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Docket # RS-00000A-99-0691

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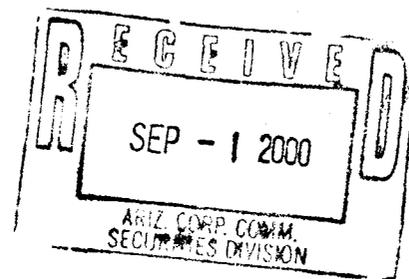
Sharleen Day, Esq.
Associate General Counsel
Arizona Corporation Commission
Securities Division
1300 West Washington Street, Third Floor
Phoenix, Arizona 85007

Re: **Canadian Dealers and Salesmen**
Proposed R14-4-201 through R14-4-209

Dear Ms. Day:

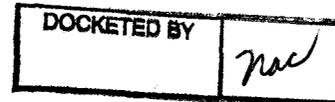
I would like to thank you for the opportunity we had to discuss proposed R14-4-201 through R14-4-209 relating to the proposed limited registration procedure for Canadian dealers and salesmen (the "Proposed Rules"). As I mentioned over the telephone, our firm represents the Investment Dealers Association of Canada (the "IDA"), which is the national self-regulatory organization for the Canadian securities industry. The IDA has over 185 member firms that account for over 90% of all securities transactions in Canada.

We are writing this letter on behalf of the IDA in order to comment on the Proposed Rules. In the first instance, we would like to voice our support for Arizona's adoption of regulatory relief for Canadian dealers and their Canadian clients while present in Arizona. We see great value in facilitating the ability of Canadian clients to maintain their relationships with Canadian dealers whether they are north or south of the border. This is just common sense in today's age of personal mobility and globalization and is especially true in light of the Canadian securities regulatory scheme, which is comparable to that of the United States.



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Sharleen Day, Esq.

August 31, 2000

Page 2

Accordingly, we have the following comments on the Proposed Rules:

1. Securities Exemption. Arizona should adopt a self-executing exemption from the securities registration requirements under Arizona Section 44-1841 for the securities offered and sold by a Canadian dealer and its salesmen in accordance with the Proposed Rules. This exemption is necessary because in many cases the securities purchased by Canadian clients will be securities issued by Canadian issuers that do not have the benefit of an Arizona exemption; this is especially the case for Canadian tax-advantaged plans, the assets of which must be substantially (i.e., at least 75%) invested in Canadian securities.

From a U.S. regulatory standpoint, the requested self-executing exemption has been recognized and adopted by:

- a. the U.S. Securities and Exchange Commission (the "SEC") in Rule 230.237 under the Securities Act of 1933 and Rule 270.7d-2 under the Investment Company Act of 1940 (see SEC Release Nos. 33-7860 and IC-24491).
- b. the 1995 North American Securities Administrators Association Amendments to the Uniform Securities Act, Section 201-A(k).
- c. almost 20 states that have already adopted a limited dealer registration or exemption procedure for Canadian dealers when transacting business with Canadian clients in the U.S.

2. R14-4-203 Application Form. R14-4-203.B.1 appears to require the filing of a new completed application form in the form prescribed by the particular Canadian securities administrator. Canadian registration forms typically take the form of an (1) Application for Registration/Approval, (2) Application for Amendment of Registration and (3) annual Application for Renewal of Registration. A composite form of application is not maintained by Canadian dealers or the Canadian regulators. Instead, the registration file would contain all of these documents filed during the period that the registration has been maintained.

Receipt of a Canadian dealer's entire registration file would be of limited use to Arizona. It would be very difficult to review and extract relevant information. Furthermore, the task of assembling a complete file for established firms that have been in existence for many years would be daunting, if not impossible. Since Arizona's proposal is based in large measure upon comity with the Canadian securities administrators, we believe that it should be sufficient if Arizona receives a dealer's latest Application for Renewal, together with all amendments since the date such renewal application was filed. These documents will provide evidence of the Canadian dealer's current registration status.

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Sharleen Day, Esq.
August 31, 2000
Page 3

We would recommend that the same approach be taken for the same reasons with respect to the documents supplied on behalf of salesmen; namely, that only the last Application for Renewal and any amendments should be required to be filed.

3. Clarification of R14-4-206. Subsections A and C of R14-4-206 deal with the types of transactions a Canadian dealer may effect in Arizona; however, Subsection C confuses the scope of the permitted transactions under Subsection A by seeming to make Subsection C exclusive with the addition of the word "only." In reality, Subsections A and C deal with permitted transactions and should be combined into one subsection to simplify R14-4-206 and avoid the confusion. We would suggest that Subsections A and C be combined into a new Section A as follows:

"A dealer registered under this Article may only effect transactions in Arizona as permitted under this Article with or through any of the following:

1. A natural person domiciled in Canada who is temporarily residing in Arizona and with whom the Canadian dealer had a bona fide dealer-client relationship before the person entered the United States.
2. A natural person who is residing in Arizona and whose transactions are in a self-directed tax-advantaged retirement plan in Canada of which the person is the holder or contributor.
3. The issuers of the securities involved in the transactions.
4. Dealers registered under this Article or under A.R.S. Title 44, Chapter 12.
5. Banks, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts, or other financial institutions or institutional buyers, whether acting for themselves or as trustees."

4. R14-4-207 Reporting Requirement. R14-4-207(2) requires a Canadian dealer to immediately report any action taken against it or any of its salesmen by any competent jurisdiction. We believe this reporting requirement, while well-intentioned, will impose an unnecessary burden on the Canadian dealers because:

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Sharleen Day, Esq.
August 31, 2000
Page 4

- a. Canada has sufficiently broad authority to enforce its securities laws, regulate its dealers and protect the investing public from "bad boys." In addition, the Canadian securities regulators and the Canadian self-regulatory organizations have a much greater interest to protect than Arizona in this regard (especially since the Proposed Rules relate primarily to transactions with Canadian clients). Accordingly, Arizona should avoid duplicative regulation and rely on the Canadian regulators to do what they are in a position to do best.
- b. As long as the Canadian dealer's registration and salesman's registration remain effective in their home jurisdiction, Arizona should be able to rely on the Canadian regulatory scheme.

In the event Arizona determines that it must retain a reporting requirement, we would recommend the following changes:

- a. The reporting requirement is too broad and too vague. At the most, it should only cover criminal actions and final sanctions imposed as a result of any self-regulatory or regulatory action involving fraud, theft or misrepresentation. If the Proposed Rules were so clarified, they would be consistent with the NASAA 1995 Amendments to the Uniform Securities Act (see Sections 201-A(f)(3) and (g)(2)).
- b. An exception should be made to the reporting requirement under R14-4-207(2) to exempt Canadian dealers (and their associated salesmen) that have an affiliated broker-dealer registered under the U.S. Securities Exchange Act of 1934 because the U.S. affiliated broker-dealer is required to include on its Form BD the disciplinary record of its affiliated Canada dealer. Thus, by accessing the CRD system, Arizona would have full access to the disciplinary history of the Canadian dealer.

Since the Proposed Rules have such important implications for the IDA and its member firms, the IDA would like the opportunity to discuss these comments with you and answer any questions you may have. Accordingly, I will call you to set up a conference call with IDA officials in the near future. Thank you for your efforts.

Very truly yours,



C. L. Potuznik

cc: Mr. Ian CW Russell, IDA Senior Vice President, Capital Markets
Mr. Keith Rose, IDA Vice President, Regulatory Policy
D. Grant Vingoe, Esq.