
**NOTICE OF AMENDMENTS TO NATIONAL INSTRUMENT 31-103
REGISTRATION REQUIREMENTS AND EXEMPTIONS AND COMPANION POLICY 31-
103CP REGISTRATION REQUIREMENTS AND EXEMPTIONS**

AND

**AMENDMENTS TO NATIONAL INSTRUMENT 33-109 REGISTRATION INFORMATION AND
COMPANION POLICY 33-109CP REGISTRATION INFORMATION**

Introduction

The Canadian Securities Administrators (the CSA or we) are implementing amendments (the Amendments) to National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103), Companion Policy 31-103CP *Registration Requirements and Exemptions* (31-103CP) and the forms under NI 31-103 as well as to National Instrument 33-109 *Registration Information* (NI 33-109), *Companion Policy 33-109CP Registration Information* (31-109CP) and related forms under NI 33-109. The amendments are subject to approvals, including ministerial approvals.

NI 31-103 came into force on September 28, 2009 and introduced a new national registration regime that is harmonized, streamlined and modernized. We indicated in the July 17, 2009 notice of publication that we would propose amendments to NI 31-103, 31-103CP, NI 33-109 and 33-109CP together with related forms (collectively, the Instrument) if investor protection, market efficiency or other regulatory concerns arose. On June 25, 2010 we published proposed amendments for comment (the June 2010 Proposal) following our monitoring of the implementation of the Instrument and our continuing dialogue with stakeholders about questions and concerns that have arisen in respect of their practical experience working with the Instrument. We are now implementing these amendments.

We think the effect of these amendments, which range from technical adjustments to more substantive matters, will enhance investor protection and improve the day-to-day operation of the Instrument for both industry and regulators. In addition we believe that these changes will provide greater clarity of our intentions.

Comments on the June 2010 Proposal

We received 32 comment letters on the June 2010 Proposal, and thank everyone who provided comments. Copies of the comment letters are posted on the following websites:

www.lautorite.qc.ca
www.osc.gov.on.ca

We made changes to certain of the amendments which were proposed in the June 2010 Proposal. We also made various minor changes to NI 31-103 to standardize drafting in similar provisions, in order to give better effect to our original intent. We concluded that these changes do not require the CSA to publish the Instrument for another comment period.

You can find:

- a description of the key changes we made to the Instrument in **Appendix A** of this Notice; and
- a summary of the comments we received on the June 2010 Proposal, together with our responses, in **Appendix B** of this Notice.

Adoption of the Amendments

Provided all necessary approvals are obtained, including ministerial approvals, the Amendments will come into force on July 11, 2011. Additional information about the adoption processes for some jurisdictions is provided in **Appendix C** of this Notice.

List of appendices

This Notice also contains the following appendices:

- Appendix A *Summary of changes to the Instrument*;
- Appendix B *Summary of comments and responses on the June 2010 Proposal*;
- Appendix C *Adoption of the Instrument*;
- Appendix D *Amending instrument to NI 31-103*; and
- Appendix E *Amending instrument to NI 33-109*.

A blackline version of the Instrument reflecting changes to the Instrument is available on some CSA websites.

Where to find more information

The Instrument is available on websites of CSA members, including:

www.lautorite.qc.ca
www.albertasecurities.com
www.bcsc.bc.ca
www.gov.ns.ca/nssc
www.nbsc-cvmnb.ca
www.osc.gov.on.ca
www.sfsc.gov.sk.ca

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APPENDIX A

SUMMARY OF CHANGES TO THE INSTRUMENT

This appendix describes the key changes we made to National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103 or the Rule), Companion Policy 31-103CP *Registration Requirements and Exemptions* (31-103CP or the Companion Policy) and National Instrument 33-109 *Registration Information* (NI 33-109), Companion Policy 33-109CP *Registration Information* (33-109CP) as well as the forms under NI 31-103 and NI 33-109 (the Forms) (collectively, the Amendments). Provided all necessary approvals are obtained, the Amendments will come into force on July 11, 2011.

This appendix contains the following sections:

1. Title of NI 31-103 and 31-103CP
2. Definitions
3. Clarity of disclosure to clients
4. Responsibility of the firm for the conduct of the individuals it sponsors
5. Business trigger for trading and advising
6. Mobility exemption
7. Registration requirements for individuals
8. Categories of registration for firms
9. Exemptions from the requirement to register
10. Membership in a self-regulatory organization (SRO)
11. Internal control and systems
12. Financial condition
13. Client relationships
14. Handling client accounts
15. Transition
16. Form 31-103F1 *Calculation of Excess Working Capital*
17. Form 31-103F2 *Submission to Jurisdiction and Appointment of Agent for Service*
18. Appendix B *Subordination Agreement*
19. Amendments to NI 33-109
20. Amendments to NI 33-109 forms

In this appendix, we reference the sections of the Rule except where otherwise indicated. We refer to the amendments published for comment on June 25, 2010 as the June 2010 Proposal.

1. TITLE OF NI 31-103 AND 31-103CP

We added *ongoing registrant obligations* to the title of NI 31-103 and 31-103CP. The title is now *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. We believe, as stated in the notice published on June 25, 2010, that this change will better reflect the breadth and scope of NI 31-103 and 31-103CP, which includes initial registration and requirements for registrants on an ongoing basis.

2. DEFINITIONS

We clarified paragraph (d) of the permitted client definition in section 1.1. We also added a definition of Chief Compliance Officers Qualifying Exam as this exam is now an alternative to the PDO Exam for chief compliance officers.

3. CLARITY OF DISCLOSURE TO CLIENTS

There are a number of client disclosure requirements in the Instrument. We consolidated our guidance on clear and meaningful disclosure to clients throughout the Companion Policy in a general principle in section 1.1 of 31-103CP, setting out our expectation that registered firms present information to clients in a clear and meaningful manner in order to ensure clients understand the information presented. This requirement is based on the obligation of all registrants to act fairly, honestly and in good faith when dealing with clients.

4. RESPONSIBILITY OF THE FIRM FOR THE CONDUCT OF THE INDIVIDUALS IT SPONSORS

We proposed in June 2010 to add guidance, in section 3.4 of the Companion Policy, on the firm's responsibility to ensure compliance with ongoing requirements. This includes firms ensuring that their registered individuals are proficient. We now provide more general guidance on the firm's responsibility regarding their registered individuals in section 1.3 of 31-103CP, which sets out our view that a registered firm is responsible for the conduct of their registered individuals.

The registered firm

- must undertake due diligence before sponsoring an individual to be registered to act on its behalf; and
- has an ongoing obligation to monitor and supervise its registered individuals in an effective manner.

5. BUSINESS TRIGGER FOR TRADING AND ADVISING

We clarified, in section 1.3 of 31-103CP (under the heading *Factors in determining a business purpose*), the guidance on incidental activities in respect of mergers and acquisitions specialists. We expect that if these specialists also engage in capital raising from prospective investors (including private placements), they will need to consider whether they are in the business of trading and require registration.

6. MOBILITY EXEMPTION

We codified in section 2.2 of the Companion Policy the guidance that we previously published in the *Frequently Asked Questions* (FAQ) published on February 5, 2010.

7. REGISTRATION REQUIREMENTS FOR INDIVIDUALS

(a) Proficiency requirements (sections 3.1 to 3.14)

i. Time limits on examination requirements (section 3.3)

Further to our June 2010 Proposal, we removed the requirement in section 3.3(2)(a) that an individual be registered for any 12 month period during the 36-month period prior to applying for registration in order to qualify for the exemption from the time limitations placed on examinations. Instead, section 3.3(2)(a) now requires an individual to have been registered in the same category in any jurisdiction of Canada *at any time* during the 36-month period before the date of his or her application for registration.

We clarified that periods of suspension will not be included for purposes of calculating the period of time a person has been registered in respect of the time limits for the validity of the examinations. We also added guidance on the 36-month time limit on examinations in section 3.3 of 31-103CP.

We amended section 3.3 to delete the reference to the examinations formerly provided in section 45 of Québec Policy Q-9 *Dealers, Advisers and Representatives*, since this is already covered in the grandfathering provisions in section 16.10(1) of NI 31-103.

ii. Proficiency – initial and ongoing (section 3.4)

We amended section 3.4 to provide that the proficiency principle for dealing, advising and associate advising representatives *includes* understanding the key features of the securities that are recommended by the individual. Guidance has been added in 31-103CP to indicate that the proficiency principle applies notwithstanding any suitability exemption, including the exemption in section 13.3(4) in respect of permitted clients.

Guidance has also been added to confirm that it is the responsibility of a registered firm to ensure that their registered individuals are proficient at all times.

iii. Recognition of the Chief Compliance Officers Qualifying Exam (sections 3.6, 3.8, 3.10, 3.13 and 3.14)

The Chief Compliance Officers Qualifying Exam is now an alternative to the PDO Exam for chief compliance officers.

iv. Removal of the requirement to pass the Canadian Securities Course Exam for holders of the CFA Charter (sections 3.13 and 3.14)

The requirement to pass the Canadian Securities Course Exam has been removed from section 3.13 and 3.14, in cases where the individual has earned the CFA Charter.

v. *Alternative proficiency for representatives of mutual fund dealers and exempt market dealers (sections 3.5 and 3.9)*

We amended sections 3.5 and 3.9 to provide the following alternative proficiency for representatives of mutual fund dealers and exempt market dealers: the individual will meet the proficiency requirement if he or she has earned a CFA Charter and has 12 months of relevant securities industry experience in the 36-month period before applying for registration.

vi. *Codification of the transitioned proficiencies*

The proficiencies which are the object of the transition provisions in sections 16.9(2) and 16.10(1) have been codified in Part 3.

vii. *Additional proficiency guidance*

Guidance has been added in 31-103CP to confirm that the proficiency requirements in Part 3 do not apply to approved persons of the Investment Industry Regulatory Organization of Canada (IIROC) because these individuals are required to meet the proficiency requirements mandated by the IIROC rules. We also updated Appendix C - *Proficiency requirements* of 31-103CP for individuals acting on behalf of a registered firm to reflect the changes to the proficiency requirements of the Rule (as outlined above).

(b) *Review by the CSA of alternative proficiencies*

We stated in the July 17, 2009 notice of publication that “the CSA would assess new examinations that are submitted for approval. We will review the Rule on a periodic basis and codify the recognition of additional examinations as they are approved by the CSA”. Due to an ever increasing number of policy initiatives and other priorities requiring substantial staff involvement, the recognition of additional examinations or the inclusion of alternative or local proficiency requirements in the Rule are not anticipated this year. The CSA will reconsider this decision next year, taking into consideration its other priorities.

(c) *Restrictions on acting for another registered firm (section 4.1)*

In the June 2010 Proposal we included in section 4.1 of NI 31-103 a new sub-paragraph (1)(b), which would prohibit an advising, associate advising and dealing representative from being registered with another registered firm. We have retained this provision. However, in order to assist firms in filing exemptive relief applications, we have amended section 4.1 so that a registered firm, as opposed to an individual, now has the obligation to ensure that an individual who acts on its behalf does not, at the same time, act as (a) an officer, partner or director of another registered firm that is not an affiliate of the first-mentioned registered firm, or (b) a dealing, advising or associate advising representative of another registered firm.

We included a grandfathering provision for individuals who were dually registered before the coming into force of the amendments to section 4.1. Guidance has been added to 31-103CP indicating the factors that will be taken into account when reviewing exemption applications.

8. *CATEGORIES OF REGISTRATION FOR FIRMS*

(a) *Mutual fund dealers (section 7.1)*

We repealed the exceptions for Québec and British Columbia in section 7.1(2)(b)(ii) and 7.1(3), in order to harmonize with the other CSA jurisdictions. All mutual fund dealers in Canada are now authorized to act as dealers in respect of the securities listed in section 7.1(2)(b).

(b) *Investment fund managers (section 7.3 of the Companion Policy)*

We added guidance in 31-103CP to address the situation where the board of directors or the trustee(s) of a fund are directing the business, operations or affairs of an investment fund. In these situations, the fund itself may be considered the investment fund manager and therefore required to register in the investment fund manager category.

