Box 348, Commerce Court West
199 Bay Street, 30th Floor
Toronto, Ontario, Canada M5L 1G2
www.cba.ca

Warren Law
Vice-President, Corporate Affairs and
General Counsel

Tel.: [416] 362-6093 Ext. 214
Fax: [416] 362-7708
wlaw@cba.ca

BY FAX

February 29, 2000

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

Dear Mr. Stevenson:

Re: Proposed Rule 33-503, Companion Policy 33-503CP and Form 33-503F
Change of Registration Information

On behalf of all our member banks with the exception of TD Bank Financial Group, please find attached the CBA's comment on the Ontario Securities Commission's Proposed Rule 33-503, Companion Policy 33-503CP and Form 33-503F, Change of Registration Information.

We appreciate the deadline extension that you granted us. If you have any questions regarding our letter, please do not hesitate to contact us.

Yours truly,

WL/SC:sh
Attach.

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Dear Mr. Stevenson:

Re: Proposed Rule 33-503, Companion Policy 33-503CP and Form 33-503F
Change of Registration Information

The Canadian Bankers Association (the "CBA") appreciates the opportunity to provide the Ontario Securities Commission (the "OSC") with the views of Canadian banking groups (excluding TD Bank Financial Group) concerning proposed Rule 33-503 (the "proposed Rule"), Companion Policy 33-503CP and Form 33-503F.

The thrust of the proposed Rule is to require a registrant to make an application for approval of amendments to the registrant's registration in certain circumstances and to notify the Director of specified changes in information relevant to the registrant's registration within five days of the change. As we understand it, an acceptable practice in the industry has heretofore been to report changes upon renewal of the registration.

As an overview, we note that the proposed Rule raises significant issues and concerns for our member banking groups which include registered subsidiaries. The CBA encourages harmony in the securities regulatory frameworks of the provinces and territories. However, we believe that the proposed Rule goes beyond current regulatory requirements without justification and is out of step with regulatory requirements in the other provinces.

Our specific comments about this proposed regulatory initiative are as follows:

1. Duplication

A fundamental concern with the proposals is the duplication of effort that SRO members will face under the proposed Rule. The CBA submits that where possible, the OSC should delegate the responsibility for receiving notices and granting approvals for registration issues to the SROs. Forcing members to report the same information to both the SROs and the OSC is an unnecessary regulatory burden. We submit that if the OSC concludes that the existing reporting requirements to the SROs are insufficient, these requirements themselves should be changed.

2. Specific Comments About Provisions in the Proposed Rule

Subsection 2.1(2) - Thirty day review period

The CBA is most concerned about the obligation imposed by the proposed Rule that requires the prior approval of the OSC for a change in the designation of a compliance officer, branch manager, the use of a trade or business name or the appointment of new directors and accepted persons. The CBA submits that the requirement for thirty days' notice is too onerous. There are often instances where it is necessary to effect changes on a very short term basis to deal with issues such as a maternity leave, short-term disability or staff turnover. The CBA submits that it is not practical or prudent to have these appointments contingent on a review period of this length by the OSC.

Subsection 3.1(5) - Changes to banking arrangements

The CBA objects to the requirement in 3.1(5) to provide notice of changes to the banking arrangements of registered firms. We believe that this information is not relevant and no useful purpose is served by requiring registrants to provide this notification.

Subsection 3.1(10) - Scope

The CBA submits that the wording in subsection 3.1(10) of the Rule is too broad. The initial words in subsection 3.1(10) begin:

> *"The receipt of notification by the registered firm or any of the registered firm's individual registrants or accepted persons from a securities regulatory authority or an SRO……"*

The range of persons covered by the wording in subsection 3.1(10) is extremely broad and the CBA submits that if the OSC determines that the Rule is necessary, the range should be restricted to directors, officers and branch managers.

Also, the wording in subsection 3.1(10):

> *"knows or has reason to believe….."*

is so broad in scope that the CBA believes that this wording makes it very difficult for the compliance officer to comply with the Rule. For instance, how is the compliance officer to be certain he is being told everything that he needs to be told and for instance, how is the compliance officer to know if an individual registrant in the United States has received notification?

Subsection 3.1(10) 4 - Scope

The CBA also submits that subsection 3.1(10) 4 is too broad in that it applies to affiliates of the registrant which includes the entire banking group. A registrant in Canada may not be aware of an SRO or securities regulatory action commenced against an affiliated company outside Canada or, indeed, even inside Canada. As we understand it, the launching of investigations against a particular registrant is generally not broadcast throughout the entire financial group. Furthermore, it is not clear as to whether, for example, a surprise audit or a review by an SRO is to be considered an "investigation". Is an audit that is looking for something in particular an investigation? Although this may just be a materiality issue, the CBA submits that the proposed Rule should clarify this.

