

**NOTICE OF PROPOSED
MULTILATERAL INSTRUMENT 31-102,
FORMS 31-102F1, 31-102F2 AND 31-102F3
AND COMPANION POLICY 31-102CP
NATIONAL REGISTRATION DATABASE (NRD)**

Substance and Purpose of Proposed Multilateral Instrument

The National Registration Database (“NRD”) is an initiative of the Canadian securities administrators (“CSA”) and the Investment Dealers’ Association of Canada (“IDA”). NRD will be an electronic database containing registration information for dealers, advisers, underwriters and individuals registered under securities legislation or who are otherwise required by such legislation to submit registration information to regulators. NRD will also be a system used by applicants and registrants to electronically submit certain applications, notices, registration-related fees and other registration information to regulators over the Internet. The NRD web site will not be accessible to the public when it is launched. The CSA anticipate that a future version of NRD will make certain registration information available to the public.

The proposed rules and policies governing the electronic submission of registration information through NRD are set forth in proposed Multilateral Instrument 31-102 *National Registration Database* (“Multilateral Instrument”), three related Forms and a Companion Policy (collectively, the “proposed instruments”). Instructions on how to access and use NRD are contained in the National Registration Database Filer Manual (“filer manual”). The text of the proposed instruments and the filer manual accompany this Notice.

The Multilateral Instrument is being proposed for implementation as a rule, regulation or other appropriate instrument in each of the CSA jurisdictions except Québec.

Summary of the Multilateral Instrument

The Multilateral Instrument sets out the principal requirements and procedures relating to the electronic submission of registration information in NRD.

NRD Submission Requirements

The Multilateral Instrument requires that certain registration information be submitted to the regulator electronically using NRD. This information consists of the following:

- (a) Form 33-109F1 *Notice of Termination*;
- (b) Form 33-109F2 *Change of Individual Categories*;
- (c) Form 33-109F3 *Business Locations other than Head Office*; and
- (d) Form 33-109F4 *Registration Information for an Individual* and any changes to that information.

The use of these forms is prescribed under Multilateral Instrument 33-109 *Registration Information Requirements* ("MI 33-109") which is being published concurrently with the Multilateral Instrument.

The Multilateral Instrument requires that all NRD submissions be submitted by an NRD filer through an authorized firm representative ("AFR"). An NRD filer, under the Multilateral Instrument, means an individual filer or a firm filer. An individual filer is an individual that is required under securities legislation to make an NRD submission in accordance with the Multilateral Instrument. A firm filer is a person or company that is registered as, or has applied for registration as a dealer, adviser or underwriter and is required under securities legislation to make an NRD submission in accordance with the Multilateral Instrument. An AFR is defined under the Multilateral Instrument as an individual who is authorized by the firm filer to submit information in NRD for that firm and individual filers associated with the firm.

NRD Enrolment

Under the Multilateral Instrument, a firm is required to enrol with the NRD administrator. There are three enrolment forms required to be sent by a firm to the NRD administrator in paper format.

Form 31-102F1 *Enrolment Form - Firm Filer* ("Form 31-102F1"), requires a firm to provide information regarding the firm, including the name and address of the firm and the financial institution details needed to set up the pre-authorized debit for the payment of fees electronically in NRD. In addition, the firm must send with Form 31-102F1, a copy of the firm's incorporating documents and payment for the NRD enrolment fee (described below). Under the Multilateral Instrument a firm must appoint a chief AFR, the firm's highest ranking AFR, in order to be able to use NRD to make submissions. Confirmation of this appointment is included on Form 31-102F1. Under the Multilateral Instrument, other than a change to the legal name of a firm, a firm must notify the NRD administrator of a change to the information on the most recently submitted Form 31-102F1 as soon as practicable.

The firm is also responsible for ensuring that the chief AFR enrol with the NRD administrator by completing a Form 31-102F2 *Enrolment of Chief Authorized Firm Representative* ("Form 31-102F2"). Form 31-102F2 requires a chief AFR to provide information regarding the chief AFR's name and contact information. The chief AFR is also required to select a four to six digit personal identification number in order to access the NRD web site for the first time. Under the Multilateral Instrument the chief AFR is required to submit any changes to the information previously submitted in Form 31-102F2 in NRD within 5 business days of the change. Form 31-102F2 is not required if the chief AFR appointed by the firm has been appointed as a chief AFR for another firm.