We also added guidance on the registration of investment fund managers in the context of fund complexes and groups to clarify that we expect exemption applications to be made by investment fund managers that have delegated the management of the fund function to a registered affiliate. We included guidance on the factors we will consider in respect of these exemption applications. We repealed the guidance on limited partnerships in view of this new guidance.

9. EXEMPTIONS FROM THE REQUIREMENT TO REGISTER

(a) Exemptions from dealer registration

i. Trades through or to a registered dealer (section 8.5)

We amended the Companion Policy to provide additional examples in order to clarify further the use of this exemption.

ii. Investment fund trades by adviser to managed accounts (section 8.6)

We eliminated the restriction in this exemption relating to non-prospectus qualified investment funds. The Rule now provides an exemption from dealer registration for an adviser trading in the securities of an investment fund to managed accounts of the adviser's clients, if the adviser acts as the adviser and investment fund manager of the investment fund.

iii. Plan administrator (8.16)

We deleted the definition of "control person" in section 8.16 since that expression is defined in securities legislation.

iv. International dealer (section 8.18)

We amended section 8.18 to:

- include an express restriction on the use of this exemption, which is only available if the permitted client is a Canadian permitted client, as defined in section 8.18;
- change the prescribed contents of the notice to clients required under section 8.18(4) as was proposed in the June 2010 Proposal, and restate the requirement to give annual notice to the regulator under section 8.18(5); and
- add a new subsection 8.18(7) to provide an adviser registration exemption for the person relying on the section 8.18 dealer registration exemption. This exemption is restricted to advice provided to the client in connection with trading activity permitted under section 8.18, and does not extend to a managed account of a client.

We had proposed to repeal, in the June 2010 Proposal, subsection 8.18(6) that provides that in Ontario, the obligation to provide the yearly notice to the regulator does not apply to a person or company that complies with the filing and fee payment requirements applicable to an unregistered exempt international firm under Ontario Securities Commission Rule 13-502 *Fees*. We are not making this change.

Subsections 8.18(6) and 8.26(6), as they appeared in the June 2010 Proposal, have been removed. Upon further consideration we have decided not to proceed with this change.

(b) Exemptions from adviser registration

International adviser (section 8.26)

We amended section 8.26 to mirror those changes made to the international dealer exemption (section 8.18) in respect of

- the restriction on the use of the exemption, which is only available if the permitted client is a Canadian permitted client, as defined in section 8.26; this definition is identical to the one in section 8.18, except that it excludes paragraph (d) of the definition of "permitted client" in section 1.1;
- the contents of the notice to clients;
- the annual notice to the regulator;
- maintaining subsection 8.26(6) as it appears in the current law in respect of an unregistered exempt international firm's ability to meet the yearly notice requirement to the regulator in Ontario by complying with certain filing and fee payment requirements; and
- the removal of subsection 8.26(6) as it appeared in the June 2010 Proposal.

We also clarified in paragraph 8.26(4)(d) our intent that the adviser's aggregate consolidated gross revenue is to be determined as at the end of its most recent financial year-end.

Finally, we included guidance in the Companion Policy on what we consider to be permissible incidental advice on Canadian securities by international advisers relying upon the exemption under section 8.26.

10. MEMBERSHIP IN A SELF-REGULATORY ORGANIZATION (SRO)

We reorganized the drafting of the exemptions in Part 9 for:

- IIROC members that are also registered as investment fund managers; and
- members of the Mutual Fund Dealers Association of Canada (MFDA) that are also registered as exempt market dealers, scholarship plan dealers or investment fund managers.

The Rule now has two distinct sections, section 9.3 and 9.4, which distinguish the exemptions that are available on the basis of whether or not the member of IIROC or the MFDA is registered in another category. This clarifies our intent with respect to the exemptions for SRO members.

We added an exemption from section 13.12 for MFDA members. This change was made on the basis that the MFDA has a member rule prohibiting lending to clients except in very limited circumstances.

Finally, we added an exemption from section 13.15 for SRO members. This change was made on the basis that the SROs have their own rules on complaint handling. We remind registrants in Québec that to the extent they deal with a client in Québec, they must comply with sections 168.1.1 to 168.1.3 of the *Securities Act* (Québec) in all cases.

We may publish further amendments to the Instrument for comment in the near term.

11. INTERNAL CONTROL AND SYSTEMS

(a) Elements of an effective compliance system (section 11.1 of the Companion Policy)

We included in the Companion Policy the enhanced guidance on internal controls that was proposed in the June 2010 Proposal.

(b) Designating an ultimate designated person (UDP) (section 11.2)

We amended section 11.2 of the Rule by adding in section 11.2(2)(a) that if the firm does not have a chief executive officer (CEO), the firm may designate, as its UDP, an individual acting in a capacity similar to a CEO. We also amended section 11.2(2)(c) to clarify our intent that the officer in charge of a division of the firm may be designated as the firm's UDP, but only to the extent that the firm has significant other business activities. Usually, a firm will have only one UDP.

We included in the Companion Policy the enhanced guidance on the UDP designation that was proposed in the June 2010 Proposal.

(c) Record-keeping (section 11.5 of the Companion Policy)

We clarified the guidance in 31-103CP to the effect that we expect registered firms to maintain notes of communications with clients, whether oral or written, that could have an impact on the client's account or the client's relationship with the firm. We remind registered firms that while we do not expect them to save every voicemail or e-mail, or to record all telephone conversations with clients, we do expect registered firms to maintain records of all communications relating to orders received from their clients.

(d) Registrant acquiring a registered firm's securities or assets (section 11.9) and Registered firm whose securities are acquired (section 11.10)

We deleted the reference to *amalgamations, mergers, arrangements, reorganizations or treasury issues* in section 11.9(3)(a) and section 11.10(3) and the reference to listed securities in section 11.9(3)(b) set out in the June 2010 Proposal as these references may be unduly restrictive.

In addition, we have amended section 11.9(3)(a) and section 11.10(3) to clarify our intent in respect of when we expect to receive a notice under these provisions.

Section 11.10 of 31-103CP now includes guidance on our expectations as to the timing of the prior notice of a proposed acquisition. We expect this notice to be sent as soon as the registered firm knows or has reason to believe such a transaction is going to take place.

12. FINANCIAL CONDITION

(a) Capital requirements (section 12.1)

We added a new subsection (5) in section 12.1 in order to provide that a registered firm that is a member of IIROC and that is also registered as an investment fund manager is not required to comply with the requirements of section 12.1 if certain conditions relating to the registered firm's minimum capital and the filing of the IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report* are met. The registered firm will be required to file this form with the regulator in addition to filing with IIROC.

Following the same policy rationale, we added a new subsection (6) to section 12.1 in order to provide that a mutual fund dealer that is a member of the MFDA and that is also registered as an exempt market dealer, scholarship plan dealer or investment fund manager is not required to comply with the requirements of section 12.1 if certain conditions relating to the registered firm's minimum capital and the filing of the MFDA Form 1 *MFDA Financial Questionnaire and Report* are met. The registered firm will be required to file this form with the regulator in addition to filing with the MFDA.

We also added guidance in section 12.1 of the Companion Policy on the exclusion of related party debt from a firm's working capital, which can only occur when the firm and the lender enter into a subordination agreement and file this agreement with the regulator.

(b) Subordination agreements (section 12.2)

We added guidance in section 12.2 of the Companion Policy to clarify the requirements relating to subordination agreements. In addition, we lengthened the delivery requirement from 5 days to 10 days.

(c) Insurance (sections 12.3, 12.4 and 12.5)

We did not make the amendments to sections 12.3(2), 12.4(3) and 12.5 as set out in the June 2010 Proposal but we added guidance in the Companion Policy on

- the coverage limits; and
- the fact that insurance requirements are not cumulative for firms registered in several categories.

We confirm, in response to several inquiries received, that firms only need to maintain insurance coverage for the highest amount required.

(d) Delivering financial information (sections 12.12 and 12.14)

We made changes to sections 12.12 and 12.14, which correlate with the changes made to the capital requirements for registered firms that are SRO members and are also registered in other categories of registration. These changes will allow these firms to file their respective SRO form with the regulator instead of filing the Form 31-103F1.

(e) Transition to IFRS – financial years beginning January 1, 2011

The Instrument was amended on January 1, 2011 in order to update the accounting terms and references in the Instrument to reflect the fact that, for financial years beginning on or after January 1, 2011, there has been a changeover to International Financial Reporting Standards (IFRS) in Canadian Generally Accepted Accounting Principles (Canadian GAAP) for publicly accountable enterprises.

We remind registrants that the amendments that came into force on January 1, 2011 only apply to periods relating to financial years beginning *on or after* January 1, 2011. Absent an exemption, registrants delivering financial statements and interim financial information relating to financial years beginning before January 1, 2011 will be required to comply with the versions of NI 31-103 and NI 33-109 in force prior to January 1, 2011, which contain the existing Canadian GAAP terms and phrases.

Foreign registrants should consult National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107) as acceptable accounting principles other than IFRS may apply instead.

13. CLIENT RELATIONSHIPS

(a) Know your client (section 13.2)

We have increased the 10% threshold in section 13.2(3)(b)(i) to a 25% threshold, which is consistent with omnibus/blanket orders issued by each of the members of the CSA on November 5, 2010. We provide guidance in the Companion Policy on how the obligations in sections 13.2(3) should be met.

We amended section 13.2(7) to codify the parallel blanket/omnibus orders issued by each of the CSA members on November 5, 2010 providing relief from the requirement in section 13.2(2)(b) to take reasonable steps to establish whether a client is an insider of a reporting issuer or any other issuer whose securities are publicly traded. Section 13.2(2)(b) does not apply to a registrant in respect of clients for which the registrant trades only the securities referred to in sections 7.1(2)(b) and 7.1(2)(c), namely mutual fund and scholarship plan securities.

(b) Restrictions on certain managed account transactions (section 13.5)

We did not amend section 13.5 as we had indicated in the June 2010 Proposal. Specifically, we did not delete the word *registered* before the word *adviser*, and we did not expand the provision to apply to IIROC members that conduct advising activities. Although we believe that these provisions should apply to all advisers without distinction as to whether or not they are IIROC members, we did not make these changes in view of the comments we received from IIROC members which indicated that there may be significant unintended consequences in respect of trades made from IIROC members' inventory accounts. We are reviewing the regime applicable to IIROC members and we may publish proposed amendments for comments in the future.

To address these issues, we added guidance in the Companion Policy with respect to trades made from the inventory account of registered dealers that are members of IIROC and that conduct advising activities (IIROC advisers) to managed accounts. We expect IIROC advisers to have policies and procedures that sufficiently mitigate the conflicts of interest inherent in such transactions.

We also provided guidance in 31-103CP regarding activities that are not prohibited by section 13.5 and clarified the consent requirements.

(c) Disclosure when recommending related or connected securities (section 13.6)

We clarified paragraph (b) by also referring to a mutual fund, scholarship plan, educational plan or educational trust that is managed, as an investment fund manager, by an affiliate of the registered firm.

(d) Referral arrangements (sections 13.7 to 13.11)

We amended sections 13.8, 13.9 and 13.10 in accordance with the June 2010 Proposal, in order to

- clarify section 13.8 by stating that a registered firm, or a registered individual whose registration is sponsored by the registered firm, must not participate in a referral arrangement with another person or company unless certain conditions are met;
- clarify the contractual agreement requirements: our intent is that only the registered firm is required to be a party to a written agreement;
- provide in paragraph (b) of section 13.8 that the registered firm is required to record all referral fees, but deleted the words "on its records" in favour of additional guidance on keeping records of referral fees;
- in section 13.9, provide that the registered firm, and not the individual registrant, is held to the due diligence requirement with respect of the qualifications of the person or company to whom the referral is made; and
- in section 13.10 of the Rule we replaced the words *referral arrangement* with *agreement* to better reflect our intent.

We amended the guidance on referral arrangements in the Companion Policy to indicate that registered firms are responsible for monitoring and supervising all of their referral arrangements. We also added new guidance indicating our view that the receipt of an unexpected gift of appreciation would not fall within the scope of a referral arrangement.

(e) Lending to clients (section 13.12)

We added Companion Policy guidance confirming that direct lending to clients (margin) is reserved to IIROC members and addressing the application of this provision to certain leveraged products.