Subsection 3.1(12) - Scope

The CBA strongly objects to subsection 3.1(12) of the proposed Rule, which requires disclosure of certain particulars that are not relevant to the OSC. The CBA views this requirement as excessively voluminous. The CBA submits that the OSC should only be asking for information related to the registrants themselves and NOT information pertaining to unregistered affiliates.

Furthermore, the CBA submits that the wording in subsection 3.1(12) is not specific or clear enough. For example, is the reference to civil proceedings in this subsection to be limited to those proceedings that deal with the firm's work as a registrant or is it all encompassing? The CBA believes that this is a problem throughout the proposed Rule. If it is implicitly assumed that these things are only work related then the Rule should explicitly say it. Also, the wording in subsection 3.1(12) of the proposed Rule does not clarify whether "civil proceedings" includes arbitrations.

The CBA also objects to the requirement in subsection 3.1(12) to provide notice of commencement of civil proceedings over $25,000 and submits that such issues are properly left to the SROs. In any event, the CBA views the $25,000 threshold as too low - the question should really be whether the potential liability under the lawsuit will materially impact upon the firm.

Subsection 3.1(13) - Scope

The proposed Rule does not clarify the scope of subsection 3.1(13). Are there any limits to criminal or quasi-criminal proceedings? Is this all encompassing? The CBA submits that clarification is required on this issue.

Subsections 3.1(13), (16), (17), (18), (19), (20) and (22) – Inclusion of "Affiliates"

The CBA submits that the requirement to include "affiliates" in these subsections is objectionable for the following reasons:

a. Firewalls: Many of the registrants have firewalls which are required by securities legislation for other purposes and which preclude the passing of such information to other entities within the group. The proposed Rule appears to require that all registrants be aware of all activities within all other registrants and non-registrants and this would, at the very least, require that the firewalls be breached. The CBA submits that there is an inconsistency in securities regulation as a result.

b. Redundancy: Each registrant should only be required to provide notice of the information relating to it alone and not relating to any other registrant. The proposed Rule contemplates that as between registrants, each registrant must notify the OSC of such information in any event. The CBA submits that requiring each registrant to notify the OSC of the same information is redundant with its attendant costs to both the registrants and the OSC.

c. Cost: Each banking group is a large financial organization with operations which may extend to many different businesses around the world. The notifiable changes relating to affiliates as listed in Part 3 of the proposed Rule would likely be so voluminous as to require daily notification. It would also require an infrastructure within each banking group to collect the information from business units and distribute it to the OSC registrants within the financial group within the five day period required in subsection 3.3. This by itself is impractical. Moreover, it is difficult to understand how the notifiable changes captured by Part 3 with respect to affiliates would be relevant to a registrant or to the OSC. The cost of collecting this information would very well likely exceed any benefit that this information could provide the OSC in terms of regulating registrants. The CBA submits that at the very least, any requirement for notification should have a materiality component.

Subsection 3.1(18) - Uncertainty

The CBA submits that the term "settlement agreement" in subsection 3.1(18) is unclear. For instance, does this cover an agreement with a customer for a payment over $25,000 even if the customer has not initiated formal civil proceedings?

Subsection 3.3 - Unreasonableness of Notice Period

We believe that the requirement in subsection 3.3 to deliver a notice of change to the Director within 5 days of the event is unreasonable. The CBA submits that if the OSC determines that reporting to the OSC is necessary, there should be a monthly reporting requirement.

3. Possible Human Rights Code violation

The CBA also makes an additional comment with respect to the proposed Rule. In so far as it relates to requiring information from the individuals registrants pertaining to charges, convictions, acquittals, judgements, garnishment orders or settlements in relation to matrimonial proceedings, we are concerned that the proposed Rule could constitute harassment or an indirect infringement of person contrary to section 5 of the Ontario Human Rights Code. It

could also constitute infringement of the right to freedom from harassment in the workplace by the employer which is prohibited under section 9 of the Code. While some of the information is arguably relevant to an individual registrant's fitness for continued registration, much of it is, in our view, irrelevant and, therefore, demanding such information from an employee could be considered harassment. In view of this potential issue, the list of notifiable changes should be restricted to only changes that can be justified as relevant to an individual's fitness for continued registration.

We look forward to discussing and receiving some clarification from the OSC staff on these issues. If you have any questions about our comments, please do not hesitate to contact us. Of course, we would be pleased to meet with OSC staff to discuss the proposed Rule and our comments.

Yours truly,

WL/SC:sh