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Via Email

March 5, 2014

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Registrar of Securities, Nunavut

John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West
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Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
Tour de la Bourse
800 square Victoria
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Montreal, Quebec
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Dear Mr. Stevenson and Ms. Beaudoin:

Re: Notice and Request for Comments – Proposed Amendments to National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations*; to Companion Policy 31-103CP, *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and to National Instrument 33-109, *Registration Information*

We are writing in response to the Canadian Securities Administrators' (CSA) request for comment on proposed amendments to National Instrument 31-103, *Registration Requirements, Exemptions and*

Ongoing Registrant Obligations (“NI 31-103”); Companion Policy 31-103CP, *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (the “Companion Policy”) and to National Instrument 33-109, *Registration Information* (“NI 33-109”) (collectively, the “Proposed Amendments”). This comment letter is submitted on behalf of the following entities within RBC: RBC Dominion Securities Inc.; RBC Direct Investing Inc.; RBC Global Asset Management Inc.; Royal Mutual Funds Inc.; RBC Philips, Hager & North Investment Counsel Inc. We appreciate the opportunity to provide our comments in relation to the Proposed Amendments.

GENERAL COMMENTS

Since the implementation of NI 31-103 in 2009, we recognize the substantial efforts and the advancements that the CSA has made in developing a harmonized and streamlined regulatory framework governing registration matters. We are pleased that the CSA has continued to monitor industry developments by issuing a request for comment to clarify the CSA’s intention with respect to the application of the requirements outlined in the Proposed Amendments. That being said, we do have concerns with some of the Proposed Amendments for which we are seeking additional clarification or guidance. We have outlined below our specific comments to the Proposed Amendments.

SPECIFIC COMMENTS

1. NI 31-103 and the Companion Policy

Part 7 - Permitted Activities of Exempt Market Dealers

We are very concerned with some of the proposed amendments relating to the permitted activities for exempt market dealers outlined in section 7.1(d) of NI 31-103 and in Section 7.1 of the Companion Policy. Specifically, we believe that deleting the wording, “whether or not they are prospectus-qualified”, from Section 7.1(d) may lead some to conclude that exempt market dealers may *not* participate in a distribution to exempt clients of investment funds that are prospectus-qualified. While we understand that there have been issues with some exempt market dealer firms using this category of registration to conduct brokerage activities, we believe that the amendment may have the unintended consequence of limiting the activities of exempt market dealers who rely on the category to participate in the distribution of prospectus-qualified investment funds to permitted clients (e.g., institutional clients or accredited investors). We assume it is not the CSA’s intention, for instance, that a registered Portfolio Manager and Investment Fund Manager may rely on its EMD registration to participate in a distribution to its exempt clients of its non-prospectus qualified investment funds, but *not* its prospectus-qualified investment funds. We believe that the CSA should reconsider implementing the proposed amendments or should revise Section 7.1 of NI 31-103 and the Companion Policy to make it clear that an exempt market dealer is permitted to trade in both prospectus qualified and non-qualified prospectus funds provided the client is a permitted client under NI 31-103. We also support the similar comments raised in the letter submitted by the Investment Funds Institute of Canada on this topic.

Part 3 – Registration Requirements – Advising Representatives and Associate Advising Representatives

We appreciate the CSA’s guidance regarding relevant investment management experience outlined in the CSA Staff Notice 31-332 *Relevant Investment Management Experience for Advising Representative and Associate Advising Representatives of Portfolio Managers* (the “Staff Notice”). We believe the Staff Notice is an important step towards increasing the transparency of the registration process by providing registered advisers with a summary of the decisions that regulators have made about relevant management experience. We suggest that the CSA members consider publishing their decisions more frequently on a no-names basis in order to provide additional guidance to registered portfolio managers and individual applicants. We believe that this will further help streamline the registration process for individuals seeking registration as an associate advising representative or as an advising representative.

When an applicant meets the *educational* qualifications outlined in NI 31-103 the question often remains whether the applicant meets the criteria of relevant *investment management experience*. While we recognize that the CSA's proposed amendments to the Companion Policy outline some of the factors that the CSA will consider when assessing an individual's "relevant investment management" experience, we would suggest that registered portfolio managers will continue to face challenges when determining whether the individual employee qualifies as an advising representative. For example, the CSA's test for relevant investment management experience seems to be heavily weighted on an individual's ability to perform research and analysis of individual securities and not necessarily on an individual's demonstrated ability to manage investments on a discretionary basis. To that end, we believe that it would be helpful to industry participants if the CSA would provide additional guidance to advise on what it would consider relevant investment management experience for an individual who is seeking to upgrade his or her registration status from that of an associate advising representative to an advising representative.

