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April 8, 2004

Commission des valeurs mobilières du Québec
Ontario Securities Commission
Alberta Securities Commission
British Columbia Securities Commission

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

And:

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

Dear Sirs and Mesdames:

Re: Proposed National Policy 31-201 – National Registration System and Proposed National Instrument 31-101 – Requirements under the National Registration System

I am internal counsel to Royal Bank of Canada and its wealth management subsidiaries. I am writing on behalf of RBC Dominion Securities Inc., RBC Action Direct Inc., RBC Asset Management Inc., Royal Mutual Funds Inc. and RBC Private Counsel Inc. to provide you with our comments with respect to Proposed National Policy 31-201 – National Registration System (the “Proposed Policy”) and Proposed National Instrument

31-101 – Requirements under the National Registration System (collectively, the “Proposed Rules”).

General Comments:

We support a proposal that promotes a more cost effective and efficient registration system. The Proposed Rules constitute a positive step, but we are concerned that, to the extent that they permit local practices, standards and requirements related to key issues such as proficiency, they will fall far short of achieving national harmonization of registration requirements.

Specific Comments:

Opting In or Out

As in other CSA mutual reliance initiatives, the Proposed Rules will permit non-principal regulators to opt out of the determination of the decision of the principal regulator. Alternatively, the Proposed Rules would permit the non-principal regulator to opt in to the principal regulator’s decision, but to impose local terms and conditions upon a registration.

We do not support this alternative approach.

Where a non-principal regulator wishes to deviate from the terms and conditions imposed by the principal regulator, the non-principal regulator should be required to opt out. In the mutual reliance review system, there is often a pressure on all the regulators to reach a consensus. This pressure can be very positive and opting out is not taken lightly. If non-principal regulators are still able to impose local terms and conditions without opting out, this will decrease the incentive to reach a consensus.

Home Jurisdiction

Further to the Proposed Rules, both firm and individual registrants will still be tied to their “home jurisdiction”. Consequently, firms operating in multiple provinces or territories will be required to be aware of the differences in the rules of each jurisdiction plus those of the IDA or other applicable SRO. For example, there are differences in the requirements regarding document retention, conduct rules and registration categories. Furthermore, the Proposed Policy does not address the issue of jurisdictional variations and differing administrative practices such as how a particular question is to be answered. Again, we would urge the CSA to harmonize registration requirements on a national basis.

Exemption from “Fit and Proper” Requirements

Part 3.2 of Proposed National Instrument 31-101 exempts a filer from having to meet the “fit and proper” requirements for registration with a principal regulator for a period of 6 months after the regulator has assumed the “principal” regulator role, provided the filer continues to meet the requirements of its previous principal regulator. Presumably, this

exemption is being provided as a means of providing the filer with time to meet all applicable registration requirements in the jurisdiction of the new principal regulator. However, course and proficiency requirements for some categories of registration differ among jurisdictions and, in certain cases, it may be difficult for a filer to meet all necessary proficiency requirements for registration with the new principal regulator within the prescribed 6 months. We recognize that general exemptive relief from the fit and proper requirements has been contemplated in part 2.4 of the Proposed National Policy, but do not view the exemption process as the most cost-effective or time-efficient means of addressing the issue. We submit that this issue be considered and addressed directly in Part 3.2 of the Proposed National Instrument.

Fees

Where the work required by a jurisdiction is reduced (such as with “non-principal” jurisdictions), fees should be appropriately reduced.

Review/Approval Time

The Proposed Policy states that one of its anticipated benefits is “a reduction in processing time by the regulators”. This was also stated as an anticipated benefit of the National Registration Database (“NRD”) but the industry has not yet to date experienced any such reductions.

In some cases, the Proposed Rules will actually increase review/approval times. For example, the IDA currently turns around firm transfers for individuals within two business days. As currently drafted, the Proposed Rules will actually increase review/approval times.

Greater clarity would be appreciated with respect to the length of time it may take between date at which the filing of materials is undertaken and the date at which the NRS document is issued. Further to section 5.2 of the Proposed Policy, non-principal regulators will have five business days from the receipt of materials in which to engage in a review. Further to section 6.3 of the Proposed Policy, the non-principal regulators are granted an additional five business days from the receipt of the report and proposed NRS document to confirm whether they will opt-in or opt-out. However, it is unclear as to whether and to what extent, additional days may elapse during which the principal regulator makes its determination further to section 6.1 and submits a document to all non-principal regulators further to section 6.2.

Based on our experiences with MRRS applications, in our view it is unlikely to occur that all non-principal jurisdictions will notify the principal jurisdiction that they have completed their reviews before the end of the prescribed period of five days. Consequently, further to the Proposed Policy as currently drafted, the process will take upwards of ten days, including the two prescribed periods of five days plus the undetermined number of days in which the principal regulator makes its determination. This is excessive.

We suggest that the Proposed Rules should outline review/approval times for all regulators and all application types, specifying the total number of days that can be expected to elapse. In our view, the target turn-around time should be 48 hours for transfers and five business days for new applications.

Renewals of Registration

Section 9(1) of the Proposed Policy states the following: “Registrations granted under the NRS are subject to the renewal requirements of the principal jurisdiction’s securities legislation.” However, further to section 9(2), filers using the NRS are to submit their applications for renewals with their principal regulator even if the securities legislation applicable in the jurisdiction of the principal regulator does not require the filing of such an application. When read together, these two subsections are confusing. If the renewal requirements of the principal regulator are to be followed and this regulator has no renewal requirements, this would seem to beg the question of what requirements are to be followed. Moreover, it is unclear as to whether additional documents typically required by certain non-principal regulators further to renewals should be submitted.

Form 31-201F2

The above-noted Form was not included where indicated in the Proposed Policy. Will this Form be available on NRD?

Quebec Issues:

Participation in NRD

We understand that Quebec is currently developing plans to participate in NRD. This would appear to raise the possibility that the NRS will be implemented prior to Quebec’s participation in the NRD. Under such circumstances, we would urge the CSA to provide guidance as to how the NRS would work for those firms registered in Quebec and other jurisdictions. We believe this guidance is necessary in light of the current layered process of Quebec registration applications involving the IDA and the Montreal Exchange, among other decision-making bodies.

Registration Renewal Dates

In addition, it would be helpful if the CSA could clarify whether, assuming it participates in NRD, Quebec would be required to change its requirements related to renewal dates given that, under NRD, all other jurisdictions have moved to a December 31 renewal date. The applicable date in Quebec is 90 days after the firm registrant’s financial year-end. If such requirements were not harmonized, would this constitute a basis for Quebec to opt-out of the NRS with respect to registration renewal applications? In our view, this should not be a valid basis for opting out.

Ottawa/Hull Registrants

Further to the NRS, the principal regulator for individual registrants is the regulator for the jurisdiction in which the individual filer's working office is located. We would appreciate clarification with respect to individuals who reside in Ottawa but work in Hull. According to the above-noted proposal under the NRS, the principal regulator would be Quebec. Would such individuals be required to be registered in Ontario as well?

We appreciate this opportunity to share our comments and concerns. If you have any questions, or require any additional information, please do not hesitate to the undersigned at (416) 955-3734 (or, by email, at: josh.bezonsky@rbc.com).

Sincerely,



Josh Bezonsky
Counsel