Finally, under the Multilateral Instrument the firm is required to submit a Form 31-102F3 *Account Holder Authorization* ("Form 31-102F3"), which requires the entity paying the registration-related fees on behalf of the firm to provide further account information required to set up of the pre-authorized debit. Form 31-102F3 must be completed and signed by the account holder who will be paying fees for the firm through NRD.

Enrolment Fees

Firms will be required to pay a one-time enrolment fee to access NRD. This fee must accompany the enrolment documentation submitted by the firm.

Firms that are registered when the Multilateral Instrument comes into effect will be required to pay an enrolment fee based on the number of registered individuals with the firm, as described in the following schedule:

| Number of Registered Individuals | Firm Enrolment Fee |
|-----------------------------------------|---------------------------|
| 3000 or more | \$7000.00 |
| 1000 to 2999 | \$6500.00 |
| 500 to 999 | \$5500.00 |
| 150 to 499 | \$4500.00 |
| 75 to 149 | \$3000.00 |
| 50 to 74 | \$2000.00 |
| 25 to 49 | \$1500.00 |
| 10 to 24 | \$250.00 |
| 1 to 9 | \$100.00 |
| 0 (e.g. international dealers) | \$750.00 |

Firms that are not registered when the Multilateral Instrument comes into effect and enrol to use NRD will be charged an NRD enrolment fee that is the same irrespective of the firm's size. Currently, an enrolment fee of \$500.00 is being considered.

Payment of Fees

In addition to the registration-related fees currently prescribed under securities legislation, NRD submission fees and annual NRD filer fees will be required to be paid to the NRD administrator in NRD.

NRD Submission Fee

A firm will be required to pay, in addition to the fees currently prescribed under securities legislation, \$75.00 for each individual who is applying for registration in a single jurisdiction. For each additional jurisdiction to which the individual applies, the firm will be charged \$50.00. Upon submitting a Form 33-109F4 for a partner, director, officer or 10% security holder (“non-registered individual”), a firm will be charged \$50.00 irrespective of the number of jurisdictions in which the firm is registered.

A firm will not be charged the NRD submission fee described in the preceding paragraph in respect of an individual applicant or a non-registered individual for whom a Form 33-109F4 is submitted prior to December 15 if an annual NRD filer fee (described below) or an NRD submission fee has been paid by any firm in respect of that individual on or after December 15 of the prior year.

Annual NRD Filer Fee

On December 15 of each year, a firm will be charged an annual NRD filer fee. Specifically, a firm is required to pay \$75.00 for each registered individual sponsored by the firm and registered in a single jurisdiction. Further, for each additional jurisdiction in which the individual is registered, the firm will be charged \$50.00. Finally, a firm will be charged \$50.00 for each of the firm’s non-registered individuals irrespective of the number of jurisdictions in which the firm is registered.

The NRD submission fees and annual NRD filer fees are intended to cover the cost of developing and operating NRD.

Temporary Hardship Exemption

The Multilateral Instrument contains a temporary hardship exemption to address the situation where an unanticipated technical difficulty arises preventing an NRD filer from accessing NRD. An NRD filer that makes a paper format submission under this exemption will be required to make the same submission in NRD format once the technical difficulties have been resolved.

Transition to NRD

The Multilateral Instrument defines certain key dates for the implementation of, use of, and access to NRD. The first key date is the data transfer date which is the day on which the regulator will commence the transfer of certain registration information to NRD. The NRD access date is the day on which an NRD filer first has access to NRD to make NRD submissions. The NRD launch date is the first day NRD is available for any NRD filer to make submissions in NRD. The effective date has been defined to mean the date on which the Multilateral Instrument comes into force. Also under this part, a transition firm is defined to mean a firm that is registered on the effective date or is not a registered firm on the effective date but has applied for registration before the NRD launch date.

Under the Multilateral Instrument a transition firm must become enrolled in NRD using the same steps as described above under *NRD Enrolment* by the later of 5 business days after the effective date and the date that the firm has applied for registration.

Once a transition firm has enrolled and has access to NRD, it must ensure that information about any of its business locations in NRD is complete and accurate. The transition firm is required to do this within 15 business days of gaining access to NRD.