(f) Disclosure when recommending the use of borrowed money (section 13.13)

We have removed an exception from the disclosure requirements required when a registrant recommends the use of borrowed money to purchase securities. The exception only applied to members of IIROC and the MFDA. Members of IIROC and the MFDA are now fully exempt from these requirements as their rules adequately cover the same regulatory risks.

(g) Complaint handling (section 13.15 of the Companion Policy)

We adopted the guidance that was proposed in the June 2010 Proposal. The guidance covers what the firm's complaint handling policies and procedures should include, recommendations as to the manner of responding to verbal complaints and complaints in writing, as well as the timeframe within which the complaint should be dealt with.

(h) Dispute resolution service (section 13.16)

We did not make the changes we proposed to section 13.16 to list the specific matters that require independent dispute resolution, following the comments we received on this proposal. We therefore maintained the existing requirement to provide such services for any trading or advising activity.

The transition period for the coming into force, for all registrants except those registered in Québec, of section 13.16 has been extended from September 28, 2011 to September 28, 2012 in section 16.16. The extension of this transition period will allow the CSA to further consider this regime in light of a number of questions we have received. Considering the importance of this provision in respect of investor protection, we may publish proposed amendments for comments in the future.

We remind firms registered in Québec that this transition period is not applicable to them because they have been, and continue to be, subject to sections 168.1.1 to 168.1.3 of the *Securities Act* (Québec) since 2002.

14. HANDLING CLIENT ACCOUNTS

(a) Relationship disclosure information (section 14.2)

Section 14.2(2)(j) has been amended to reflect the fact that not all registered firms are currently required to comply with section 13.16 as they may be relying on the transition period (as amended in section 16.16). This transition period does not apply to firms registered in Québec and to firms registered after September 28, 2009.

(b) Notice to clients by non-resident registrants (section 14.5)

We amended section 14.5 by adding an exception to the requirement to provide the risk notice to clients in a jurisdiction if the firm has its head office in Canada and is registered in the local jurisdiction. In response to comments received, the Rule no longer refers to a physical place of business.

We further amended section 14.5 in order to make the contents of the risk notice to clients consistent with the notice which must be given by dealers and advisers relying on the exemptions provided in sections 8.18 and 8.26 respectively. Firms are not required to send a new notice as amended to existing clients, since the amendments are not retroactive.

(c) Content and delivery of trade confirmation (section 14.12)

We amended section 14.12 as follows:

- section 14.12(1) now allows the registered dealer to deliver trade confirmations to a registered adviser acting for the client if the client consents in writing;
- section 14.12(3) now expands the exceptions to the requirement in section 14.12(1)(h) to a security of a mutual fund that is established and managed, as an investment fund manager, by the registered dealer or an affiliate of the dealer, where the names of the dealer and the fund are sufficiently similar to indicate that they are affiliated or related;
- new subsection (5) requires a registered investment fund manager to send a trade confirmation to a security holder when the investment fund manager executes a redemption order received directly from the security holder; and
- new subsection (6) clarifies that we did not intend for subsection (5) to apply to an adviser, that is also an investment fund manager, relying on the dealer registration exemption in section 8.6.

We included additional guidance in the Companion Policy in respect of a registered dealer outsourcing the delivery of trade confirmations to an investment fund manager.

(d) Confirmations for certain automatic plans (section 14.13)

We removed the condition to send a trade confirmation semi-annually to a client where the registered dealer relies on the exemption from sending a trade confirmation as the client already receives a quarterly or annual account statement showing the same information under section 14.14.

(e) Account statements (section 14.14)

We amended section 14.14 to provide that

- a mutual fund dealer (upon certain conditions) need not send an account statement on a monthly basis (section 14.14(2.1));
- where there is no dealer of record, the investment fund manager is expected to send account statements at least once every 12 months (section 14.14(3.1)); and
- a scholarship plan dealer (upon certain conditions) need not send quarterly account statements (section 14.14(6)).

We included additional guidance in the Companion Policy in respect of a registered firm's ability to outsource the delivery of account statements and the valuation of securities by third-party pricing providers for the purpose of account statements.

We did not make the proposed amendments to section 14.14 of the Rule that would have required that securities be valued using fair value. Section 14.14 continues to refer to market value.

15. TRANSITION

We extended certain transition periods to September 28, 2012:

- temporary exemption for Canadian investment fund manager registered in its principal jurisdiction (section 16.5);
- temporary exemption for foreign investment fund managers (section 16.6); and
- complaint handling in respect of dispute resolution services (section 16.16), except in Québec.

16. FORM 31-103F1 *Calculation of Excess Working Capital*

We made technical adjustments to this form, including

- terminology changes in accordance with NI 52-107 that reflect Canada's changeover to IFRS. This includes adding a definition of fair value for the purpose of valuing securities in the Form 31-103F1 which aligns with a registrant's requirement to value securities in financial statements in accordance with Canadian GAAP applicable to publicly accountable enterprises under NI 52-107;
- clarification that the insurance deductible refers to the insurance maintained in accordance with Part 12;
- addition of new guidance notes to the form;
- revising the list of designated exchanges; and
- inclusion of new margin rates for mortgages. These new margin rates apply to all mortgages not in default. If a firm is registered in Ontario, or in any jurisdiction of Canada *and* Ontario, these new margin rates apply only to mortgages insured under the *National Housing Act* (Canada) and conventional first mortgages. If a firm is registered in any jurisdiction in Canada *except* Ontario, the new margin rates and insurance requirements apply to all mortgages.

17. FORM 31-103F2 *Submission to Jurisdiction and Appointment of Agent for Service*

We included a requirement to provide the international firm's NRD number, if applicable, and contact information for their chief compliance officer.

18. APPENDIX B Subordination Agreement

To add clarity, we amended section 4 of the subordination agreement to provide a 10-day prior notice to the regulator of full or partial repayment of the loan, in accordance with section 12.2. We remind registrants that related party debt must be excluded from a firm's working capital on Form 31-103F1, unless the firm and the lender have executed a subordination agreement.

19. AMENDMENTS TO NI 33-109

(a) Definition of permitted individuals

We clarified the definition of permitted individual in section 1.1 of NI 33-109 and added guidance in the Companion Policy indicating that a permitted individual may or may not be a registered individual.

(b) Timelines for filing

We amended all provisions setting out the filing timelines of notices. Where a notice was previously required to be filed in 7 days it is now required to be filed within 10 days.

(c) Voluntary resignation

We added the words "resigned voluntarily" in section 2.3(2)(b) to correlate with Form 33-109F7 *Reinstatement of Registered Individuals and Permitted Individuals*.

(d) Termination of employment

Further to our June 2010 Proposal, we revised section 4.2(1)(b) of NI 33-109 so that the information in item 5 [*Details about the termination*] must be completed in all cases of termination, unless the termination was due to the death of the individual.

(e) Use of forms

We added additional guidance in 33-109CP regarding the use of the forms.

20. AMENDMENTS TO NI 33-109 FORMS

(a) Technical changes and updating contact information

We made certain technical changes to the following forms to update contact information and add clarity:

- Form 33-109F1 *Notice of Termination of Registered Individuals and Permitted Individuals*
- Form 33-109F3 *Business Locations Other than Head Office*
- Form 33-109F5 *Change of Registration Information*
- Form 33-109F7 *Reinstatement of Registered Individuals and Permitted Individuals*

(b) Form 33-109F2 *Change or Surrender of Individual Categories*

In addition to technical changes, updating contact information and clarifications, we amended Form 33-109F2 in order to add a question on relevant securities industry experience in Item 4 – *Adding categories*.

(c) Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals (Form 33-109F4)*

In addition to technical changes, updating contact information and clarifications, we amended Form 33-109F4 in order to:

- add a question on relevant securities industry experience in Item 8 – *Proficiency*;
- add questions relative to the CFA Charter and the CIM designation in Schedule E – *Proficiency (Item 8)*;
- add questions on relevant securities industry experience in Schedule F – *Proficiency (Items 8.3 and 8.4)*; and
- add a question in Schedule G - *Current employment, other business activities, officer positions held and directorships*

(Item 10) with respect to the name of the person at the sponsoring firm who has reviewed and approved the multiple employment or business related activities or proposed business related activities.

We added guidance in 33-109CP on Item 18 *Agent for service* to clarify that there is no distinct form which is prescribed under NI 33-109 for the appointment of an agent for service for use by individuals, and that the form used by the registered firm constitutes an acceptable format to the regulator.

(d) Form 33-109F6 Firm Registration (Form 33-109F6)

In addition to technical changes, updating contact information and clarifications, we amended Form 33-109F6 in order to:

- clarify what we mean by “jurisdiction”, “jurisdiction of Canada” and “foreign jurisdiction” and that the questions in Part 4 – *Registration History* and Part 7 – *Regulatory Action* are to be answered in respect of any jurisdiction of Canada and any foreign jurisdiction. In other parts of Form 33-109F6, references to “jurisdictions” or “jurisdiction of Canada” refer to all provinces and territories of Canada;
- clarify the audited financial statement requirements in section 5.13; and
- state that the information provided in Part 7 - *Regulatory Action* and Part 8 – *Legal Action* is limited to the last 7 years, which is consistent with the regulator’s administrative practice with respect to the Form 33-109F6 as required under Part 6.1 of NI 33-109 (namely, the transitional F6). We remind registrants that, as outlined in Part 9 - *Certification*, all information must be provided to the best of the applicant’s knowledge and after reasonable inquiry.

APPENDIX B

SUMMARY OF COMMENTS AND RESPONSES ON THE JUNE 2010 PROPOSAL

This appendix summarizes the written public comments we received on the proposed amendments to National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103 or the Rule), Companion Policy 31-103CP *Registration Requirements and Exemptions* (31-103CP or the Companion Policy), the forms under NI 31-103 and National Instrument 33-109 *Registration Information* (NI 33-109), Companion Policy 33-109CP *Registration Information* (33-109CP) as well as the forms under NI 33-109 (the Forms) (collectively, the Instrument) as published on June 25, 2010 (the June 2010 Proposal). It also sets out our responses to those comments.

This appendix contains the following sections:

1. Introduction
2. Responses to comments received on the Rule and the Companion Policy
3. Responses to comments received on NI 33-109 and related Forms

Please refer to Appendix A *Summary of changes to the Instrument* for the details of the changes we made in response to comments.

1. Introduction

(a) Drafting suggestions

We received a number of drafting comments on the Instrument. While we incorporated many of these suggestions, this document does not include a summary of the drafting changes we made.

(b) Categories of comments and single response

In this document, we consolidated and summarized the comments and our responses by the general theme of the comments.

(c) Comments beyond the scope of the June 2010 Proposal

We do not provide a response to comments received beyond the scope of the June 2010 Proposal. We provided responses to certain of these comments in the context of prior consultations. In other cases, we are continuing our work and may publish notices or proposed amendments for comment in the future.

2. Responses to comments received on the Rule and the Companion Policy

(a) IFRS fair value for the valuation of securities

We received several comments on proposed section 1.4, which would have required that registrants determine the *fair value* of securities in accordance with IFRS. The commenters indicated that there would be a significant operational impact on registrants in respect of this requirement. We did not make the proposed amendments.

We however added a definition of fair value in Form 31-103F1 *Calculation of Excess Working Capital* (Form 31-103F1) for valuing securities. The use of fair value in the Form 31-103F1 is in line with a registrant's requirement to value securities in financial statements in accordance with Canadian GAAP applicable to publicly accountable enterprises under the new National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107). This alignment is necessary as a registrant's financial statements form the basis of the information reported on Form 31-103F1.

In response to comments indicating that National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106) already provides an appropriate method for calculating the net asset value of certain mutual fund securities, the valuation of these securities in the Form 31-103F1 is based on the net asset value (NAV) as determined in accordance with NI 81-106.

(b) Proficiency requirements

i. Time limits on examination requirements

One commenter expressed the view that section 3.3 should be included in Part 9 of NI 31-103 as a provision from which IIROC members would be excepted, since the commenter is of the view that section 3.3 conflicts with IIROC Rule 2900. We disagree. Part 3 of NI 31-103 does not apply to IIROC approved persons, and therefore there is no need to exempt IIROC approved persons from the time limits on examination requirements. This is stated in the Companion Policy.

