CANADIAN BANKERS ASSOCIATION

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

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

And To:

Denise Brosseau, Secretary
Commission des valeurs mobilières du Québec
800 Square Victoria, 22nd Floor
Tour de la Bourse, P.O. Box 246
Montreal, Quebec H4Z 1G3
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Dear Sirs and Madames:

Re: Proposed National Policy 31-201 – National Registration System

The Canadian Bankers Association ("CBA") appreciates this opportunity to provide comments on Proposed National Policy 31-201 – National Registration System ("NRS").

Bank-affiliated securities dealers and mutual fund dealers and their salespersons comprise the largest single group of securities registrants in Canada. The costs associated with registration are significant, and our members recognize that it is important to have an efficient registration system. Our members wish to develop a collaborative relationship with securities regulators, as exemplified by the recent establishment of the Registration Advisory Committee and we look forward to working with the CSA to make the NRS a success.

We consider the NRS a worthwhile initiative. The success of this national regulatory initiative will require national harmonization of regulatory requirements, practices and standards. If the NRS accommodates and perpetuates local differences, it will fail. (As we have stated elsewhere, in our view Canada would be best served by a single, uniform rule book administered by a single regulatory body.)

Our comments are as follows:

Registration in "home jurisdiction"

Having firms and each of their individual registrants tied to their respective "home jurisdiction" is problematic. While the proposed National Registration System ("NRS") would make requirements more consistent across jurisdictions, local variations in interpretation would remain. This is of particular concern for our members who operate a centralized registration function, where standardization of process creates economies of scale. Having to deal with local variations will cause inefficiencies. Firms will still be obliged, as they are now, to file registration applications for their individual registrants with many different regulators, with varying requirements and administrative practices.

Accordingly we would suggest that firms be entitled to designate the jurisdiction where their head office is located. If that is done then all employees will be required to adhere to that jurisdiction.

Quebec participation

We believe it would be preferable for Quebec to be a participant in the NRS. We believe it would be desirable to build NRS taking Quebec's timetable for implementing NRD into account.

Cost savings

We note that to date, the industry has not seen any cost savings from the NRD, and in fact our costs have increased.

We certainly would welcome the cost savings that the combination of the NRS and the NRD should make possible. We hope that non-principal regulators will be prepared to reduce their registration fees following the implementation of NRS.

NRS timeframes

The NRS should establish timeframes for review by principal and non-principal regulators in order to significantly shorten the turnaround time on applications to register, renew and transfer. The time standards for completion of reviews should be responsive to industry needs and should help avoid the financial hardship that delays can cause for individual registrants and their clients.

We note that under section 5.2 of NP 31-201 a non-principal regulator has five-days to notify the principal regulator of any material information they have that has not been disclosed by the applicant, and under 6.3 the non-principal regulator has five days to either confirm their agreement with the principal regulator's determination or to opt out. This ten-day turn around is too long, particularly for the approval of transfers, given that at present, it takes only 24 to 48 hours for a dealer to obtain approvals on transfers. Moreover, section 6.2 does not set a deadline for the principal regulator to make its determination. Finally, there is no mention of the consequences of exceeding the above-noted five-day timeframes in the policy.

We would suggest that the CSA should aim to expedite the registration process through the NRS, and should aim for approval of transfers within 48 hours and of new applications within 5 business days. We also would suggest that, when a regulator has a concern with an application, they should notify the registrant and/or the firm within 24 hours of receipt of the application if they believe the registration application review process will require more time.

Expedite transfers

The NRS should provide for expedited processing of transfers and should consider the approach and timeframes that the Investment Dealers Association applies in processing transfers within two days.

Conditional approval of pending transfer applications

In order to reduce the hardship that results from delay in processing transfers, regulators should permit individual registrants to commence working, perhaps on a conditional approval basis, as soon as they are notified of the termination by the originating firm and transfer to the receiving firm, before transfer has been approved in all jurisdictions. It is important to remember that the hardship that results from delays affects the public, not only the registrant, as clients are unable to obtain advice from the registrant, nor provide him or her with instructions to manage market risk or initiate instructions to transfer their account(s).

