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VIA E-MAIL AND MAIL

December 19, 2002
File No.: 014308 0000

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Securities Administration Branch, New Brunswick
Office of the Attorney General, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and
Labrador
Registrar of Securities, Department of Justice,
Government of the Northwest Territories
Registrar of Securities, Government of Yukon
Registrar of Securities, Legal Registries Division,
Department of Justice, Government of Nunavut

c/o John Stevenson
Ontario Securities Commission
20 Queen Street West, 19th Floor, Box 55
Toronto, Ontario M5H 3S8
E-mail: jstevenson@osc.gov.on.ca

-- and --

Denise Brosseau, Secretary
Commission des valeurs mobilières du Québec
800 Victoria Square, Stock Exchange Tower
PO Box 246, 22nd Floor
Montreal, Quebec H4Z 1G3
E-mail: consultation-en-cours@cvmq.com

Dear Sirs:

Re: Proposed National Instrument 81-106

We are writing on behalf of ADP Investor Communications, in response to the request for comments by the Canadian Securities Administrators in respect of proposed National Instrument 81-106 and Companion Policy 81-106.

ADP Investor Communications has been a subsidiary of Automatic Data Processing, Inc. since 1990 and, leveraging the technology of its parent, has been a leader in providing customized investor communications services in Canada. It has undertaken a number of initiatives, on behalf of its issuer and intermediary clients, including securing regulatory support for telephonic voting (1998), internet delivery (2000) and internet voting (2000). It is currently seeking MRRS approval to enable it to offer a more effective disclosure regime for the mutual fund industry.

We enclose two comment letters filed on behalf of ADP Investor Communications in respect of proposed National Instrument 51-102 which pertain equally in respect of proposed National Instrument 81-106.

While our client applauds the objectives and focus of the proposed National Instrument, it questions whether sufficient consideration has been given to (a) the overall disclosure regime that is most desirable, from an investor education/protection perspective and (b) the optimal use of technology to facilitate such effective disclosure. It is concerned, as well, that the proposed National Instrument not be adopted in isolation – as with National Instrument 51-102, there are potential inconsistencies with National Instrument 54-101 and corporate law as well as in approach with other regulatory proposals currently under consideration (in particular, the proposals of the British Columbia Securities Commission with respect to mutual fund regulation).

ADP Investor Communications has conducted extensive market research with respect to the type of disclosure that mutual fund investors would welcome and the manner in which it might be delivered most effectively, geared to the content and delivery preferences of individual investors. It has developed technology solutions that can provide clients (issuers and/or intermediaries) with comprehensive and regulatory-compliant services for delivery (on a “push” or “pull” basis) of disclosure materials electronically or by mail at significant production and mailing costs savings. Such materials can be customized for individual investors, so that they are not “drowned” in the traditional “consolidated” prospectus or

annual report, and the materials are printed or delivered electronically with the contents specific to the funds they have purchased or requested information on. The technology also allows for a variety of other applications to assist investors in comprehending the information they seek.

ADP Investor Communications' research indicates that investor disinterest in disclosure material forwarded to them is due to the fact that they often don't know what they are receiving, why and (in the case of mutual fund disclosure) what part of it pertains to their particular investment. Interestingly, other industry research indicates that only about 60% of investors have home internet access, and only 36% of them use the internet for researching investments. Our client would be happy to work with the Canadian Securities Administrators to "drill down" (or broaden the scope) of its investor research program to help better understand investors' requirements pertaining to continuous disclosure and inform the regulatory analysis.

The annual solicitation of investor preferences is a critical starting point. Regrettably, beneficial owners who choose to receive materials (whether OBO or NOBO) may never receive a supplemental mailing card as many investment fund companies do not mail to beneficial owners every year. Surely, such owners should have the same opportunity to request information as do registered owners. This problem is compounded for OBOs (under National Instrument 54-101), who may never receive a supplemental mailing card if they are not prepared to pay to receive materials and neither the issuer nor the intermediary volunteer to do so.

A partial solution (and, in any event, a desirable feature of National Instrument 81-106) would be to allow for the annual solicitation of investor preferences. It isn't clear why there should be regulatory constraints imposed upon the choice of solicitation vehicle, whether it is in the annual statement, a separate mailing or otherwise.

Similarly, investors should be given a full range of choices as to the materials they wish to receive and the method by which they wish to receive them. ADP Investor Communications' technology allows for the elimination of commercial layout and printing costs and the tailoring of disclosure materials and delivery methodology to suit investor preferences. As disclosure documents are filed on SEDAR, the technology can automatically collect those portions of filed documents that are of interest to a particular investor, personalize the bundled document as is appropriate and print/mail or deliver electronically. The same process can work for investor requests via e-mail or toll-free phone number.

It should be noted that, because SEDAR is a “public utility,” it can be accessed by any service provider that is prepared to invest in the requisite connective technology to utilize the platform for printing materials filed with it or providing electronic access to such materials. The Canadian Securities Administrators, having invested heavily in building SEDAR, should be considering how to maximize this utility.

National Instrument 81-106 should specifically contemplate the “bundling” of disclosure material, so that an investor can receive a single package of information, collated to reflect their preferences and bound together in a clear and easy to understand format. Similarly, as with National Instrument 54-101 (see Section 5.5 of the Companion Policy), our client would recommend that National Instrument 81-106 include language to encourage “householding” as a means of reducing costs and making disclosure more user-friendly.

We also note an inconsistency between proposed National Instrument 81-106 and one of the amendments to the *Ontario Securities Act* which became effective on November 26, 2002 (when the *Government Efficiency Act 2002* received Royal assent). The amendment to the *Securities Act* deleted the requirement that mutual funds in Ontario must concurrently deliver to securityholders a copy of their annual and interim financial statements filed with the Ontario Securities Commission. This was done to facilitate early filings on SEDAR. Proposed National Instrument 81-106 conflicts with this new provision to the extent it requires financial statements to be sent to securityholders concurrently with the filing of the same with the Ontario Securities Commission.

As with proposed National Instrument 51-102, ADP Investor Communications suggests a reconsideration of the mechanics of the proposed National Instrument 81-106 having regard for recent technological advances which can be applied to the solicitation of investor preferences and to the production and distribution of customized and relevant disclosure materials.

The cost/benefit analysis which accompanies the proposed National Instrument is too narrowly focussed to be meaningful in assessing the choice of appropriate instruments. There are significant benefits to be realized and costs to be saved by re-examining the investor communications model. ADP Investor Communications would be pleased to review its investor communications offerings with the Canadian Securities Administrators and suggests that the proposed National Instrument be modified to contemplate them (as well as comparable technology solutions).

For further information, please feel free to contact Susan Britton at ADP Investor Communications (905-507-5336) or the undersigned.

Sincerely,

Edward J. Waitzer

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cc: S. Britton
A. Cornford