

August 3, 2001

VIA FACSIMILE & COURIER

The British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon
Registrar of Securities, Nunavut

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

- and to -

Claude St. Pierre, Secretary
Commission des valeurs mobilières du Québec
800 Victoria Square
Stock Exchange Tower, P.O. Box 246, 22nd Floor
Montreal, Québec H4Z 1G3

Dear Sirs:

**Re: CSA Staff Notice 31-401 (the "Notice")
Request for Comments on the Registration Forms
Relating to the National Registration Database**

Thank you for the opportunity to comment on the draft Forms relating to the National Registration Database ("NRD"). As you are aware Investors Group Inc., through its subsidiaries offers a number of financial products and services to the public. As a result, we have a number of corporations within our organization that are registered with the securities commissions and other self-regulatory organizations across the country as dealers or advisers. Through these registrants,

our organization also sponsors the registration of over 3,500 mutual fund salespersons. Accordingly, we take great interest in the development of the NRD.

In addition to reviewing the draft Forms, a representative of our organization attended the information forum on the NRD hosted by the Alberta Securities Commission on July 16, 2001. Although the Notice does not specifically request it, we will take this opportunity to also provide you with our comments on the NRD as a whole.

We would like to preface our comments below by stating that we firmly support all efforts to improve the efficiency, timeliness, and uniformity of the registration regime in Canada.

NRD Forms

We have the following comments with respect to the draft forms:

1. Form 31-102F4 Registration of Individuals

- (a) The “**General Instructions**” section should be updated to provide clear instructions that relate to the completion and filing of the Form under the NRD. For example, it is our understanding that we will be able to submit registration documentation electronically. Accordingly, instructions relating to the number of originally signed copies of the documents to be filed do not appear to be relevant. If the sponsoring dealer or advisor must keep originally signed copies, as we understand they must, we suggest that the instructions reflect these requirements.
- (b) **Item 3(2) Jurisdiction** – It is our understanding that the Investment Dealers Association of Canada and Mutual Fund Dealers Association of Canada will use the NRD. As a result, this form should provide for application to these SRO’s.
- (c) **Item 6 Regulatory Disclosure** – In our view sections 1 and 2 of Item 6, concerning past registration with securities regulatory authorities and self-regulatory organizations, could be combined.
- (d) **Item 7 Criminal Disclosure** – The reference to pleading “no contest” should be removed from the Form, as this is a concept of the US criminal law. In addition, we note that Items 7(a), 7(b), 7(c) and 7(d) ask the applicant to disclose whether or not there is currently a charge laid or outstanding, or whether the applicant (or any firm that they have been a partner or a significant shareholder in) has been convicted of, or plead guilty to, any offence that had it been committed in Canada constituted, or would constitute an offence under the laws of Canada. In our view this is an inappropriate question as it asks the applicant to form a legal opinion as to whether actions committed in foreign jurisdiction would constitute an offence under the laws of Canada. In our view it would be more appropriate to simply require the disclosure of any criminal offences or charges under the laws of Canada or under the laws of another state.
- (e) **Schedule “H” Related Securities Firms** –In section 1(e) of this schedule an applicant is required to disclose details of the source of funds to be invested in the firm and provide other details such as whether the individual’s interest is pledged as security. As this information was not required previously to obtain approval, we do not feel that it is necessary to provide the information as part of the development of the NRD. In addition

we are concerned that if the database is made available to the public, the inclusion of this information may infringe upon the privacy of the individual applicant.

2. **Form 31-102F3-Application for Registration as a Dealer, Advisor or Underwriter**

- (a) **General Instructions** – same comments as the individual Form.
- (b) **Item 3 Registration Information** – same comments as the individual Form.
- (c) **Item 9 Auditor** – It is our understanding that on the previous forms for applications of dealers, advisors, underwriters it was not necessary to provide a contact name for the firm's auditor. Accordingly we do not think that it is necessary for the NRD.
- (d) **Item 12 Criminal Disclosure** – same comments as the individual Form.