We received a comment agreeing with the proposed amendments to exclude holders of the CFA Charter and the CIM designation from the requirement of retaking their courses, however, the commenter suggested that this should be conditional upon their designation continuing to be “current” with either the CFA Institute (for the CFA designation) or CSI Global Education Inc. (for the CIM designation), and that the individual be in good standing with the organization that has granted the designation.

In response to this comment, we

- amended 31-103CP to clarify that we may consider the revocation, or other limitation on, the use of the CFA Charter or the CIM designation in the assessment of continued suitability for registration; and
- amended Item 8.1 *Course or examination/designation information and other education* in Schedule E – *Proficiency of Form 33-109F4 Application for registration of individuals and review of permitted individuals* by adding questions on the CFA Charter and the CIM designation to verify that these designations are in good standing.

We remind registered individuals in 31-103CP that they are required to notify us of any change in the status of the CFA Charter or the CIM designation within 10 days of the change, by submitting Form 33-109F5 *Change of Registration Information* in accordance with National Instrument 31-102 *National Registration Database*.

ii. Proficiency principle

We received several comments on the inclusion in section 3.4 of the requirement to understand the structure, features and risks of each security that is recommended by the individual registrant. The commenters expressed the view that the proposed addition to section 3.4, which is a principle-based provision

- is redundant since the requirement to understand the structure, features and risks of each security (also known as the “know-your-product” requirement) already forms part of the requirement to perform registrable activities competently;
- would be more appropriately characterized as a suitability requirement; and
- appears to be already incorporated as a suitability requirement in section 13.3 of NI 31-103.

We amended section 3.4 to provide that the proficiency principle *includes* the requirement to understand the structure, features and risks of each security that is recommended by the individual. We do not believe this proficiency principle is redundant with the know-your-product requirement that forms part of the suitability obligations.

We added guidance in 31-103CP to indicate that the proficiency principle, including knowledge and understanding of the securities that are recommended by the individual, applies notwithstanding the suitability exemption in respect of permitted clients in section 13.3(4).

iii. Chief Compliance Officers Qualifying Exam

We received a comment to the effect that the Chief Compliance Officers Qualifying Exam is an adequate proficiency requirement which should be available for chief compliance officers of exempt market dealers and investment fund managers. The Chief Compliance Officers Qualifying Exam is an IIROC approved exam. We amended sections of Part 3 of the Rule so that this alternative proficiency requirement applies to the chief compliance officers of exempt market dealers and investment fund managers, as well as the chief compliance officers of mutual fund dealers, scholarship plan dealers and portfolio managers.

iv. Experience requirements for advising representatives

One commenter expressed the view that, as currently stated, the requirements in section 3.11 appear to be different for individuals holding the CFA Charter as compared to individuals having the CIM designation, while the intent of the CSA, according to the commenter, was that they be essentially similar. We disagree and did not make the proposed change to section

3.11. Unlike the CIM designation, there are experience requirements, in addition to examination requirements, that need to be fulfilled in order to obtain the CFA Charter.

v. Proficiency requirements for chief compliance officers of portfolio managers

One commenter stated that the addition of the word *also* in section 3.13(b)(ii) has the effect of making cumulative the requirement of 5 years experience at a Canadian financial institution and the requirement of having worked at an investment dealer or adviser for 12 months. In response, we confirm that both of these requirements need to be satisfied and the amendment to section 3.11 is for clarification only. A registrant may meet this proficiency requirement *concurrently* if, within a 5 year period, the registrant was able to meet both requirements outlined above.

One commenter stated that section 3.14(b)(i) of NI 31-103 should include the Exempt Market Products Exam as one of the alternate proficiency requirements, which would allow the chief compliance officer of an exempt market dealer to qualify as the chief compliance officer of an investment fund manager without gaining additional industry-specific proficiency. We disagree. These are very different categories, and while there is a correlation between investment fund manager registration and mutual funds, the same cannot be said of exempt market dealer registration and mutual funds.

vi. Proficiency requirements for dealing representatives of mutual fund dealers and exempt market dealers

We clarified our intention to allow dealing representatives of mutual fund dealers and exempt market dealers to meet the proficiency requirements in sections 3.5 and 3.9 by the individual having earned a CFA Charter and 12 months of relevant securities industry experience in the 36-month period before applying for registration.

(c) Restrictions on acting for another registered firm

We received numerous comments on our proposal to prohibit individuals from acting as a dealing or advising representative of more than one registered firm. The proposed amendment has been viewed by commenters as

- causing an unnecessary restriction in a situation where a registrant is owned by two shareholders, each holding 50% of the registrant (as the registrant is not technically an affiliate of either 50% shareholder);
- ignoring the fact that valid business reasons exist for dual registration as long as individuals have sufficient time to carry out their duties and are not in a conflict of interest which cannot be managed; and
- ignoring the fact that in circumstances where a firm's operational structure necessitates multiple legal entities, it is often appropriate and necessary for firms to register individuals with different firms.

We were therefore requested to remove this restriction or, in the alternative, add an exception for affiliated firms.

The conflicts of interest that are potentially generated by dual registration are considered significant by the CSA. As part of the review of each individual's fitness for registration, we consider all of the individual's activities. The fact that the individual may be acting for affiliated registered firms is not determinative in our view.

We amended section 4.1, however, to provide that the registered firm should ensure that their representatives do not act on behalf of more than one registered firm. This should facilitate the filing of exemption applications on behalf of several individuals who do act on behalf of more than one registered firm.

Please note that we grandfathered individuals who were dually registered before the coming into force of the amendments to section 4.1.

(d) Categories of registration - firms

Investment fund manager

One commenter described a structure of an affiliated group of funds that in their view would avoid the requirement to register more than one investment fund manager within the group. In response, we clarified in the Companion Policy that each investment fund manager is required to be registered, even where there is more than one investment fund manager within an affiliated group of funds. Investment funds organized as multiple entities within a fund complex are required to register, absent exemptive relief having been granted. Having a management agreement in place that delegates all or substantially all of the investment fund manager functions to an affiliate is only a factor we would consider in reviewing an application for exemptive relief, it is not determinative.

We received a submission that, in the context of fund complexes or groups, a general partner, trustee or board of directors of a corporation does not necessarily engage in "investment fund manager activities" and as such this entity is not required to be registered as an investment fund manager. The commenter also stated that only one investment fund manager per fund should be registered given the possibility of delegating to a registrant activities that require registration. The commenter views this as being consistent with the guidance for limited partnerships set out in section 7.3 of 31-103CP. The commenter also believes that the principle of delegation in section 7.3 should be equally applicable to trustees and corporations such that multiple registrations should not be necessary if the trust or corporation in question enters into a contract with a registered (or qualified) investment fund manager.

In response to the comment, we clarified the guidance on the requirement to register when the fund is part of a group or fund complex. We expect exemption applications to be made by investment fund managers that have delegated the management of the fund function to a registered affiliate, and we included guidance on the factors we will consider in respect of these exemption applications. We repealed the guidance on limited partnerships in view of this new guidance.

(e) Exemptions

i. Trades to or through a registered dealer

In response to requests for clearer guidance on the availability of this exemption in certain circumstances, we amended the Companion Policy to address additional situations that demonstrate the appropriate use of this exemption.

ii. Investment fund trades by advisers to managed accounts (formerly Adviser – non-prospectus qualified investment fund)

One commenter expressed the view that an adviser that uses funds sub-advised by either affiliated or external portfolio managers would not be able to rely on this exemption when placing trades, including rebalancing trades on behalf of its managed account clients. We note that in these circumstances exemptive relief may be requested.

iii. International dealers

We were requested to amend section 8.18 to permit foreign fund managers to rely on the international dealer exemption if they are permitted to sell the securities of their foreign funds in their home jurisdictions without registration as a dealer. We believe that it would be more appropriate to consider this issue in the context of an exemptive relief application.

We received comments on the requirement that was proposed in the June 2010 Proposal on the Canadian residency requirement for permitted clients. We included a definition of Canadian permitted client and added an express restriction in this respect.

We also received several comments expressing the view that subparagraph (e) and (f) are not redundant and should not be repealed. Given the unintended consequences of this proposed change, as indicated to us by the commenters, we agree and did not repeal these subparagraphs.

We received requests for confirmation as to whether an international dealer or adviser would be required to send existing clients a new notice with the revised wording changes to section 8.18(4)(b) and 8.26(4)(e). We confirm that the requirement has no retroactive effect and that existing clients need not receive the new notice.

We received a request to clarify whether the notice to regulators required by section 8.18(5) is prospective or retrospective. We amended the provision to clarify that the notice must be given if the person or company relied on the exemption at any time during the 12 month period preceding December 1 of a year.

iv. Dealer without discretionary authority

One commenter expressed the view that the exemption from the adviser registration requirement under section 8.23 is only available to registered dealers and that this creates a regulatory gap for firms relying on dealer registration exemptions, such as the Northwestern exemption orders or the exemption in section 8.8 for investment funds and investment fund managers. We disagree. Giving advice is not permitted under the Northwestern exemption. Accordingly, the regulatory gap referred to by the commenter is not apparent: the adviser exemption is available to registered dealers because they are registered, and not to persons or companies engaging in dealing activities under the benefit of an exemption. If when acting as a dealer the person or company triggers the adviser registration requirement, they must register as an adviser unless an exemption is available.

We received a comment suggesting that there should be an exception to the disclosure requirement in section 8.25(3) where "buy, sell, or hold" recommendations are incidental to the main purpose of the publication (for example, where the main purpose is investor education). The commenter believes that the disclosure requirements in subsection 8.25(3) are onerous and

impractical. We remind the commenter that disclosure is required by the person providing advice under this exemption only where certain persons or companies have a financial interest or other interest in the security or securities being recommended. These are not new requirements. We do not agree with a distinction in disclosure requirements depending on the main or incidental purpose of the publication.

v. International advisers

One commenter has suggested that the intention of the international adviser exemption has been to provide qualifying clients with access to investment advice on foreign securities, which is often provided by way of global mandates. By their nature global mandates are structured to include some appropriate weighting for Canadian issuers reflecting Canada's relative economic position on a global basis.

While we did not make the change suggested by the commenter, we included guidance in the Companion Policy on permissible incidental advice on Canadian securities by international advisers relying upon the exemption under section 8.26. We provide examples of such permissible incidental advice.

We received the same comments and request for clarification on the Canadian residency requirement of permitted clients, the client notice and regulator notice, respectively, as for the international dealer exemption, and our responses are the same.

(f) Exceptions for members of self-regulatory organizations (SROs)

We received a comment recommending that we delay the application of the proposed change to section 9.3(6) in Québec until the adoption of the MFDA-harmonized rules. The commenter states that the proposed amendment to the exemptions found under subsection 9.3(6) may have a significant impact on mutual fund dealers operating in Québec. Paragraph 9.3(6) currently exempts mutual fund dealers in Québec from the same ongoing registrant obligations as those for which MFDA members are exempt, provided that the mutual fund dealer complies with applicable regulations in Québec.

The Autorité des marchés financiers has previously publicly stated that it intends to adopt rules largely harmonized to those of the MFDA by September 2011. Assuming that the proposed amendments to NI 31-103 will be enforced sometime in early 2011, the commenter is of the view that mutual fund dealers operating in Québec will need to comply with some of the ongoing registrant obligations in NI 31-103 for a few months, to then be subject to the new MFDA-harmonized rules.

We disagree with the comment. Mutual fund dealers in Québec must comply, since September 28, 2009, with certain sections NI 31-103, including section 14.2 and section 14.12. In the case of section 14.2, the Autorité des marchés financiers granted an exemptive relief order on September 1, 2010 to extend to mutual fund dealers in Québec the same transition granted to MFDA members. The amendment to the Rule in respect of the exemption now provided in section 9.4(4) is a clarification of the regime applicable to mutual fund dealers in Québec.

This section now provides that in Québec, the requirements listed in subsection (1) of section 9.4 do not apply to a mutual fund dealer to the extent equivalent requirements to those listed in subsection (1) are applicable to the mutual fund dealer under the regulations in Québec.

