

September 15, 1998

Mr. William Hess
Chairman
Alberta Securities Commission
4th Floor
Alberta Stock Exchange Tower
300 – 5th Avenue S.W.
Calgary, Alberta T2P 3C4

Mr. Doug Hyndman
Chair
British Columbia Securities Commission
1200 – 865 Hornby Street
Vancouver, B.C. V6Z 2H4

Mr. Donald G. Murray
Chair
Manitoba Securities Commission
1130 – 405 Broadway Avenue
Winnipeg, Manitoba R3C 2L6

Mr. Donne W. Smith, Jr.
Administrator
New Brunswick Securities Commission
133 Prince William Street
Suite 102, P.O. Box 5001
Saint John, New Brunswick E2L 4Y9

Mr. Tony Patey
Director of Securities
Newfoundland Securities Commission
Department of Government Land Services
2nd Floor, West Block
75 O'Leary Avenue
P.O. Box 8700
St. John's, Newfoundland A1B 4J6

Mr. Gary MacDougall
Registrar of Securities
NorthWest Territories Securities
Commission
Department of Justice
Government of N.W. Territories
P.O. Box 1320
Yellowknife, N.W.T. X1A 2L9

Mr. Robert MacLellan
Chairman
Nova Scotia Securities Commission
Joseph Howe Building
2nd Floor, 1690 Hollis Street
P.O. Box 458
Halifax, Nova Scotia B3J 2J9

Mr. David Brown
Chairman
Ontario Securities Commission
20 Queen Street West
Suite 1800
Toronto, Ontario M5H 3S8

Mr. Edison Shea
Registrar of Securities
Prince Edward Island Securities
Commission
Department of Community Affairs &
Attorney General
Consumer, Corporate & Insurance
Division
95 Rochford Street, 4th Floor
P.O. Box 2000
Charlottetown, PEI C1A 7NB

Mr. Jean Martel
Chairman
Quebec Securities Commission
Stock Exchange Tower
800 Victoria Square
P.O. Box 246, 17th Floor
Montreal, Quebec H4Z 1G3

Mr. Marcel de la Gorgendiere
 Chairman
 Saskatchewan Securities Commission
 T.D. Bank Building
 Suite 850
 800- 1920 Broad Street
 Regina, Saskatchewan S4P 3V7

Mr. M. Richard Roberts
 Acting Registrar of Securities
 Yukon Territory Securities Commission
 Government of Yukon Territory
 P.O. Box 2703
 Whitehorse, Yukon Territory Y1A 2C6

Dear Sirs,

Royal Trust is pleased to provide comments on proposed National Instrument 54-101 (the "Instrument") – Communication with Beneficial Owners of Securities of a Reporting Issuer.

Royal Trust, a wholly owned subsidiary of Royal Bank, has served investors as trustee and custodian for almost a century and has over a decade of experience providing global custody. Royal Trust ranks 11th in the world in terms of cross-border assets under administration, with over \$336 billion. Total assets under administration exceed \$769 billion. Institutional investors, including the pension and mutual fund industries, account for more than 80% of the total assets.

In its capacity as trustee of pension funds and mutual funds, Royal Trust is the legal owner of the assets beneficially owned by the trust funds and, as such, is keenly interested in making the process of beneficial shareholder communication as efficient and cost-effective as possible, while ensuring the integrity of the proxy distribution and tabulation systems. As trustee, we have fiduciary obligations to the trusts to ensure that proxy voting of the funds' securities meets the best interests of the funds' beneficiaries.

We commend the efforts which the CSA have devoted over the last several years to improving the beneficial shareholder communication process, and regret to advise we believe the currently proposed Instrument represents a compromise which will neither achieve the stated objectives nor satisfy any interested party. On the contrary, we believe it will make the system unnecessarily complex, confusing, inefficient and costly for all parties, including the issuers, which is not in the interests of them or their shareholders.

Royal Trust wholeheartedly supports the comments submitted to the CSA by the Canadian Bankers' Association, dated September 15, 1998. In addition to endorsing their general comments and those with respect to the transition period, OBO issues, and securities lending, we wish to make the following specific comments as trustee of pension and mutual trust funds:

Issues associated with OBOs

We appreciate the July 1998 attempt of the CSA to increase efficiency and to reduce costs by permitting the intermediaries to rely on their clients' instructions submitted

pursuant to NP41. In spite of this concession, we would feel compelled to canvass our entire client base for their instructions to preclude any possibility of breaching our fiduciary obligations to trusts or compromising our position on client confidentiality.

Economies of scale

We fully support the Canadian Bankers' Association's suggestion of further analysis of the costs and benefits to the various market participants being undertaken before proceeding any further. We respectfully submit that part of such analysis might explore the loss of economies of scale in our interfaces with IICC that would result from introduction of the Instrument as currently proposed.

Royal Trust, as Canada's leading custodian of assets, has devoted tremendous energies and resources in the past few years to further enhance and streamline the proxy process for institutional investors. We believe that issuers have received significant direct benefits from our efforts, in terms of encouraging the lodging of proxies and eliminating large numbers of unnecessary duplicate sets of proxy material. Attached for your review and consideration are copies of communications Royal Trust issued to clients and fund managers in 1996 which explain more fully some of these cost saving initiatives.

Decline of receipt of materials

Royal Trust does not support the concept of beneficial owners' ability to decline all materials. The proposed Instrument fails to specifically address corporate actions, which we view as much more than 'communications'. Failure to receive and act upon a corporate action could result in financial loss to the shareholder. We believe, in the case of corporate actions, all beneficial and registered holders must receive the material, whether or not they have requested it. Lacking clarification on this issue we will view corporate actions as being outside the scope of the Instrument.

We also wish to submit that the currently proposed definition of 'routine material' will probably result in more material being distributed to more beneficial holders. This would, of course, increase the costs for issuers.

Trust companies' fiduciary responsibility

Many institutional investors, including pension and mutual funds, limit the trustee's power to vote to acting only on the direction of professional fund managers. Royal Trust has retained IICC as its agent for the purpose of forwarding materials to these professionals, obtaining and tabulating the voting decisions, and then transmitting the vote on behalf of Royal Trust.

We are concerned that issuers may expect that, under the Instrument, they can elect to replace the role of IICC. They may not realize that the trustee votes the substantial holdings of institutional investors and it is unlikely that the trustee will appoint issuers as agents to assist with the trustee's duties.

Timelines

We respectfully submit that the one-day turnaround of materials by intermediaries at levels below the proximate intermediary is unrealistic – especially in the midst of the busy proxy season. If there are several such intermediaries in a chain, the eventual date of mailing material to the beneficial owner could be significantly later than the deadline imposed by the legislation for the mailing of proxy material to registered holders.

We are also extremely concerned about the substantial system changes that would be required to implement the proposed Instrument. Owing to our systems resources being fully committed to the Year 2000 initiatives, it will be virtually impossible for us to make any system changes at this late stage to accommodate any changes or enhancements to the existing NP 41 process in accordance with the currently proposed timeline.

As stated earlier, we fully support the suggestions for further detailed analysis of the costs and benefits before proceeding further, and respectfully request that any such study include the trust companies in their role as trustees and custodians. We at Royal Trust are very amenable to participating in such analysis and discussing our concerns with you in greater detail. Please do not hesitate to contact the undersigned at (416) 955-2891.

Yours truly,

Kathleen Byles
Director, GSS Compliance