



Canadian Investor
Relations Institute

1470 Hurontario Street, Suite 201, Mississauga, Ontario L5G 3H4
Telephone (905) 274-1639
Facsimile (905) 274-7861
Website: www.ciri.org
E-mail: enquiries@ciri.org

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
The Manitoba Securities Commission
Ontario Securities Commission
Officer 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, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

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

Claude St. Pierre, Secrétaire
Commission des valeurs mobilières du Québec
800 Victoria Square
Stock Exchange Tower
Box 246, 17th floor
Montréal, Québec H4Z 1G3

November 1, 2000

Re: *Proposed National Instrument 54-101*

The Canadian Investor Relations Institute (CIRI) is pleased to make this written submission regarding issuers' communication with beneficial shareholders.

Canadian Investor Relations Institute

CIRI is a professional, non-profit organization of corporate executives and consultants responsible for communication between public companies and the investment community. The majority of CIRI's public company members are listed on The Toronto Stock Exchange. CIRI is headquartered in Mississauga and has active chapters that meet in Toronto, Montreal and Calgary. Members also meet in Vancouver. CIRI is the world's second largest society of investor relations professionals with 750 members, behind only the National Investor Relations Institute (NIRI), a similar U.S. organization with more than 5,000 members.

CIRI's mission is to "advance the practice of investor relations, the professional competency of its members, and the stature of the profession". The prime focus of the organization is the education of its members about investor relations best practices through professional development programs. CIRI publishes *Newsline*, a member

publication covering regulatory and accounting issues, capital markets and investor relations practices. It organizes a regular series of seminars, and a two-day conference, presented in association with The Toronto Stock Exchange (TSE), is held annually. CIRI is also a partner and is closely involved in program development for the *Strategic Management of Investor Relations*, an executive program held at the Richard Ivey School of Business.

CIRI is pleased that a successor to National Policy 41 seems close to being in place. The latest draft of National Instrument 54-101 incorporates some improvements to current practice. We appreciate the difficult work that the CSA has undertaken.

We believe that the issue that most concerns CIRI membership – primarily the identification of beneficial shareholders – remains fundamentally unresolved by NI 54-101.

In fact, it may be that NI 54-101 is not the appropriate instrument in which to push forward this issue. We recognize that it is not in the interests of intermediaries to facilitate the identification of their clients, nor should we expect it to be so. What most concerns issuers is their very limited ability to identify large shareholders – primarily institutions – that can exert tremendous influence through the way they vote and in how they buy and sell securities, yet who can remain anonymous. We fear that NI 54-101 will not go far at all in revealing the identities of institutional holders and furthermore, it will provide only minimal guidance in revealing beneficial retail shareholders, as many will not respond to the communications they eventually receive from intermediaries. This will continue to leave the majority of investors – both institutional and retail — unknown to most issuers. This, in turn, impedes the free and efficient flow of information in securities markets and over time results in a higher cost of capital to issuers.

Our other general comment refers to the general poor readability of the draft instrument. This is a document written in legalese, and not intended for direct consumption by the majority of issuers and individuals whom it most directly affects. We suggest that the issue of plain language receive a higher priority at the CSA to allow it to better serve a broader group of its constituents – issuers, investors and intermediaries.

Part 1.5 – Fees

NI 54-101 would require that the issuer obtain NOBO lists only from a transfer agent and that intermediaries must provide their NOBO lists to the agents at a “reasonable” fee. Unlike the previous draft of NI 54-101, no fees are prescribed. CIRI supports unregulated fee structures, but is concerned there is room for abuse as some financial intermediaries could decide to set fees arbitrarily and there is no arbitration process or recourse through which an issuer or proximate intermediary may pursue a fee adjustment. CIRI would like to see an element in NI 54-101 which provides a level of assurance that the limited recourse that issuers have in the fees they pay to obtain NOBO lists will not result in abuse.

Part 2.13 – Fee for Search

We are confused by the statement that “A reporting issuer shall pay a fee to a proximate

intermediary...”. Is it assumed that issuers will negotiate fees directly with proximate intermediaries, or is this expected to be the purview of transfer agents, acting on behalf of issuers? The former would constitute an onerous and extremely complicated task for both issuers and intermediaries.

Part 2.5 (4) – Request for Beneficial Ownership Information

CIRI is concerned that the draft Instrument artificially limits those eligible to provide beneficial ownership information to those who are defined as transfer agents. Understandably, intermediaries would prefer not to have to respond to such requests from a wide variety of potential service providers. However, this restrictive provision severely limits the competitive choices available to issuers in accessing these services, to their potential detriment. CIRI suggests this restriction be lifted. CIRI believes this would result in some additional competition in this area, but would not result in a host of new potential suppliers entering this business.

Part 3.3 (c) – Transitional – Instructions from Existing Clients

One clear objection CIRI has is the time allowed to intermediaries to collect information from their clients as to their NOBO and OBO status, their e-mail addresses and their willingness to accept electronic communication instead of print.

Given the lack of any real incentive for intermediaries to proactively manage this issue, little new data may be forthcoming prior to 2004, as the deadline for compiling this information is three years from the implementation of the instrument, or July 1, 2004. CIRI strongly suggests intermediaries be allowed one year from implementation of NI 54-101, or until July 1, 2002, to collect new data from clients. The three-year implementation period is decidedly unambitious in this era of instantaneous communication.

CIRI appreciates the opportunity to make this submission, and we would be pleased to answer any questions you may have.

Yours truly,
Canadian Investor Relations Institute



Ron Blunn
Chair, CIRI Issues Committee



Joanne Brown
President and Chief Executive Officer