We refer in section 9.4(4) to *existing requirements* in Québec. The effect of section 9.4(4) is that existing requirements in Québec apply, and not the corresponding NI 31-103 requirement in respect of

- section 12.1 [capital requirements]
- section 12.2 [notifying the regulator of a subordination agreement]
- section 12.3 [insurance – dealer]
- section 12.6 [global bonding or insurance]
- section 12.7 [notifying the regulator of a change, claim or cancellation]
- section 13.3 [suitability]
- section 13.12 [restriction on lending to clients]
- section 13.13 [disclosure when recommending the use of borrowed money]
- section 13.15 [handling complaints]
- subsection 14.2(2) [relationship disclosure information]
- section 14.6 [holding client assets in trust]
- section 14.8 [securities subject to a safekeeping agreement]
- section 14.9 [securities not subject to a safekeeping agreement]

Since there is no equivalent *existing requirement* in Québec, the following sections of the Rule, which are included in section 9.4(1), do apply to mutual fund dealers in Québec:

- section 12.10 [annual financial statements]

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- section 12.11 [interim financial information]
 - section 12.12 [delivering financial information – dealer]
 - section 14.12 [content and delivery of trade confirmation]

We received a request to exempt SRO members also registered in other categories from the requirement to file financial statements and working capital forms with regulators. We are not making this requested change at this time. We note that SRO members that are registered in multiple categories may use the forms prescribed by the SROs, on certain conditions. See sections 12.1, 12.12 and 12.14 for requirements on calculating working capital and the delivery of working capital calculations for SRO members that are registered in multiple categories.

(g) Compliance systems

We received a comment to the effect that the guidance provided in the Companion Policy is unclear whether systemic monitoring responsibilities can be fulfilled through firm procedures, or whether an “off-the-shelf product” is required. We reiterate that the compliance systems requirements in the rule are principles-based and we do not mandate how registrants comply with the requirement.

(h) Solvency and financial reporting requirements

i. Capital requirements

We received comments that the current requirement that all guarantees, irrespective of their risk and/or character, be included in excess working capital, is unnecessarily onerous. The commenters submit that the interests of the public are best served by an excess working capital calculation that accounts for each of the following factors: (a) the size of the guarantee; (b) the registrant's category; (c) the likelihood the guarantee will be called; and (d) the nature of the guarantee (third-party guarantees versus related-party guarantees).

It is not possible to anticipate all situations suggested by the commenter. The excess working capital calculation has been designed to apply to all non-SRO registrants. Exemptive relief may be available if the requirement to include all guarantees is unduly burdensome.

We were also asked to reflect the non-cumulative nature of the capital requirements for a firm holding multiple registrations. We note that this is already stated in section 12.1 of the Companion Policy, under the heading *Working capital requirements are not cumulative*.

Finally, one commenter is of the view that there should be an exemption for US broker dealers provided they file the Financial Industry Regulatory Authority, Inc. (FINRA) form. We are not prepared to make this change at this time but will consider exemptive relief applications if certain conditions are met.

ii. Insurance requirements

We were asked to clarify in Form 31-103F1 that the "bonding or insurance policy" refers only to the bonding or insurance the firm must maintain pursuant to Part 12 of NI 31-103. We agree with the commenter and amended Form 31-103F1 accordingly.

One commenter has suggested that we amend Appendix A – *Bonding and Insurance Clauses*. The commenter believes that there are always exclusions and terms and conditions in commercially available bonding or insurance that limit coverage to something less than any loss arising from the listed risks. As a result, the commenter stated that strict compliance with these requirements is impossible. We disagree. The clauses in Appendix A are those currently being used in industry.

(i) KYC and suitability

We received comments to the effect that according to section 13.2(7), a registrant who is registered both as a mutual fund dealer (exempt from MFDA membership) and as an adviser would not be exempt from the requirement to establish whether a client is an insider of a reporting issuer.

The commenter believes that compliance with this requirement should depend on the capacity in which the registrant is acting in respect of a particular client and not on the number of categories of registration the firm or the individual holds. We agree and granted new blanket/omnibus relief in November 2010. We amended section 13.2(7) in the June 2010 Proposal accordingly.

(j) Restrictions on certain managed account transactions

We received several comments on the scope and application of section 13.5 for registered dealers that are members of IIROC and who conduct advising activities (IIROC advisers) to managed accounts. One of the commenters is of the view that if an IIROC adviser's proprietary inventory account is considered to be an "investment portfolio" for the purposes of section 13.5(2)(b) of NI 31-103, the amended section 13.5 of NI 31-103 (as published as part of the June 2010 Proposal) would prohibit the IIROC adviser from selling fixed income securities from its inventory account to its discretionary managed account clients. We had not fully considered the impact that the June 2010 Proposal would have on the ability of an IIROC adviser to trade securities from its inventory account.

Therefore, we did not make the change proposed in the June 2010 Proposal. However, we added additional guidance in the Companion Policy on this issue.

(k) Referral arrangements

In response to a comment that the definition of referral arrangements is too broad, we again note, as in previous comment responses throughout the consultation process on NI 31-103, that this definition is intended by the CSA to be broad, as we are concerned with the business conduct of registered individuals. We however added guidance in the Companion Policy indicating our view that the receipt of an unexpected gift of appreciation would not fall within the scope of a referral arrangement.

We received numerous comments on the fact that the provisions in NI 31-103 relating to referral arrangements and the rules made by IIROC and the MFDA in order to conform with NI 31-103 could result in the unintended consequence of regulating business arrangements of registered individuals acting in the capacity of a licensed insurance agent outside their dealer that are not related to securities-related business.

We confirm, in response to questions raised by commenters, that:

- we do not generally view a syndication arrangement for the offering of securities as a referral arrangement;
- the referral arrangement regime in the Rule does not prescribe that payment of referral fees be made to the firm;
- the requirement to ensure that the required disclosure is provided to clients rests on the registered firm; however, it can be provided by either party provided it is clearly set out in the referral agreement;
- an arrangement to purchase a list of potential clients may be considered a referral arrangement;
- a finder's fee may be considered to be within the scope of the referral arrangement provisions; and
- we reiterate that referral arrangements within the same firm are not generally covered by the regime, however, we expect a registered firm to consider these types of referrals as part of the conflicts requirements in section 13.4.

(l) Loans and margins

We received a comment stating that section 13.12 should be amended to allow loans made by an investment fund manager to a fund where the loan is for the purposes of enabling a fund to temporarily pay for unitholder redemptions and fund expenses. We acknowledge that an investment fund manager that lends money, extends credit or provides margin in certain circumstances may be prohibited from these activities under section 13.12. Accordingly we have provided an exception in section 13.12(2) which allows an investment fund manager to make certain loans. Where any conflicts of interest arise in respect of these short-term loans, we expect registrants to manage that conflict.

One commenter has asked that we clarify whether section 13.12 is intended to prohibit a registrant from providing products to its clients that have embedded in them a leverage component. We amended the Companion Policy to provide additional guidance on this issue.

(m) Complaint handling

We received requests for clarification on the interface between the Québec regime for complaint handling, including specific questions as to how compliance with the *Securities Act* (Québec) provisions, which is deemed to be compliance with the Rule, is affected when the registrant is registered in several jurisdictions.

The Rule provisions on complaint handling are based on the Québec regime. However, Québec cannot adopt in a Rule provisions that are, in substance, already in its legislation. To the extent a registrant deals with a client in Québec, it must comply with sections 168.1.1 to 168.1.3 of the *Securities Act* (Québec) in all cases. When dealing with clients in other jurisdictions, the registrant must meet the Rule requirements. The only substantive difference is that the Autorité des marchés financiers will generally not act as mediator for complaints of clients outside Québec.

We also received comments stating that the guidance in the Companion Policy is prescriptive and as such, should be in the Rule. We remind commenters that the guidance, which was developed by the CSA together with IIROC and the MFDA, sets out our expectation on what would constitute an effective complaint handling system. The requirement to deal with client complaints provided in the Rule remains a principle-based requirement.

(n) Dispute resolution service

We received comments on the proposed list of complaints in section 13.16. We have not made this change and have maintained the language in the current law.

We have extended, in section 16.16, the transition period for the coming into force, outside Québec, of section 13.16 to September 28, 2012 to allow the CSA to further consider this regime in light of a number of questions we have received. Considering the importance of this provision in respect of investor protection, we may publish proposed amendments for comments in the future.

Commenters have suggested that the SROs amend their rules to provide the same choice of dispute resolution service. We note both IIROC and the MFDA rules mandate membership in the *Ombudsman for banking services and investments* (OBSI), which is consistent with section 13.16 of the Rule since OBSI is considered an independent dispute resolution service. We note that SRO rules may be more prescriptive than the requirements prescribed in the Rule.

(o) Relationship disclosure information

A commenter has requested that section 14.2(j) be amended in order to reflect the transition period for the coming into force of section 13.16 [*Dispute resolution service*]. We agree and amended section 14.2(j) accordingly.

(p) Notice to clients by non-resident registrants

We received comments requiring clarifications on the meaning of physical place of business. We also received a comment expressing the view that we should consider revising section 14.5 to exempt all registered firms who have a head office in Canada from the requirement to provide a section 14.5 notice to those of its clients who live in any other Canadian province or territory, regardless of whether the registered firm has a place of business in that Canadian province or territory.

We amended section 14.5 by adding an exception to the requirement to provide the risk notice to clients in a local jurisdiction if the firm has its head office in Canada and is registered in the local jurisdiction. The Rule no longer refers to a physical place of business.

(q) Account activity reporting

i. Trade confirmations

Further to the June 2010 Proposal, we are adding a requirement in section 14.12(5) for investment fund managers to send trade confirmations in certain circumstances. One commenter has expressed the view that section 8.6(1) exempts a portfolio manager from the requirement to register as an exempt market dealer if the portfolio manager acts as adviser and as investment fund manager to a fund, and the trades in units of the fund are with managed accounts of the portfolio manager. The commenter suggested that one unintended consequence of the addition of section 14.12(5) in the June 2010 Proposal is that it reinstates the requirement to send trade confirmations while the Rule exempts the firm relying on the section 8.6 exemption from this requirement. We agree with the commenter and have added a new subsection 14.12(6) which states that the trade confirmation requirement does not apply to trades made in reliance on section 8.6.

We received a comment expressing the view that 14.12 of the Companion Policy should be amended to confirm that the existing documentation is sufficient to satisfy a dealer's outsourcing obligations. In response to this comment, we reiterate that firms may meet their obligations in a variety of ways, and our expectation is that firms ensure they are meeting the requirements to oversee their service providers. The level of oversight and the determination as to whether existing arrangements meet those requirements is up to the firm. We confirm that the guidance on outsourcing is not retroactive.

ii. Account statements

We received informative comments on our consultation on what securities are required to be reported in account statements and on the determination of the value of the securities reported in account statements. We have not made the proposed amendments to section 14.14 of the Rule that would have required that securities be valued using fair value. Section 14.14 continues to refer to market value.

We were asked to provide further clarity for scholarship plan dealers with respect to account reporting, given that these firms are scholarship plan dealers and investment fund managers of scholarship plans. We did not make any change to the Rule or the Companion Policy, as the dealer has the responsibility to send the account statements, and dual registration does not impact this requirement. The dealer may however outsource this function to the investment fund manager, but the dealer remains responsible for the reporting it outsources. We provide guidance on outsourcing in the Companion Policy.

On the timelines for providing account statements, we received a comment to the effect that the requirement to deliver monthly statements would apply to the dealer's registration as an exempt market dealer but not to the dealer's registration as a mutual fund dealer creating a misalignment in timing of delivery of statements. Each category of registration has its own requirements, which in certain cases may not align for registrants in multiple registration categories. We expect compliance with the Rule as prescribed for each category.

We were requested to clarify that registered dealers can continue to rely on third-party pricing providers when an observable market price is unavailable. We confirm that third-party pricing providers can be used by registrants to determine valuation of securities where an observable market price is unavailable, provided that there is adequate oversight of the service providers by the registrant in accordance with the guidance on outsourcing in the Companion Policy.

We received comments suggesting that registrants should be exempt from the requirement to send account statements where another party is sending a statement. We provide guidance on outsourcing in the Companion Policy.

