October 30, 2000

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
The Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Department of Government Services and Lands, Newfoundland and Labrador
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

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

Re: Proposed National Instrument 54-101

Dear Sirs:

This letter contains our response to National Instrument 54-101 and related Instruments. This policy has been under review for a number of years, and we have responded to proposals three times previously. As the present proposal is little changed from the last proposal, most of the comments here mirror our past responses.

Our primary concern is client service. When National Policy 41 was implemented, there was a period when client service suffered dramatically, and IDA Members and the IDA received a significant number of client complaints. Subsequent to this, however, the system has developed and become a highly reliable and accountable system. To our Members, the system is well understood and client service personnel know precisely who to contact in the event that a client has not received material which they wish to receive. Our concern is that, in the new model, where the issuer, their agent or other parties may be delivering the proxy material, accountability will disappear and our ability to train staff to handle client complaints will be diminished. Thus, the change will add confusion, fragmentation and a large number of incidental costs to the existing system.

Our second comment is that we continue to believe that the existing system is effective, cost efficient and well understood by clients, issuers and intermediaries. Comments received on past proposals indicate that both the public and the intermediaries agree that only minor amendments are necessary to the existing system. Issuers have indicated their dissatisfaction with the existing system, according to surveys run by CSA staff. However, the reported results of the CSA surveys indicate that the issuers' main complaint is that they wish to be able to know who their shareholders are and be able to contact them. The IDA has consistently supported the right of issuers to know who their shareholders are, and except for proxy purposes, their right to use shareholders lists to contact them. It is not necessary to permit shareholder lists to be used for proxy solicitation in order to give the issuers the access to their shareholders, which they are requesting. We note that the U.S. has considered permitting use of shareholder lists by issuers for proxy solicitation on a number of occasions in the past, and have always decided that it should not be permitted.

The justification for the major changes to the existing system proposed in the policy is that there will be benefits from enhanced competition in providing shareholder communication services. As noted in our last response, these changes will fragment an already small revenue base and we doubt that this revenue base will support further enhancements to the system. By changing the system, we risk losing the benefit which we currently enjoy (Canadian costs are approximately the same as in the U.S., in spite of the size disparity) with very little specificity as to what we expect to get for it.

The third comment we wish to make on this proposal is that it is absolutely essential that the CSA set a fee schedule for the service. The paper leaves open the possibility that charges may be set by provincial Securities Commissions on a province by province basis, however, no indication has been given whether this will be done or not. In the absence of such action by provincial Securities Commissions, the charges are required to be "reasonable". We understand that there are approximately 4,500 issuers and hundreds of intermediaries. It is impossible that there will be negotiations between each intermediary and each issuer concerning a reasonable price for these services. The policy gives no direction as to what will happen in the event that an agreement cannot be reached, and we are concerned that the inability to reach such an agreement will result in clients not getting materials. Thus, we believe that it is essential that a national standard price be set by CSA members for proposed services under the new policy. Failing that, specific direction must be given as to what happens in the event that an agreement is not reached between the issuer and the intermediary.

The final comment we wish to make relates to the new requirement in Section 3.2 of the policy that an intermediary obtain necessary information prior to holding securities for a client. Normal industry practice permits a reasonable period of time to obtain account opening documentation and we believe that the requirement in 3.2 should be more generally phrased to require that the requisite information be obtained as part of account opening procedures.

In summary, we believe that the existing system operates well and enjoys the support of the public and intermediaries. We support allowing issuers to have lists of their non-objecting shareholders and to use them for any appropriate purposes, except proxy solicitation. We believe

that the proposed system will add significant cost and complexity without offering a reasonable prospect of an improved system in the future. In fact, we believe that the proposed system will be significantly worse for shareholders, especially during implementation. If the CSA decides to proceed, it is essential that standard charges for the service be set out or that dispute resolution procedures be put in place.

Yours very truly,

William R. Fulton
Chair, Financial Administrators Section

/js