General Comments

Overall, we are pleased with the improvements that the NRD will bring to the present registration regime. We are particularly pleased that the time frame for receiving approval for individual applicants will be drastically reduced. We fully support the efforts of the Canadian Securities Administrators to standardize the registration application requirements, including supporting documentation, among the commissions. This will eliminate confusion, and will in particular benefit organizations, such as ours, which have registrants in all of the provinces and territories.

It is also our understanding that the NRD will be complemented by a system of mutual reliance under which each securities commission will rely on the review and approval by the securities commission in the applicant's home jurisdiction. We agree that such a practice makes sense with respect to registrations, but note that it will only be effective if the commissions cooperate fully with this process.

Crucial to the effectiveness of the NRD as a truly national system (even without Quebec's full participation, as noted below) is a harmonization of categories or registration between jurisdictions and of the requirements for each category of registration. While we appreciate that this issue goes beyond the scope of this Notice, which deals with the relatively narrow issue of forms, it is a crucial one nonetheless. Currently different jurisdictions have different categories of registration and differing requirements for the same category of registration. For the most part these differences are not material and are not justified by any public interest considerations. Nonetheless, the effort of addressing these differences between jurisdictions involves significant effort on the part of registrants on an ongoing basis. In short it is important that this issue be addressed.

The fact that Quebec will not be participating in the NRD is a significant deficiency in the proposal. As we understand it, the intention behind the NRD is to provide single point access to the registration system across Canada. To the extent that the actual NRD implements two systems- an electronic system for 12 of 13 jurisdictions and a separate, paper based system for Quebec, a significant portion of the administrative efficiencies inherent in the NRD are compromised. In short, the CSA should work to integrate Quebec fully into the NRD. To the extent Quebec's absence is due to statutory limitations, efforts should be made to remove them.

Our other major concern with respect to the NRD relates to the proposed user fees. At the information forum hosted by the Alberta Securities Commission, we were advised that estimates for user fees are as follows:

Annual Fees:

Firm: \$1,500 - \$1,700 per province
Individual: \$20 - \$25 per person

New Registrations:

Firms: \$1,700 - \$3,500 per province
Individuals: \$115 - \$145 per person\province

Transfers:

\$25 - \$60 per transfer

These fees will be in addition to the normal registration fees required by each of the commissions. In effect, the fees represent an amortization of the start up costs for the NRD among the industry members.

For an organization such as ours, with multiple registrants across Canada, this will result in a significant increase in our regulatory costs that were not anticipated. We are particularly sensitive to the recovery of these costs from the industry given that the industry is also expected to bear the significant costs of creating the Mutual Fund Dealer's Association of Canada (the "MFDA") at the same time.

The argument has been made that the more efficient NRD will result in savings to registrants who will be able to re-allocate resources previously dedicated to registrations. This will be difficult for registrants to assess until the NRD is up and running. We do not, however, expect to see a sudden availability of resources, or a significant decrease in the amount of time our staff must dedicate to registrations. The majority of our staff's efforts in the registration process involves gathering the required information and completing the forms (many of which are already available in electronic format). The same level of effort will be required for the NRD. In fact, it will be the commissions that will realize significant cost and resource benefits from the NRD as the data input process for their own registration records will be off-loaded to the industry. In our view, it would be reasonable for the commissions, most if not all of which have a significant budgetary surplus, to bear the costs of implementing the NRD.

Past history suggests our concerns are well founded. When SEDAR was implemented several years ago, the CSA also emphasized the administrative efficiencies filers would realize as justifying the new fees SEDAR imposed. Experience has shown that aside from the relatively minor costs of photocopying and couriers, most of the anticipated savings have not materialized, at least not enough to offset the new costs that resulted.

Thank you again for the opportunity to provide our comments. We look forward to reviewing the Forms when they are republished, and will continue to monitor the development of the NRD.

If you would like to discuss any of the foregoing, please do not hesitate to contact the undersigned or Scott Elson, Assistant Counsel at (204) 956-3387.

Yours truly,

INVESTORS GROUP INC.

W. TERRENCE WRIGHT, Q.C.

WTW/wt