3. Responses to comments received on NI 33-109 and related Forms

(a) NI 33-109

We received a comment that the definition of "permitted individual" in NI 33-109 should be revised to clarify that a permitted individual may also be a registered individual. We amended the definition accordingly. We clarified the guidance in 33-109CP to confirm that a permitted individual may or may not be a registered individual.

One commenter has stated the CSA should consider extending the deadline from 7 days to 10 business days to report material changes (for example, outside business activities, criminal disclosure, etc.) since it can take time for registered firms to review the individual's information for completeness and gather the necessary supporting documents prior to reporting the change on the National Registration Database (NRD). We agree that longer timelines for filings are appropriate and changed all 5 business day and 7-day time periods to 10 days. Please note that the revised 10 day period is not 10 business days.

(b) Form 33-109F1 Notice of Termination of Registered Individuals and Permitted Individuals

One commenter has asserted that section 4 of Item 5 of Form 33-109F1 (which requires disclosure of "any written complaints, civil claims and/or arbitration notices filed against the individual or against the firm about the individual's securities-related activities..." in the past 12 months) is too broad in its scope. We disagree with the commenter. Written complaints are usually serious enough to warrant disclosure in section 4 of Item 5. We require this information in order to assess continued fitness for registration of the individual.

(c) Form 33-109F4 Registration of Individuals and Review of Permitted Individuals

We received several comments on this form:

- one commenter stated that the instructions contained in this form, which advises the applicant to contact the compliance, registration or legal department of the sponsoring firm or a legal advisor if they have any questions relating to the information contained on the application, should be removed. The commenter is of the view that unless the legal adviser is familiar with securities regulations pertaining to disclosures, they could provide the registrant with inappropriate advice. This has occurred on a number of occasions where applicants failed to provide required information based on advice received from an outside legal source. Consequently, we amended the instructions to indicate that the applicant should consult with a legal advisor with securities regulation experience;

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- in response to the comment that since “branch manager” is no longer an IIROC category this field should be updated to indicate *Name of Supervisor or Branch Manager*. We agree and made this change;
 - one commenter suggested the language in the third section of Item 8.4 of Schedule F be amended to only relate to relevant experience. We disagree. This schedule is meant to capture level of responsibility, how much time has been spent on these activities and the applicant’s continuous education activities. These elements combine to form a description of relevant experience;
 - one commenter stated that we should amend paragraph 2 of the guidance notes which advises applicants that they must disclose offences even if an absolute or conditional discharge has been granted (except as per outlined exceptions) or the charge has been dismissed, withdrawn or stayed. The commenter does not believe this is relevant information. We have not changed this paragraph because we believe that, although the charges may no longer be outstanding, they may form part of the assessment of the applicant’s fitness for registration;
 - we received a comment to the effect that the requirement to provide a listing of all individual creditors included in a bankruptcy or proposal which has been discharged is superfluous and that it should be sufficient to provide the total outstanding amount owing at the time of the bankruptcy or proposal. We disagree. The list of creditors is relevant in assessing the solvency of the applicant;
 - we did not amend the form to indicate whether another business activity results in a shared premises situation; and
 - in response to the comment that we should append a specific form for the submission to jurisdiction and appointment of agent for service for individuals, we added guidance in 33-109CP indicating that the form used by the firm is an acceptable format to the regulator.

(d) Form 33-109F5 Change of Registration Information

We agree with the comment that we should add the NRD number and the registration categories of the firm, and have made this change.

(e) Form 33-109F6 Firm Registration

We received several comments on the requirements to provide information on “specified affiliates”; commenters stated that they consider the list of specified affiliates to be too broad and onerous to provide this disclosure. We note that, as outlined in Part 9 *Certification*, all information must be provided to the best of the applicant’s knowledge and after reasonable inquiry. We acknowledge that this disclosure will vary according to the size of the firm and the number of affiliates. We amended Parts 7 and 8 to limit the information that must be provided to the last seven years in order that this disclosure is less onerous.

We received a request to clarify the meaning of “significant conflicts of interest” in section 6.2 of Form 33-109F6. As this is a principle based requirement, we expect registrants to make this determination according to the nature of the conflict and the size and activities of the firm.

List of commenters

- Advocis
- Alternative Investment Management Association - Canada
- BMO Financial Group's Private Client Group
- Borden Ladner Gervais LLP
- Canadian Bankers Association of Canada
- Canadian Foundation for Advancement of Investor Rights
- Canadian Imperial Bank of Commerce
- Canadian Investor Protection Fund
- Chambre de la sécurité financière (*available on the AMF website only*)
- CI Investments Inc.
- CSI Global Education, Inc.
- Edward Jones
- Exempt Market Dealers Association of Canada
- Fidelity Investments Canada ULC
- Gestion Universitas (*available on the AMF website only*)
- IGM Financial Inc.
- Independent Financial Brokers of Canada
- Investment Funds Institute of Canada
- Investment Industry Association of Canada
- Irwin, White & Jennings counsel to Growth Works Capital Ltd.
- Lycos Asset Management Inc.
- Manulife Securities Incorporated and Manulife Securities Investment Services Inc.
- Mouvement d'éducation et de défense des actionnaires (MÉDAC) (*available on the AMF website only*)
- Mouvement Desjardins (*available on the AMF website only*)
- Mutual Fund Dealers Association of Canada
- Nexus Investment Management Inc.
- Osler, Hoskin & Harcourt LLP
- RBC Dominion Securities Inc.
- RESP Dealers Association of Canada
- Rogers Group Financial
- Stikeman Elliot LLP
- Stonegate Private Counsel

APPENDIX C

ADOPTION OF THE INSTRUMENT

The Canadian Securities Administrators (CSA) are implementing amendments (the Amendments) to National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103 or the Rule), Companion Policy 31-103CP *Registration Requirements and Exemptions* (31-103CP) and National Instrument 33-109 *Registration Information*, Companion Policy 33-109CP *Registration Information* and related forms (NI 33-109) (collectively, the Instrument).

The amendments to NI 31-103 and to NI 33-109 will be implemented as:

- a rule in each of Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, New Brunswick, Ontario and Prince Edward Island
- a regulation in each of Québec, the Northwest Territories, Nunavut and the Yukon Territory
- a commission regulation in Saskatchewan

The amendments to 31-103CP will be adopted as a policy in each of the jurisdictions represented by the CSA.

In Ontario, the Amendments and other required materials were delivered to the Minister of Finance on April 15, 2011. The Minister may approve or reject the Rule or return it for further consideration. If the Minister approves the Rule or does not take any further action, the Amendments will come into force on July 11, 2011.

In Québec, the Amendments are adopted as a regulation made under section 331.1 of the *Securities Act* (Québec) and must be approved, with or without amendment, by the Minister of Finance. The regulation will come into force on the date of its publication in the *Gazette officielle du Québec* or on any later date specified in the regulation. It is also published in the Bulletin of the Autorité des marchés financiers.

In British Columbia, the implementation of the Amendments is subject to ministerial approval. Provided all necessary approvals are obtained, British Columbia expects the Rule to come into force on July 11, 2011.

AMENDMENTS TO NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS AND EXEMPTIONS

1. *National Instrument 31-103 Registration Requirements and Exemptions is amended by this Instrument.*
2. *The title is amended by replacing “and Exemptions” with “, Exemptions and Ongoing Registrant Obligations”.*
3. *Subsection 1.1 is amended by*
 - (a) *deleting the definition of “NI 45-106”,*
 - (b) *replacing paragraph (d) of the definition of “permitted client” with the following:*

(d) a person or company registered under the securities legislation of a jurisdiction of Canada as an adviser, investment dealer, mutual fund dealer or exempt market dealer; **and**
 - (c) *by replacing “NI 45-106” wherever the expression occurs with “National Instrument 45-106 Prospectus and Registration Exemptions”.*
4. *Subsection 1.3 (1) is amended*
 - (a) *in paragraphs (a) and (b) by replacing “registered firm” with “person or company”,*
 - (b) *in subparagraph (b)(i) by replacing “firm” wherever the expression occurs with “person or company”, and*
 - (c) *in subparagraph (b)(ii) by replacing “firm’s” with “person or company’s”.*
5. *Section 3.1 is amended*
 - (a) *in the definition of “Canadian Investment Funds Exam” by replacing “Canadian Investment Funds Exam” with “Canadian Investment Funds Course Exam”,*
 - (b) *by replacing “Investment Funds Institute of Canada” wherever it occurs with “IFSE Institute”; and*

(c) *by adding the following after the definition of “Canadian Securities Course Exam”:*

“Chief Compliance Officers Qualifying Exam” means the examination prepared and administered by CSI Global Education Inc. and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;”

6. Section 3.3 is replaced with the following:

3.3 Time limits on examination requirements

(1) For the purpose of this Part, an individual is deemed to have not passed an examination unless the individual passed the examination not more than 36 months before the date of his or her application for registration.

(2) Subsection (1) does not apply if the individual passed the examination more than 36 months before the date of his or her application and has met one of the following conditions:

(a) the individual was registered in the same category in any jurisdiction of Canada at any time during the 36-month period before the date of his or her application;

(b) the individual has gained 12 months of relevant securities industry experience during the 36-month period before the date of his or her application.

(3) For the purpose of paragraph (2)(a), an individual is not considered to have been registered during any period in which the individual’s registration was suspended.

7. Subsection 3.4 (1) is amended by adding “, including understanding the structure, features and risks of each security the individual recommends” after “competently”.

8. Section 3.5 is replaced with the following:

3.5 Mutual fund dealer – dealing representative

A dealing representative of a mutual fund dealer must not act as a dealer in respect of the securities listed in section 7.1(2)(b) unless any of the following apply:

(a) the individual has passed the Canadian Investment Funds Course Exam, the Canadian Securities Course Exam or the Investment Funds in Canada Course Exam;

(b) the individual has met the requirements of section 3.11 [*portfolio manager – advising representative*];

(c) the individual has earned a CFA Charter and has gained 12 months of relevant securities industry experience in the 36-month period before applying for registration;

(d) the individual is exempt from section 3.11 [*portfolio manager – advising representative*] because of subsection 16.10(1) [*proficiency for dealing and advising representatives*].

9. Section 3.6 is amended

(a) *in subparagraph (a)(i) by replacing “Canadian Investment Funds Exam” with “Canadian Investment Funds Course Exam”,*

(b) *in subparagraph (a)(ii) by replacing “or” with “,” and by adding “or the Chief Compliance Officers Qualifying Exam,” after “Compliance Exam”; and*

(c) *by adding the following after paragraph (b):*

(c) section 3.13 [*portfolio manager – chief compliance officer*] does not apply in respect of the individual because of subsection 16.9(2) [*registration of chief compliance officers*].

10. Section 3.7 is replaced with the following:

3.7 Scholarship plan dealer – dealing representative

A dealing representative of a scholarship plan dealer must not act as a dealer in respect of the securities listed in section 7.1(2)(c) unless the individual has passed the Sales Representative Proficiency Exam.

11. Section 3.8 is amended by adding, in paragraph (c), after “Exam”, “or the Chief Compliance Officers Qualifying Exam.”

12. Section 3.9 is replaced with the following:

3.9 Exempt market dealer – dealing representative

A dealing representative of an exempt market dealer must not perform an activity listed in section 7.1(2)(d) unless any of the following apply:

(a) the individual has passed the Canadian Securities Course Exam;

- (b) the individual has passed the Exempt Market Products Exam;
- (c) the individual has earned a CFA Charter and has gained 12 months of relevant securities industry experience in the 36-month period before applying for registration;
- (d) the individual satisfies the conditions set out in section 3.11 [*portfolio manager – advising representative*];
- (e) the individual is exempt from section 3.11 [*portfolio manager – advising representative*] because of subsection 16.10(1) [*proficiency for dealing and advising representatives*].

13. Section 3.10 is replaced with the following:

3.10 Exempt market dealer – chief compliance officer

An exempt market dealer must not designate an individual as its chief compliance officer under subsection 11.3(1) [*designating a chief compliance officer*] unless any of the following apply:

- (a) the individual has passed the following:
 - (i) the Exempt Market Products Exam or the Canadian Securities Course Exam; and
 - (ii) the PDO Exam or the Chief Compliance Officers Qualifying Exam;
- (b) the individual has met the requirements of section 3.13 [*portfolio manager – chief compliance officer*];
- (c) section 3.13 [*portfolio manager – chief compliance officer*] does not apply in respect of the individual because of subsection 16.9(2) [*registration of chief compliance officers*].