A transition firm is required to submit a completed Form 33-109F4 for each of the firm's registered individuals and non-registered individuals whose registration information was transferred to NRD by the regulator on the data transfer date. A transition firm is required to submit a Form 33-109F4 for each of these individuals according to the schedule set out in section 8.5.

A transition firm is required to submit a Form 33-109F4 in NRD format within 15 business days of the NRD access date for each individual who was not a registered individual on the data transfer date, but who had applied in paper format for registration before the NRD access date. A transition firm is also required to submit a Form 33-109F4 in NRD format within 15 business days of the NRD access date for each individual who was a non-registered individual before the NRD access date and about whom the Commission had not been notified by the data transfer date.

A registered individual who submits a change to information previously submitted in the current Form 4 under section 8.5 of MI 33-109 must submit a Form 33-109F4 by the later of 15 business days after the NRD access date or the date that the individual submitted notification of the changes. The Multilateral Instrument also contains a similar requirement for non-registered individuals.

If an application to change an individual's registration category has not been approved before the data transfer date, the individual shall submit a Form 33-109F4 in NRD format within 15 business days after the NRD access date and a Form 33-109F2 within 1 business day of having submitted the Form 33-109F4.

For greater certainty, a Form 33-109F4 that is submitted under the transition part of the Multilateral Instrument must be current on the date that it is submitted. This section is meant to ensure that NRD is populated with current data.

A transition firm is not required to submit a Form 33-109F4 in respect of an individual if the firm has already submitted a notice of termination in NRD format for that individual.

Other Exemptive Relief

The Multilateral Instrument provides that in all jurisdictions, except Ontario, the regulator or the securities regulatory authority may grant an exemption to the Multilateral Instrument. In Ontario, only the regulator may grant such an exemption.

Proposed Implementation Dates

There are currently two proposals for the implementation of NRD. Under the first proposal the Multilateral Instrument would come into force on September 1, 2002. The data transfer date would occur on October 7, 2002 and the NRD launch date would occur on October 28, 2002.

Under the second proposal the Multilateral Instrument would come into force on November 15, 2002. The data transfer date would occur on December 16, 2002 and the NRD launch date on January 5, 2003.

Amendments to Regulations

The fee schedule will be amended to provide for NRD enrolment fees, annual NRD filer fees and NRD submission fees.

Benefits of NRD

The CSA believe that implementing NRD would provide significant benefits to registrants as well as to the Canadian securities regulatory authorities participating in the Multilateral Instrument by:

- permitting firms and individuals to send a single submission to multiple regulators
- permitting firms to view the registration information that they have submitted to regulators, which will allow firms to easily confirm that submissions they have made have been received and processed
- permitting firms to print certain reports, including an individual's Form 33-109F4
- automating processes that were previously manual (such as editing and validation checks), thereby permitting the CSA to focus regulatory resources on substantive review
- significantly reducing the volume of physical correspondence between registrants and regulators

Software and Hardware Requirements

In order to use NRD to make NRD submissions, the hardware and software of a firm filer should meet or exceed the following specifications:

- (a) Personal computer with a 133 MHZ Pentium Processor and 32MB of RAM;
- (b) Internet connection and Hayes compatible modem with a minimum speed of 56,000 bps; and
- (c) Adobe Acrobat Reader 4.x.

NRD will support the following Internet browser software:

- (a) Microsoft Internet Explorer versions 5.0 and 5.5; and
- (b) Netscape version 4.7.

Comments

Interested parties are invited to make written submissions with respect to the proposed instruments. **Staff are particularly interested in receiving comments about the two proposed implementation dates (see Proposed Implementation Dates).** Submissions received by March 18, 2002 will be considered.

Submissions should be sent to all Canadian securities regulatory authorities listed below in care of the Ontario Securities Commission in duplicate, as indicated below:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
The Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland
Registrar of Securities, Northwest Territories
Registrar of Securities, Nunavut
Registrar of Securities, Yukon Territory

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario
M5H 3S8
jstevenson@osc.gov.on.ca

A diskette containing the submissions (in DOS or Windows format, preferably WordPerfect) should also be submitted. As securities legislation in certain provinces requires a summary of written comments received during the comment period be published, confidentiality of submissions cannot be maintained.

Questions may be referred to:

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Proposed Instruments

The text of the Multilateral Instrument, Forms, Companion Policy, and filer manual follow, together with footnotes that are not part of the Multilateral Instrument but have been included to provide background and explanation.

DATED: December 14, 2001