



THE INVESTMENT FUNDS INSTITUTE OF CANADA  
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA  
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August 14, 2001

Mr. Douglas M. Hyndman, Chair  
Canadian Securities Administrators  
c/o British Columbia Securities Commission  
P.O. Box 10142 -Pacific Centre  
702 West Georgia Street  
Vancouver, B.C.  
V7Y 1L2

Dear Mr. Hyndman:

**Re: National Registration Database**

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This past May, IFIC was invited to attend an industry consultation session on the proposed National Registration Database (“NRD”), hosted jointly by the Ontario Securities Commission, the Investment Dealers Association and the Canadian Depository for Securities Limited. We understand that similar consultation sessions have been held in other jurisdictions with industry participants in order to get some initial feedback on the NRD system.

Based on comments we have heard out of these sessions, there appear to be some serious concerns with the potential costs associated with the creation and implementation of NRD. We understand that NRD is not expected to eliminate the need for the payment of registration fees by both firms and individuals, but it will instead layer an additional user fee onto the registration process, similar to the way SEDAR fees are added to the costs issuers pay.

We understand that these user fees are initially being applied to cover the start-up costs of NRD. The user fees are also being introduced on the basis that the NRD system will significantly decrease processing time for individual salesperson registrations, thereby adding value for registrants who will be able to register salespeople and have them commence working, selling and generating revenue much sooner than under the paper-based registration system.

It appears, from what we have been advised, that the user community is being expected to fund the entire development cost of the NRD through its user fees. While we acknowledge that there are costs in creating and running NRD, and that there could be value added in the speedier processing of registrations, we believe that for many dealers and salespersons this benefit is fairly minimal. **We believe that almost all of the benefit**

**from the NRD will flow to the various securities commissions** through significant savings in staffing costs as a result of shifting the burden of data entry to the industry that will occur as a result of this system. As a consequence, we question whether or not the funding model is appropriate. This is particularly true given that the estimates of costs that we have seen suggest that the costs to utilize the NRD will be almost as much (and in some cases more) than the current registration fees payable.

While the industry consultations sessions have been very informative and have provided an opportunity to give some initial views on NRD, there needs to be a broad, open consultation about the system with industry participants. There needs to be sufficient detail and transparency in this consultation for interested parties to provide meaningful feedback, including the ability of users to comment on the funding issue. (It would, in our view, have been preferable if the various stakeholders had been consulted as to the appropriate funding model prior to this point.)

The SEDAR model was sold to the securities industry on the basis that the reduced costs to the industry that flow from electronic filing would offset the costs paid to file through SEDAR. This has not happened, and for certain sectors, particularly the mutual fund industry, the costs imposed by SEDAR, as a result of the way in which certain filing fees are charged, significantly increased the costs of participating in the system. The fee reductions that the OSC has implemented to date have not yet begun to compensate for the increases SEDAR wrought. The mutual fund dealer community is currently facing the prospect of funding the start-up costs of the Mutual Fund Dealers Association, which was required solely because of the admitted failure of the regulators to adequately monitor the community, and despite having paid significant fees to the securities regulators over the years to pay for that very regulation. We are disappointed that, yet again, the securities regulatory authorities in this country have chosen to incur significant costs, without involving the community most affected in a discussion as to the most appropriate way of proceeding.

We would be happy to discuss these concerns with you further. Please feel free to contact me or John Mountain, Vice President, Regulation, at (416) 363-2150 ext. 271.

Sincerely,

**THE INVESTMENT FUNDS INSTITUTE OF CANADA**

“ORIGINAL SIGNED BY T.A. HOCKIN”

Honourable Thomas A. Hockin  
President and Chief Executive Officer

cc: CSA Chairs