Clarify role of IDA

The role of the IDA in applications involving Quebec should be clarified, in order to avoid duplication and delay.

Filing Form 31-201F2 on change of address

Section 3.3 of NP 31-201 indicates that Form 31-201F2 will have to be supplemented by the applicant and sent to the principal regulator when there is a change of address involving a change of province. We do not see the need for this requirement since this information will be provided through NRD. Accordingly, the change of principal regulator for an individual should be automatic and should not require filing a paper form. Such a requirement is not consistent with the goal of NRD to eliminate paper filing.

We would ask whether it is intended that Form 31-201F1 be submitted for each individual. A requirement to file a Form 31-201F1 in every case would place an additional burden on firms. If it will not be necessary to file a Form 31-201F1 on initial enrolment, filing of a form should not be required for a change.

Change of principal regulator

Section 3.2 of NI 31-101 provides, where an applicant changes its principal regulator, that the applicant will have six months to meet the requirements of the new principal regulator. This time period will be insufficient in some cases. For example, it is not certain that an individual registered as a representative of an Advisor (investment counsel and/or portfolio manager) in Quebec could fulfill the Ontario requirements in six months, given the different requirements in these provinces. We suggest a mechanism should be provided to extend that period without requiring a request for exemption.

Eligibility of firm registered in more than one category

Section 2.1 of NP 31-201 provides that only securities dealers, mutual fund dealers and advisers with an unrestricted practice will be eligible to participate in the NRS. It is not entirely clear how firms that are in those categories and also are registered in other, ineligible categories would be treated. For example, would advisers that also are registered in Ontario as a Limited Market Dealer, in order to sell units of Pooled Funds, be excluded from the NRS?

We believe that it would be desirable for eligibility to participate in the NRS to be expanded beyond the three categories of securities dealers, mutual fund dealers and advisers with an unrestricted practice.

Investment Counsel/Portfolio Manager Category

Given the different requirements in Quebec and Ontario for the representatives of a firm registered as Adviser (investment counsel and/or portfolio manager), we question the usefulness of the NRS for this registration category. Arguably, in most cases, Ontario would opt out when the principal regulator is Quebec and vice versa. Consequently, we do not see the benefit of NRS to Advisers registered in Quebec.

Hearings

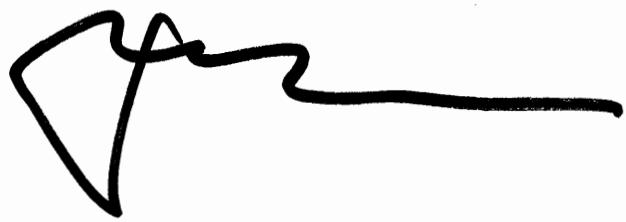
Section 6.5 of NP 31-201 provides that the principal regulator may grant a hearing, but hearings will not automatically be joint hearings. We would suggest that joint hearings should be provided for in all cases, in order to avoid a multiplicity of proceedings.

Other

Finally, we would appreciate some clarification with respect to some text that appears in various parts of NP 31-201, as published on the OSC website. The text in question would appear to constitute notes to draft, including notes that appear to state the position of particular CSA members (Quebec). For example, the definition of "conduct rules" includes the following wording: "(we approve in Quebec so I suggest that we had review simply)". In addition, section 9.1(1) states: "(we don't' have renewals and no decision yet to change on that)" [sic]. Other examples of what appear to be notes to draft appear at sections 2.1 (3), 3.2 (7), and 6.1. We would also point out that Form 31-201 F2 does not appear where indicated. Instead there is a note to draft stating "to be completed." Some clarification would be appreciated as to why the above-noted language has been included in the Proposed National Policy. The CSA may wish to examine its internal procedures related to the review of proposed instruments prior to their publication.

We have appreciated the opportunity to express our views regarding the revised version of the proposed National Registration System. We would be pleased to answer any questions that you may have about our comments.

Yours truly,



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