNDS INSTITUTE OF CANADA  
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA  
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April 1, 2004

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Commission des valeurs mobilières du Québec  
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Dear Sirs/Mesdames:

**Re: Proposed National Instrument 31-101 - *Requirements Under the National Registration System*; and Proposed National Policy 31-201 - *National Registration System***

We have reviewed the Request for Comment relating to proposed National Instruments 31-101 *Requirements Under the National Registration System* ("NI 31-101") and proposed National Policy 31-201- *National Registration System* ("NP 31-201"), (2004) 27 OSCB 618, and are writing to provide the comments of The Investment Funds Institute of Canada ("IFIC") and its Members.

The Investment Funds Institute of Canada is the national association of the Canadian investment funds industry. Membership comprises mutual fund management companies, retail distributors and affiliates from the legal, accounting and other professions. IFIC's member funds manage over \$460 billion in assets in over 51 million unit holder accounts.

**General Comment:**

IFIC supports the work of the Canadian Securities Administrators ("CSA") and other government initiatives aimed at streamlining Canada's current securities regulatory system. Accordingly, we support the intention of NI 31-101 and NP 31-201 which we understand to

be to reduce the number of different substantive regulatory regimes with which a "firm filer" on the one hand, and an "individual filer" on the other, must comply when operating in more than one Canadian jurisdiction.

### **Specific Comments:**

Notwithstanding the foregoing, IFIC, through its Dealer Issues Committee, has identified the following concerns with the regime proposed under NI 31-101 and NP 31-201:

1. **Determination of firm filers' principal regulator** - Subs. 3.2(4) of NP 31-201 sets out six factors for consideration when determining the appropriate principal regulator for a firm filer. Subs. 3.2(6) provides that individual filers are required to use the jurisdiction in which their work office is located as their principal regulator. As the individual filer is subject to the conduct rules of his/her principal regulator, it would appear that NRS does not alleviate, to any great extent, the burden of compliance with multiple regulatory requirements for firms that operate in multiple jurisdictions. We submit that a true "passport" or "mutual reliance" system requires the wholesale acceptance by all participating jurisdictions of the regulatory regime of the designated principal jurisdiction. While we agree that acceptance of the requirements of a principal jurisdiction by non-principal jurisdiction with respect to firm filers will relieve somewhat the regulatory burden borne by firm filers, and while we further agree that the provision for a self-regulatory organizations ("SRO") to become designated as a principal jurisdiction in those Canadian jurisdictions where a delegation of authority exists in favour of an SRO will go some distance to reduce regulatory requirements at the local level, we submit that the continued application of local rules to individual filers will still result in considerable regulatory duplication and inefficiency. Many IFIC Member firms choose to oversee compliance at the "national" level, these firms will still have to comply with differing local rules in these jurisdictions that have not delegated authority to an SRO, and with differing local rules in jurisdictions where, notwithstanding a delegation of authority to an SRO, SRO rules fail to occupy the field fully.
2. **Opt-out** - S. 7.1 of NP 31-201 provides that any non-principal regulator can opt-out of the NRS with respect to any particular application for registration. In this circumstance the applicant must deal directly with the non-principal regulator. Again, we view the availability of an "opt-out" provision as a serious detriment to the ability of NI 31-101 and NP 31-201 to achieve their stated goals.

John Stevenson & Denise Brosseau

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IFIC and its Members appreciate the opportunity to provide the CSA with these comments and look forward to working with the CSA and others to further improve the harmonization and efficiency of Canada's securities regulatory framework. Please contact the undersigned at (416) 363-2150, ext. 225, or via email at [jmurray@ific.ca](mailto:jmurray@ific.ca) should you have any questions or wish to discuss these comments.

Yours truly,

**THE INVESTMENT FUNDS INSTITUTE OF CANADA**

[original signed by John W. Murray]

By:

John W. Murray  
Vice President, Regulation & Corporate Affairs