14. Section 3.11 is replaced with the following:

3.11 Portfolio manager – advising representative

An advising representative of a portfolio manager must not act as an adviser on behalf of the portfolio manager unless any of the following apply:

- (a) the individual has earned a CFA Charter and has gained 12 months of relevant investment management experience in the 36-month period before applying for registration;

(b) the individual has received the Canadian Investment Manager designation and has gained 48 months of relevant investment management experience, 12 months of which was gained in the 36-month period before applying for registration.

15. Section 3.12 is replaced with the following:

3.12 Portfolio manager – associate advising representative

An associate advising representative of a portfolio manager must not act as an adviser on behalf of the portfolio manager unless any of the following apply:

(a) the individual has completed Level 1 of the Chartered Financial Analyst program and has gained 24 months of relevant investment management experience;

(b) the individual has received the Canadian Investment Manager designation and has gained 24 months of relevant investment management experience.

16. Section 3.13 is amended

(a) *by replacing subparagraph (a)(ii) with the following:*

(ii) passed the PDO Exam or the Chief Compliance Officers Qualifying Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course Exam, and;

(b) *in clause (a)(iii)(B) by adding “also” after “and”,*

(c) *in paragraph (b) by replacing “the PDO” with “either the PDO Exam or the Chief Compliance Officers Qualifying”,*

(d) *in subparagraph (b)(ii) by adding “also” after “and”, and*

(e) *in paragraph (c) by replacing “the PDO” with “either the PDO Exam or the Chief Compliance Officers Qualifying”.*

17. Section 3.14 is amended

(a) *by replacing subparagraph (a)(ii) with the following:*

(ii) passed the PDO Exam or the Chief Compliance Officers Qualifying Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course Exam, and,

(b) *in clause (a)(iii)(B) by adding “also” after “and”,*

(c) *in subparagraph (b)(i) by adding “Course” after “Canadian Investment Funds”,*

(d) *in subparagraph b(ii) by adding “or the Chief Compliance Officers Qualifying Exam” after “Exam”,*

(e) *by adding the following after paragraph (c):*

(d) section 3.13 [*portfolio manager – chief compliance officer*] does not apply in respect of the individual because of subsection 16.9(2) [*registration of chief compliance officers*].

18. Section 3.15 is amended

(a) *in subsection (1) by adding “that is a member of IIROC” after “dealer”, and*

(b) *in subsection (2) by adding “that is a member of the MFDA” after “dealer”.*

19. Subsection 3.16 (3) is replaced with the following:

(3) In Québec, the requirements listed in subsection (2) do not apply to a registered individual who is a dealing representative of a mutual fund dealer to the extent equivalent requirements to those listed in subsection (2) are applicable to the registered individual under the regulations in Québec.

20. Section 4.1 is replaced with the following:

4.1 Restriction on acting for another registered firm

(1) A registered firm must not permit an individual to act as a dealing, advising or associate advising representative of the registered firm if the individual

(a) acts as an officer, partner or director of another registered firm that is not an affiliate of the first-mentioned registered firm, or

(b) is registered as a dealing, advising or associate advising representative of another registered firm.

(2) Paragraph (1)(b) does not apply in respect of a representative whose registration as a dealing, advising or associate advising representative of more than one registered firm was granted before July 11, 2011.

21. **Subsection 4.2(3) is amended by adding** “or, in Québec, the securities regulatory authority” **after** “the regulator”.

22. **Section 6.7 is replaced with the following:**

6.7 Exception for individuals involved in a hearing or proceeding

Despite section 6.6, if a hearing or proceeding concerning a suspended registrant is commenced under securities legislation or under the rules of an SRO, the registrant’s registration remains suspended.

23. **Section 7.1 is amended**

(a) **in subparagraph (2)(b)(ii) by striking out** “except in Quebec,” **and**

(b) **by repealing subsection (3).**

24. **Section 8.6 is amended**

(a) **by replacing the heading with** “Investment fund trades by adviser to managed account”,

(b) **in subsection (1) by replacing** “a non-prospectus qualified” **with** “an”,

(c) **in subsection (2) by striking out** “non-prospectus qualified”, **and**

(d) **in subsection (3) by adding** “or, in Québec, the securities regulatory authority” **after** “regulator”.

(e) **in subsection (3) by replacing** “7 days” **with** “10 days”.

25. **Section 8.14 is amended by replacing** “NI 45-106” **with** “National Instrument 45-106 Prospectus and Registration Exemptions”.

26. **Subsection 8.16 (1) is amended by deleting** “ “control person” has the same meaning as in section 1.1 of NI 45-106;” **and by replacing** “NI 45-106” **with** “National Instrument 45-106 Prospectus and Registration Exemptions” **wherever the expression occurs.**

27. **Subsection 8.17 (5) is amended by replacing** “8.3.1” **with** “8.4” **and** “NI 45-106” **with** “National Instrument 45-106 Prospectus and Registration Exemptions”.

28. **Section 8.18 is amended**

(a) **in subsection (1) by deleting** “,” **after** “In this section” **and by adding the following before the definition of** “foreign security”:

“Canadian permitted client” means a permitted client referred to in any of paragraphs (a) to (e), (g) or (i) to (r) of the definition of “permitted client” in section 1.1 if

(a) in the case of an individual, the individual is a resident of Canada;

(b) in the case of a trust, the terms of the trust expressly provide that those terms are governed by the laws of a jurisdiction of Canada;

(c) in any other case, the permitted client is incorporated, organized or continued under the laws of Canada or a jurisdiction of Canada.

(b) in subsection (2) by adding “any of” after “in respect of”,

(c) in paragraphs (b), (c) and (d) by adding “Canadian” before “permitted client”,

(d) in subsection (3) by replacing “exemptions” with “exemption” and “are” with “is”,

(e) by replacing paragraph (3)(d) with the following:

(d) the person or company is acting as principal or as agent for

(i) the issuer of the securities

(ii) a permitted client, or

(iii) a person or company that is not a resident of Canada;

(f) by replacing paragraph (4) with the following:

(4) The exemption under subsection (2) is not available to a person or company in respect of a trade with a Canadian permitted client unless one of the following applies:

(a) the Canadian permitted client is a person or company registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer;

(b) the person or company has notified the Canadian permitted client of all of the following:

(i) the person or company is not registered in the local jurisdiction to make the trade;

- (ii) the foreign jurisdiction in which the head office or principal place of business of the person or company is located;
- (iii) all or substantially all of the assets of the person or company may be situated outside of Canada;
- (iv) there may be difficulty enforcing legal rights against the person or company because of the above;
- (v) the name and address of the agent for service of process of the person or company in the local jurisdiction.

(g) *by replacing subsection (5) with the following:*

(5) A person or company that relied on the exemption in subsection (2) during the 12 month period preceding December 1 of a year must notify the regulator or, in Québec, the securities regulatory authority of that fact by December 1 of that year, **and**

(h) *by adding the following after subsection (6):*

(7) The adviser registration requirement does not apply to a person or company that is exempt from the dealer registration requirement under this section if the person or company provides advice to a client and the advice is

- (a) in connection with an activity or trade described under subsection (2), and
- (b) not in respect of a managed account of the client.

29. Subparagraph 8.19(2)(a)(i) is amended by adding, after “dealer”, “in respect of securities listed in section 7.1(2)(b)”.

30. Paragraph 8.22 (2)(d) is amended by replacing “\$25 000” with “\$25,000”.

31. The Note to Section 8.25 is amended by replacing “7.24” with “8.25”.

32. Section 8.26 is amended by

(a) *replacing the definition of “permitted client” with the following:*

“Canadian permitted client” means a permitted client referred to in any of paragraphs (a) to (c), (e), (g) or (i) to (r) of the definition of “permitted client” in section 1.1 if

- (a) in the case of an individual, the individual is a resident of Canada;

(b) in the case of a trust, the terms of the trust expressly provide that those terms are governed by the laws of a jurisdiction of Canada; and

(c) in any other case, the permitted client is incorporated, organized or continued under the laws of Canada or a jurisdiction of Canada, **and**

(b) replacing paragraphs (3), (4) and (5) with the following:

(3) The adviser registration requirement does not apply to a person or company in respect of its acting as an adviser to a Canadian permitted client if the adviser does not advise that client on securities of Canadian issuers, unless providing that advice is incidental to its providing advice on a foreign security.

(4) The exemption under subsection (3) is not available unless all of the following apply:

(a) the adviser's head office or principal place of business is in a foreign jurisdiction;

(b) the adviser is registered or operates under an exemption from registration, under the securities legislation of the foreign jurisdiction in which its head office or principal place of business is located, in a category of registration that permits it to carry on the activities in that jurisdiction that registration as an adviser would permit it to carry on in the local jurisdiction;

(c) the adviser engages in the business of an adviser in the foreign jurisdiction in which its head office or principal place of business is located;

(d) as at the end of its most recently completed financial year, not more than 10% of the aggregate consolidated gross revenue of the adviser, its affiliates and its affiliated partnerships was derived from the portfolio management activities of the adviser, its affiliates and its affiliated partnerships in Canada;

(e) before advising a client, the adviser notifies the client of all of the following:

(i) the adviser is not registered in the local jurisdiction to provide the advice described under subsection (3);

(ii) the foreign jurisdiction in which the adviser's head office or principal place of business is located;

(iii) all or substantially all of the adviser's assets may be situated outside of Canada;

(iv) there may be difficulty enforcing legal rights against the adviser because of the above;

(v) the name and address of the adviser's agent for service of process in the local jurisdiction;

(f) the adviser has submitted to the securities regulatory authority a completed Form 31-103F2 Submission to Jurisdiction and Appointment of Agent for Service.

(5) A person or company that relied on the exemption in subsection (3) during the 12 month period preceding December 1 of a year must notify the regulator or, in Québec, the securities regulatory authority of that fact by December 1 of that year.

33. Section 8.29 is amended by adding the following after subsection (2):

(3) This section does not apply in Ontario.

Note: In Ontario, subsection 35.1 of the *Securities Act* (Ontario) provides a general exemption from the registration requirement for trust companies, trust corporations and other specified financial institutions.

34. Section 9.3 is amended

(a) *in the heading by replacing “SRO” with “IIROC”,*

(b) *by replacing the introductory sentence in subsection (1) with*

(1) Unless it is also registered as an investment fund manager, a registered firm that is a member of IIROC is exempt from the following requirements:”

(c) *in subsection (1) by inserting the following after paragraph (l):*

(1.1) section 13.15 [*handling complaints*];

(d) *by replacing subsection (2) with the following:*

(2) If a registered firm is a member of IIROC and is registered as an investment fund manager, the firm is exempt from the following requirements:

(a) section 12.3 [*insurance – dealer*];

(b) section 12.6 [*global bonding or insurance*];

(c) section 12.12 [*delivering financial information – dealer*];

- (d) subsection 13.2(3) [*know your client*];
 - (e) section 13.3 [*suitability*];
 - (f) section 13.12 [*restriction on lending to clients*];
 - (g) section 13.13 [*disclosure when recommending the use of borrowed money*];
 - (h) section 13.15 [*handling complaints*];
 - (i) subsection 14.2(2) [*relationship disclosure information*];
 - (j) section 14.6 [*holding client assets in trust*];
 - (k) section 14.8 [*securities subject to a safekeeping agreement*];
 - (l) section 14.9 [*securities not subject to a safekeeping agreement*];
 - (m) section 14.12 [*content and delivery of trade confirmation*], **and**
- (e) **by repealing subsections (3), (4), (5) and (6).**

35. This instrument is amended by adding the following after section 9.3:

9.4 Exemptions from certain requirements for MFDA members

(1) Unless it is also registered as an exempt market dealer, a scholarship plan dealer or an investment fund manager, a registered firm that is a member of the MFDA is exempt from the following requirements:

- (a) section 12.1 [*capital requirements*];
- (b) section 12.2 [*notifying the regulator of a subordination agreement*];
- (c) section 12.3 [*insurance – dealer*];
- (d) section 12.6 [*global bonding or insurance*];
- (e) section 12.7 [*notifying the regulator of a change, claim or cancellation*];
- (f) section 12.10 [*annual financial statements*];
- (g) section 12.11 [*interim financial information*];

- (h) section 12.12 [*delivering financial information – dealer*];
- (i) section 13.3 [*suitability*];
- (j) section 13.12 [*restriction on lending to clients*];
- (k) section 13.13 [*disclosure when recommending the use of borrowed money*];
- (l) section 13.15 [*handling complaints*];
- (m) subsection 14.2(2) [*relationship disclosure information*];
- (n) section 14.6 [*holding client assets in trust*];
- (o) section 14.8 [*securities subject to a safekeeping agreement*];
- (p) section 14.9 [*securities not subject to a safekeeping agreement*];
- (q) section 14.12 [*content and delivery of trade confirmation*].

