

Contact:  
Ian CW Russell  
Senior Vice President  
Industry Relations & Representation  
416-943-6947

*For distribution to relevant parties within your firm*

**BULLETIN #3178**  
July 24, 2003

## Industry Relations & Representation Intermediary Obligations under National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer

On July 1, 2002 National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* (the “Instrument”) became effective. See Member Regulation Notice MR-0150 dated June 27, 2002.

The Instrument requires that Members obtain certain instructions (“Instructions”) from clients who are beneficial owners of securities of reporting issuers. The Instructions relate to whether clients object to the disclosure of their personal information to the reporting issuers and other third parties or, alternatively, wish to receive certain materials from the reporting issuers. (Those who object to disclosure of information are referred to as objecting beneficial owners or “OBOs” and those who do not object to disclosure are referred to as non-objecting beneficial owners or “NOBOs”)

More particularly, since July 1, 2002 Members are required to provide each new client (for accounts opened after July 1, 2002) with an ‘explanation to client’ and a ‘client response form’, and obtain Instructions from the client before holding securities on its behalf.

Members who hold securities on behalf of clients in accounts that were opened before July 1, 2002, where the clients were Deemed NOBOs under former National Policy Statement No. 41 *Shareholder Communication*, are required under the Instrument to obtain new Instructions from all of these Deemed NOBOs before January 1, 2004 (the “Deadline”).

The number of Deemed NOBOs from whom each Member will have to obtain new Instructions varies from one Member to another. However, based on the experience to date of some of the Members, it is not practical to expect for Members to be able to obtain new Instructions from all of their Deemed NOBOs by the Deadline or otherwise. Following submissions made to, and discussions with, the Canadian Securities Administrators (“CSA”), the CSA is proposing an

amendment to the Instrument to eliminate the requirement for Members to obtain new Instructions from Deemed NOBOs. Once the amendment is in force, all such Deemed NOBOs will be considered NOBOs under the Instrument.

We understand that, based on the required process, the proposed amendment will not likely be implemented by the Deadline. Accordingly, the IDA (on behalf of its Members) will make an application to the CSA in the next few weeks to seek the required exemptive relief to bridge the gap of time from the Deadline until the amendment comes into force.

A further Notice will be issued by September 2003 to update the status of the exemptive relief application.

Kenneth A. Nason  
*Association Secretary*