



April 6, 2004

BY E/MAIL

To:

Alberta Securities Commission
British Columbia Securities Commission
Ontario Securities Commission
Quebec Securities Commission

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

Denise Brosseau, Secretary
Commission des valeurs mobilières du Québec
800 Square Victoria, 22nd Floor
Tour de la Bourse, P.O. Box 246
Montreal, Quebec
H4Z 1G3

**RE : Comments on Proposed National Instrument 31-101 and
Comments on Proposed National Policy 31-201**

Dear Sirs/Mesdames,

We are writing to comment on certain aspects of Proposed National Instrument 31-101 (“NI 31-101”) and Proposed National Policy 31-201 (“NP 31-201”). As National Bank of Canada’s registration department, we represent investment dealers, mutual funds dealers and advisers.

1. Section 3.3 of NP 31-201

The section indicates that a Form 31-201F2 will have to be completed by the applicant and sent to the principal regulator when a change in the address of employment results in a change of province of residence. We question the usefulness of said form since this information would be submitted through the National Registration Database (“NRD”). Accordingly, the principal regulator should be changed automatically without requiring the filing of a form, especially considering that one of NRD’s objectives was to reduce the documentation that had to be provided in paper format. Moreover, we are not sure whether the requirement to file a Form 31-201F2 presupposes the filing of a Form 31-201F1 for each individual. If it does not, then we fail to understand why a form should be submitted upon a change in registration information when no such form has to be filed upon “registration”. On the other hand, if a Form 31-201F1

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is required for each individual, this would result in a quite important additional burden for the firms.

2. Sections 5.2 and 6.3 of NP 31-201

These sections allow for a five-day delay to other regulators, that is to say five days to inform the principal regulator of an important change in registration information that has not been declared by the applicant and five days to opt in or opt out the National Registration System (“NRS”). We consider that a 10-day deadline is not only quite long, but is unacceptable as far as transfers of registration are concerned. The timeframe within which we can currently expect approval for transfers is between 24 and 48 hours for an investment dealer.

Moreover, section 6.2 does not indicate how much time will be needed by the principal regulator to produce its NRS report. Finally, there is no mention of any consequences arising out of the regulators’ failure to respect the deadlines imposed. What will happen if a regulator does not render its decision within five days?

3. Section 6.5 of NP 31-201

The principal regulator can give the applicant an opportunity to be heard, but the applicant will not automatically be heard jointly or concurrently with the other regulators. We suggest that said hearings be conducted with the concerned regulators altogether so as to avoid duplication of procedures and additional delays in registration.

4. Section 2.1 of NI 31-101

This section states that only firms registered as investment dealers, mutual funds dealers or investment counsel with an unrestricted practice will have the possibility to adhere to the NRS. What happens when a firm has more than one category of registration? For instance, a certain number of firms registered as investment counsel/portfolio managers are also registered as restricted dealers (Limited Market Dealer) in order to be allowed to sell units of pooled funds. Would such firms be excluded from the NRS or would they be subjected to the NRS only insofar as their unrestricted practice registration is concerned?

5. Sections 3.1 and 3.3 of NI 31-101

The opting out process means that a jurisdiction could end up never being the non-principal regulator. It would also mean that within the same firm, individuals may not be subject to the same requirements and firms would thus never know in advance what would the applicable requirements be for any particular application. (ex. interplay between section 3.1(1) and 3.3(1) of NI 31-101). Accordingly, the firm would most probably adhere to the most stringent registration criteria, and, therefore, the most demanding jurisdiction would, in practice, be the principal regulator in all cases.

6. Section 3.2 of NI 31-101

In the event that the principal regulator for an individual changes, the applicant benefits from a six-month period to comply with his/her new principal regulator’s requirements. We submit



that there should be a possibility of having this delay extended in certain situations and that said possibility of extension should be included in NI 31-101, so that a formal exemption request would not be required. For instance, we doubt that an individual registered as a representative

of an investment counsel and/or portfolio manager in Quebec would always be able to satisfy the Ontario requirements within six months, considering the important differences between the requirements of these two provinces.

7. General Comments

Considering the important differences between Ontario's and Quebec's requirements applicable to representatives of an investment counsel/portfolio manager, we question the effectiveness of the NRS for that category of registration. Arguably, in most cases, Ontario would opt out when the principal regulator would be Quebec. Accordingly, we see no improvement or added value for a firm registered as Advisor (in the categories of investment counsel/portfolio manager) in Quebec to adhere to the NRS.

We welcome the initiative taken by the regulators in the Proposed NI 31-101 and NP 31-201 but respectfully submit that it might be desirable to wait until Quebec can technically participate in the project before implementing it. Indeed, for the time being, firms whose principal regulator is Quebec would remain subject to two systems of registration as all applications processed through NRD are not under its jurisdiction.

Finally, we wonder about the alleged time and cost savings following the implementation of the NRS. Using the NRD already allows us to save time as an individual's permanent record only has to be filed once and is maintained up-to-date in all jurisdictions at the same time. With regards to cost savings, we are sceptical since it is nowhere mentioned that the regulators would reduce their fees following the implementation of the NRS, even though the analysis of applications would only be effected by the principal regulator.

We appreciate the opportunity given to us to comment of Proposed National Instrument 31-101 and National Policy 31-201. We would be pleased to discuss any aspects of the submission with you.

Best regards,

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