Further, there are several industry wide portfolio management business models in operation in Canada by which advisors can be registered. We encourage the CSA to reach out to relevant stakeholders to discuss how these business models fit into the CSA's standard application of the relevant investment management experience criteria outlined in the Companion Policy. We believe that the results of such discussions would further inform the CSA's guidance to industry participants as to what relevant investment management experience for an associate advising representative could involve.

Part 13 – Dealing with Clients – individuals and firms – Outside business activities

Section 13.4 of the Companion Policy provides guidance related to the disclosure of outside business activities including examples of the type of outside business activities that the CSA would expect a registrant to disclose. We are specifically concerned with the proposed amendment in the Companion Policy which requires that individuals to disclose being an owner of a holding company. We believe that the Companion Policy should be revised to exclude the requirement to disclose a holding company established for the sole purpose of holding investments where the holder is a passive investor. Any conflicts of interests relating to investments would be addressed in the firm's personal trading or private investment policies. Further, if an employee is not actively engaged in the activities of a holding company then the holding company should not be subject to the disclosure requirements outlined in the Companion Policy. To that end, we suggest that the CSA provide additional guidance in the Companion Policy to clarify the circumstances in which an individual would be required to disclose being the owner of a holding company.

In addition, we are requesting that the CSA consider a less stringent application of the requirement to disclose outside business activities for those registrants who are employed by a suitability-exempt firm (e.g. a self-directed brokerage) and who do not have a client facing relationship role with the firm. For a suitability-exempt firm, the majority of orders are entered directly by the client and the individual registrant does not have an on-going relationship with that client.

Lastly, we note that the Companion Policy has been amended to highlight the responsibilities of a registered firm in connection with the supervision of outside business activities. The Companion Policy also includes a reference to the firm's Chief Compliance Officer and their responsibility to supervise outside business activities and maintain records of that supervision. We believe that the CSA should consider the distinction between supervisory roles (e.g. Branch Manager) and the role of the Chief Compliance Officer in supervising outside business activities. Section 5.2 of the Companion Policy outlines the responsibilities of the Chief Compliance Officer as an individual who is responsible for establishing policies and procedures and managing the firm's compliance monitoring and reporting in accordance to the policies and procedures. Further, IIROC Rule 38 indicates that a Dealer Member must appoint as many supervisors as necessary to properly supervise officers, partners, employees and agents of the Dealer Member and that a supervisor must supervise each director, officer, approved person or agent in accordance with the supervisory responsibilities assigned to the supervisor, which may include outside business activities. Therefore, the supervision of outside business activities would be better placed with a business supervisor who has responsibility for ensuring that Approved Persons adhere to the firm's internal policies and applicable rules as opposed to compliance.

2. National Instrument 33-109 – Registration Information (NI 33-109)

Part 4 – Changes to registered individual or permitted individual information

Under Section 4.1(1)(b), a registered or permitted individual is required to report a change to any information that he or she previously submitted on the Form 33-109F4 within 10 days of the change. We are requesting that the CSA consider extending the filing deadline from 10 days to 20 days to report outside business activities. In order to meet the conflict of interest provisions outlined in NI 31-103 and the Companion Policy, a registered dealer or adviser is required to review and approve outside business activities. Further, the review process for outside business activities requires that a registered dealer or adviser carefully consider whether there is the potential for client confusion and that potential conflicts of interests arising from the outside business activity have been identified and properly managed. We believe that the CSA should recognize that, in some instances, the time required to complete the review of a prospective outside business activities may take longer than the current filing deadline prescribed in NI-33-109. As it is a requirement under securities legislation for registered firms to have policies and procedures in place requiring that individuals report outside business activities, we would suggest that increasing the filing deadline from 10 days to 20 days would not have a negative impact on the disclosure of outside business activities to the applicable regulatory authority (e.g. Investment Industry Regulatory Organization of Canada) or on the regulators ability to conduct a suitability review.

Thank you for providing us with the opportunity to provide comments. We would be pleased to discuss our comments further with you.

“Nick Cardinale”

Nick Cardinale
Chief Compliance Officer
RBC Dominion Securities Inc. (Retail)

“Shaine Pollock”

Shaine Pollock
Chief Compliance Officer
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“Kevin Bresler”

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