

**NOTICE**  
**MUTUAL RELIANCE REVIEW SYSTEM**  
**MEMORANDUM OF UNDERSTANDING**

**Introduction**

The Alberta Securities Commission, together with the other members of the Canadian Securities Administrators (the "CSA") is publishing the Memorandum of Understanding (the "MOU") relating to the Mutual Reliance Review System (the "MRRS") as signed by the Chairs of all the Canadian securities regulatory authorities.

This MOU supersedes the Memorandum of Understanding for the Expedited Review of Short Form Prospectuses and Renewal AIFs dated December 18, 1996 and will be effective on January 1, 2000.

The MRRS is an understanding between the Canadian securities regulatory authorities on the principles of mutual reliance and is being implemented by way of the MOU. The general principles of the MRRS are described in the MOU and the different policies and rules that are or will be referred to in Appendix A to the MOU describe the detailed procedures for each of the different categories of filings.

The MRRS applies to filings submitted in more than one jurisdiction. The MRRS is not a mandatory system; if a filer does not wish to use the system, it can file its materials in each relevant jurisdiction and deal separately with such jurisdictions.

The draft MOU was published for comment on June 19, 1998. Comment letters submitted in response to the Request for Comment did not suggest any major changes to the draft MOU; consequently, the MOU is substantially similar to the published draft.

Appendix A to the MOU refers to those policies and rules which set out specific procedures for each category of filing to which the principles of the MRRS apply. Appendix A to the draft MOU referred to two policies and one rule. The MOU only refers to National Policy 43-201 Mutual Reliance Review System for Prospectuses and AIFs and National Policy 12-201 Mutual Reliance Review System for Exemptive Relief Applications which will be published during November 1999. The reference to National Instrument 31-101 Mutual Reliance Review System for Registration has been deleted because it will not be finalized before the effective date of the MOU. Appendix A will be amended each time additional policies or rules become effective.

**Summary of Written Comments and Responses**

The comment period following the publication of the draft MOU expired on September 19, 1998. The CSA received submissions on the MOU from three commenters. The commenters are listed in Appendix A to this Notice. The CSA has considered the comments received and would like to thank commenters for providing their comments on the MOU.

## General Comments

One commenter noted that the MOU was silent on the important issues surrounding compliance and enforcement and suggested that this be added to the MRRS.

*The CSA recognize this issue and will be considering it in the future.*

One commenter submitted that the purpose section of the MOU should be amended to make it clear that one of the important objectives of the MRRS is “to effect a unified approach to the many aspects of securities regulation in Canada” as set out in Section 7. It was suggested that this wording would demonstrate the commitment of participating regulators to harmonization.

*The CSA disagree with the comment. The Purpose section of the MOU accurately reflects the objectives of the MOU. Harmonization is not within the scope of the MOU but is an indirect benefit that may be achieved over time. Consequently, the words that the commenter referred to in Section 7 have been deleted.*

One commenter felt that the opt-out provisions of the MOU should be eliminated entirely as they added regulatory uncertainty to the process.

*The CSA disagree with the comment. Securities legislation does not permit delegation of discretion to another securities regulatory authority (“SRA”). It is fundamental to the MRRS that non-principal regulators may opt out for a specific filing at any point in the review process.*

One commenter was concerned that the ability of a SRA to withdraw from the MRRS as provided by Section 11 threatened the consistent application of securities regulation which the MRRS seeks to achieve. The commenter was concerned about the extent to which the MRRS lacks regulatory certainty.

*The CSA believe that because the MOU is an understanding between the SRAs, each SRA has the ability to withdraw from the MOU whether or not there is such a provision in the MOU. This provision provides certainty to the market as the market will be advised if a SRA intends to withdraw from the MOU.*

## Specific Comments

One commenter suggested that the definition of “filer” be supplemented with the phrase “or, where the context requires, legal counsel to that person or company”.

*The CSA disagree with the comment. The definition of “filer” identifies the person or company that is required to file the materials; legal counsel files on behalf of the filer.*

One commenter suggested that the reporting obligations imposed under Section 6 (annual report to the

Chairs on the operation of the MRRS) and Section 9.4 (report to the relevant CSA Committee of changes to a filer's principal regulator) include reporting to the public (through a publication requirement) for the benefit of market participants.

*The CSA note the comment with respect to Section 6 but consider that while the CSA committees will be reporting to the CSA Chairs, the CSA Chairs will report on the operation of the MRRS as they consider appropriate. The CSA recognize the benefit of transparency in Section 9.4 but do not believe that the information is of much value to the market because, under the MRRS, the identity of the principal regulator has limited impact on the filer. The principles of the MOU are based on the conclusion that review and approval processes applicable to filings are similar in most jurisdictions.*

One commenter suggested that, in addition to reasons for opting out, reasons for opting back in also be forwarded to the relevant CSA committee and to the public.

*The CSA note the comment but do not believe that changes should be made to the MOU. The non-principal regulator that opts out shall provide written reasons for its decision to opt out to the filer, the principal regulator and the other non-principal regulators. This procedure is similar to the comment letter process under the present review system. A non-principal regulator will opt back into the MRRS when the comment raised has been resolved. This is not different from the present situation where a SRA that raises a comment is not required to explain how a comment was resolved. The MRRS does not change the information that is available on the public record about the filer. While comments and responses to comments are not public information, the reasons for refusing to issue a receipt are.*

## APPENDIX A

### List of commenters:

1. Osler, Hoskin & Harcourt by letter dated September 17, 1998.
2. Canadian Bankers Association by letter dated September 18, 1998.
3. Canadian Advocacy Council of the Association for Investment Management and Research by letter dated October 22, 1998.