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August 18, 2003

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission-Securities Division
Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Newfoundland and Labrador Securities Commission
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

c/o:
Rosann Youck
Chair of the Continuous Disclosure Harmonization Committee
British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2

and

Denise Brosseau, Secretary
Commission des valeurs mobilieres du Quebec
Stock Exchange Tower
800 Victoria Square
P.O. Box 246, 22nd Floor
Montreal, Quebec
H4Z 1G3

Dear Mesdames:

Re: Proposed National Instrument 51-102

I am internal counsel for Royal Bank of Canada and its wealth management affiliates. I am writing on behalf of RBC Dominion Securities Inc., RBC Action Direct Inc., RBC Private Counsel Inc., The Royal Trust Company and Royal Trust Corporation of Canada, each of which acts as an intermediary or custodian of securities, to provide you with our comments on proposed National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102" or "the Instrument").

While we recognize that the bulk of the Instrument affects reporting issuers, not intermediaries, we wish to provide comments on section 4.6 of the Instrument, which did not appear in the original June 21, 2002 draft of the Instrument, and which will have a significant affect on intermediaries and their clients.

Discussion

Section 4.6 of NI 51-102 would require all non-investment fund reporting issuers to send to their registered and beneficial securityholders annually a reply card asking whether they wish to receive the issuer's annual audited financial statements and associated management's discussion and analysis, the issuer's interim financial statements and associated management's discussion and analysis or both. Issuers would be required to send the reply cards in accordance with the procedures set out in National Instrument 54-101 ("NI 54-101"), however they would not be required to send reply cards to those securityholders who have indicated on their NI 54-101 Client Response Form (the "CRF") that they do *not* wish to receive certain securityholder materials.

We strongly oppose the approach proposed by section 4.6 of the Instrument for the following reasons:

1. ***Differing treatment of clients:*** It is unclear to us why the Canadian Securities Administrators (the "CSA") propose to permit issuers to respect the wishes of those investors who have indicated on the CRF that they *do not wish to receive* certain materials, but would require them to ignore or, put another way, to reconfirm annually, the wishes of those who have indicated that they *wish to receive* those materials.

2. ***Uncertainty where a client does not return reply card:*** Our experience with reply cards is that only a very small percentage of them is actually returned. We expect that the overwhelming majority of clients who receive the reply cards required by section 4.6 of NI 51-102 will not return those cards. Since the reply card will only be sent to clients who have already indicated on their CRF that they *wish to receive* financial statements, we do not understand what message intermediaries and issuers are to take where a client does not return the reply card, i.e. does the non-return of the reply card override the client's CRF election? If the non-return

of the reply card is meant to override the CRF, we do not understand what continued value there is in requiring intermediaries to obtain clients' instructions on the CRF at all.

3. ***Multiple reply cards every year:*** Under section 4.6, clients will receive a reply card from every issuer whose securities they own. We would also point out that sections 2.2 and 3.2 of proposed National Instrument 81-106 – Investment Fund Continuous Disclosure ("NI 81-106") impose a similar reply card requirement on investment funds, including mutual funds. In other words, a client who owns 20 reporting issuers' securities and who indicated on their CRF that they wish to receive financial statements will receive 20 reply cards each year asking them, again, if they wish to receive financial statements. We do not believe that this volume of paper and having to make an issuer-by-issuer decision as to which reply cards to return is helpful to or in the best interests of investors, nor does it conform with most investors' wishes to receive less paper rather than more.

4. ***Cost of mailing to "OBOs" who have indicated that they wish to receive financial statements:*** NI 54-101 requires reporting issuers to pay intermediaries a fee and to cover the costs of mailing securityholder materials indirectly to beneficial owners of securities who object to the disclosure of their ownership information (as that term is defined in NI 54-101) to the issuer (i.e. "OBOs") and who have indicated on their CRF that they *do not wish to receive* securityholder materials. NI 54-101 does not require reporting issuers to pay a fee or cover mailing costs for OBOs who have indicated that they *wish to receive* securityholder materials. Payment for delivery of materials to these "receiving OBOs" remains a very contentious issue under NI 54-101 which would, in our view, be exacerbated by section 4.6 of NI 51-102 since, once again, the reply card would only be sent to clients who have already indicated on their CRF that they *wish to receive* financial statements. In our view, neither intermediaries nor clients should be expected to bear the costs of delivery of the reply card.

5. ***Cost of implementation:*** We anticipate significant costs and effort would be required to implement a system for tracking the mailing and return of reply cards. While most of this cost and effort will be borne by issuers and their service providers, presumably the burden of implementing a system for tracking the mailing and return of reply cards to and by OBOs would fall to intermediaries. As a result of our experience in implementing the requirements of NI 54-101, we would strongly urge the CSA not to underestimate the operational costs and burdens that this would involve.

Conclusion

In our view, section 4.6 of the Instrument is unnecessary. Issuers and intermediaries have worked diligently over the past year, and continue to work, to ensure that the changes that were effected by NI 54-101 are implemented properly. We believe that the NI 54-101 system for obtaining clients' instructions with respect to the delivery of financial

statements is effective, works to the benefit of investors, issuers and intermediaries and should not be interfered with.

For your information, we have made similar representations, through the Investment Funds Institute of Canada, to staff of the Ontario Securities Commission in the context of NI 81-106. It is our understanding that staff have accepted our view and that the next draft of NI 81-106 will permit investment funds either to do the annual reply card mailing or to obtain from clients a one time standing instruction as to whether they wish to receive financial statements. For clients who hold their investment funds through an intermediary, NI 81-106 will permit the fund to act in accordance with the instructions the client has given on the NI 54-101 CRF.

On the basis of the foregoing, we would strongly urge the CSA to reconsider the adoption of section 4.6 of the Instrument.

Please feel free to contact me directly if you wish to discuss this matter further.

Yours truly,

Mark D. Pratt
Senior Counsel
RBC Law Group

cc: M. George Lewis