(2) If a registered firm is a member of the MFDA and is registered as an exempt market dealer, scholarship plan dealer or investment fund manager, the firm is exempt from the following requirements:

- (a) section 12.3 [*insurance – dealer*];
- (b) section 12.6 [*global bonding or insurance*];
- (c) section 13.3 [*suitability*];
- (d) section 13.12 [*restriction on lending to clients*];
- (e) section 13.13 [*disclosure when recommending the use of borrowed money*];
- (f) section 13.15 [*handling complaints*];
- (g) subsection 14.2(2) [*relationship disclosure information*];
- (h) section 14.6 [*holding client assets in trust*];
- (i) section 14.8 [*securities subject to a safekeeping agreement*];
- (j) section 14.9 [*securities not subject to a safekeeping agreement*];

(k) section 14.12 [*content and delivery of trade confirmation*].

(3) Subsections (1) and (2) do not apply in Québec.

(4) In Québec, the requirements listed in subsection (1) do not apply to a mutual fund dealer to the extent equivalent requirements to those listed in subsection (1) are applicable to the mutual fund dealer under the regulations in Québec.

36. Section 10.6 is amended

(a) *in the heading by adding “or proceeding” after “hearing”, and*

(b) *by adding “or proceeding” after “hearing”.*

37. Subsection 11.2 (2) is replaced with the following:

(2) A registered firm must designate an individual under subsection (1) who is one of the following:

(a) the chief executive officer of the registered firm or, if the firm does not have a chief executive officer, an individual acting in a capacity similar to a chief executive officer;

(b) the sole proprietor of the registered firm;

(c) the officer in charge of a division of the registered firm, if the activity that requires the firm to register occurs only within the division and the firm has significant other business activities.

38. The heading of section 11.4 is amended by replacing “board” with “the board of directors”.

39. Subsection 11.6(1) and (2) are replaced with the following:

(1) A registered firm must keep a record that it is required to keep under securities legislation

(a) for 7 years from the date the record is created,

(b) in a safe location and in a durable form, and

(c) in a manner that permits it to be provided to the regulator or, in Québec, the securities regulatory authority in a reasonable period of time.

- (2) A record required to be provided to the regulator or, in Québec, the securities regulatory authority must be provided in a format that is capable of being read by the regulator or the securities regulatory authority.

40. *The note to s. 11.6 is amended by replacing “require” with “required”.*

41. *Section 11.9 is replaced with the following:*

11.9 Registrant acquiring a registered firm’s securities or assets

(1) A registrant must give the regulator or, in Québec, the securities regulatory authority written notice in accordance with subsection (2) if it proposes to acquire any of the following:

- (a) beneficial ownership of, or direct or indirect control or direction over, a security of a registered firm;
- (b) beneficial ownership of, or direct or indirect control or direction over, a security of a person or company of which a registered firm is a subsidiary;
- (c) all or a substantial part of the assets of a registered firm.

(2) The notice required under subsection (1) must be delivered to the regulator or, in Québec, the securities regulatory authority at least 30 days before the proposed acquisition and must include all relevant facts regarding the acquisition sufficient to enable the regulator or the securities regulatory authority to determine if the acquisition is

- (a) likely to give rise to a conflict of interest,
- (b) likely to hinder the registered firm in complying with securities legislation,
- (c) inconsistent with an adequate level of investor protection, or
- (d) otherwise prejudicial to the public interest.

(3) Subsection (1) does not apply to the following:

- (a) a proposed acquisition if the beneficial ownership of, or direct or indirect control or direction over, the person or company whose security is to be acquired will not change;
- (b) a registrant who, alone or in combination with any other person or company, proposes to acquire securities that, together with the

securities already beneficially owned, or over which direct or indirect control or direction is already exercised, do not exceed more than 10% of any class or series of securities.

(4) Except in Ontario and British Columbia, if, within 30 days of the regulator's, or, in Québec, the securities regulatory authority's receipt of a notice under subsection (1), the regulator or the securities regulatory authority notifies the registrant making the acquisition that the regulator or the securities regulatory authority objects to the acquisition, the acquisition must not occur until the regulator or the securities regulatory authority approves it.

(5) In Ontario, if, within 30 days of the regulator's receipt of a notice under subsection (1)(a) or (c), the regulator notifies the registrant making the acquisition that the regulator objects to the acquisition, the acquisition must not occur until the regulator approves it.

(6) Following receipt of a notice of objection under subsection (4) or (5), the person or company who submitted the notice to the regulator or, in Québec, the securities regulatory authority may request an opportunity to be heard on the matter.

42. *Section 11.10 is replaced with the following:*

11.10 Registered firm whose securities are acquired

(1) A registered firm must give the regulator or, in Québec, the securities regulatory authority written notice in accordance with subsection (2) if it knows or has reason to believe that any person or company, alone or in combination with any other person or company, is about to acquire, or has acquired, beneficial ownership of, or direct or indirect control or direction over, 10% or more of any class or series of voting securities of any of the following:

- (a) the registered firm;
- (b) a person or company of which the registered firm is a subsidiary.

(2) The notice required under subsection (1) must,

- (a) be delivered to the regulator or, in Québec, the securities regulatory authority as soon as possible,
- (b) include the name of each person or company involved in the acquisition, and
- (c) after the registered firm has applied reasonable efforts to gather all relevant facts, include facts regarding the acquisition sufficient to

enable the regulator or the securities regulatory authority to determine if the acquisition is

- (i) likely to give rise to a conflict of interest,
- (ii) likely to hinder the registered firm in complying with securities legislation,
- (iii) inconsistent with an adequate level of investor protection, or
- (iv) otherwise prejudicial to the public interest.

(3) This section does not apply to an acquisition in which the beneficial ownership of, or direct or indirect control or direction over, a registered firm does not change.

(4) This section does not apply if notice of the acquisition was provided under section 11.9 [*registrant acquiring a registered firm's securities or assets*].

(5) Except in British Columbia and Ontario, if, within 30 days of the regulator's or, in Québec, the securities regulatory authority's receipt of a notice under subsection (1), the regulator or the securities regulatory authority notifies the person or company making the acquisition that the regulator or the securities regulatory authority objects to the acquisition, the acquisition must not occur until the regulator or the securities regulatory authority approves it.

(6) In Ontario, if, within 30 days of the regulator's receipt of a notice under subsection (1)(a), the regulator notifies the person or company making the acquisition that the regulator objects to the acquisition, the acquisition must not occur until the regulator approves it.

(7) Following receipt of a notice of objection under subsection (5) or (6), the person or company proposing to make the acquisition may request an opportunity to be heard on the matter.

43. Section 12.1 is replaced with the following:

12.1 Capital requirements

(1) If, at any time, the excess working capital of a registered firm, as calculated in accordance with Form 31-103F1 *Calculation of Excess Working Capital*, is less than zero, the registered firm must notify the regulator or, in Québec, the securities regulatory authority as soon as possible.

- (2) The excess working capital of a registered firm, as calculated in accordance with Form 31-103F1 *Calculation of Excess Working Capital*, must not be less than zero for 2 consecutive days.
- (3) For the purpose of completing Form 31-103F1 *Calculation of Excess Working Capital*, the minimum capital is
- (a) \$25,000, for a registered adviser that is not also a registered dealer or a registered investment fund manager,
 - (b) \$50,000, for a registered dealer that is not also a registered investment fund manager, and
 - (c) \$100,000, for a registered investment fund manager.
- (4) Paragraph (3)(c) does not apply to a registered investment fund manager that is exempt from the dealer registration requirement under section 8.6 [*investment fund trades by adviser to managed account*] in respect of all investment funds for which it acts as adviser.
- (5) This section does not apply to a registered firm that is a member of IIROC and is registered as an investment fund manager if all of the following apply:
- (a) the firm has a minimum capital of not less than \$100,000 as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*;
 - (b) the firm notifies the regulator or, in Québec, the securities regulatory authority as soon as possible if, at any time, the firm's risk adjusted capital, as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report* is less than zero;
 - (c) the risk adjusted capital of the firm, as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*, is not less than zero for 2 consecutive days.
- (6) This section does not apply to a mutual fund dealer that is a member of the MFDA if it is also registered as an exempt market dealer, a scholarship plan dealer or an investment fund manager and if all of the following apply:
- (a) the firm has a minimum capital, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*, of not less than

- (i) \$50,000, if the firm is registered as an exempt market dealer or scholarship plan dealer,
- (ii) \$100,000, if the firm is registered as an investment fund manager;
- (b) the firm notifies the regulator or, in Québec, the securities regulatory authority as soon as possible if, at any time, the firm's risk adjusted capital, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report* is less than zero;
- (c) the risk adjusted capital of the firm, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*, is not less than zero for 2 consecutive days.

44. Section 12.2 is amended

(a) *by replacing the heading with* "Notifying the regulator or the securities regulatory authority of a subordination agreement".

(b) *by adding* "or, in Québec, the securities regulatory authority" after "regulator", *and*

(c) *by replacing* "5 days " *with* "10 days".

45. Subsection 12.3(2) is amended by deleting "and".

46. Subsections 12.4(2) and (3) are amended by deleting "and" wherever it occurs after "Appendix A".

47. Subsection 12.5 (2) is amended by deleting "and" after "Appendix A".

48. Section 12.7 is amended by

(a) *Replacing the heading with* "Notifying the regulator or the securities regulatory authority of a change, claim or cancellation".

(b) *by adding* "or, in Québec, the securities regulatory authority" after "regulator".

49. *Section 12.8 is replaced with the following:*

12.8 Direction by the regulator or the securities regulatory authority to conduct an audit or review

A registered firm must direct its auditor in writing to conduct any audit or review required by the regulator or, in Québec, the securities regulatory authority during its registration and must deliver a copy of the direction to the regulator or the securities regulatory authority

- (a) with its application for registration, and
- (b) no later than the 10th day after the registered firm changes its auditor.

50. *Section 12.10 is amended in subsections (1) and (2) by adding “or, in Québec, the securities regulatory authority” after “regulator”.*

51. *Subsection 12.11(1) and (2) is amended by adding “or, in Québec, the securities regulatory authority” after “regulator”.*

52. *Section 12.12 is amended*

(a) *by adding “or, in Québec, the securities regulatory authority” after “regulator” wherever the expression occurs.*

(b) *by adding, after section (2), the following:*

(2.1) If a registered firm is a member of the MFDA and is registered as an exempt market dealer or scholarship plan dealer, the firm is exempt from paragraphs (1)(b) and (2)(b) if all of the following apply:

- (a) the firm has a minimum capital of not less than \$50,000 as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*;
- (b) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 *MFDA Financial Questionnaire and Report*, no later than the 90th day after the end of its financial year, that shows the calculation of the firm’s risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any;
- (c) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 *MFDA Financial*

Questionnaire and Report, no later than the 30th day after the end of the first, second and third interim period of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the interim period and as at the end of the immediately preceding month, if any.

(c) *in subsection (3) by adding* “unless it is also registered in another category” *after* “exempt market dealer”.

53. *Section 12.13 is amended by adding* “or, in Québec, the securities regulatory authority” *after* “regulator”.

54. *Section 12.14 is amended*

(a) *by adding* “or, in Québec, the securities regulatory authority” after “regulator” *wherever the expression occurs*;

(b) *by adding, after subsection (3), the following*:

(4) If a registered firm is a member of IIROC and is registered as an investment fund manager, the firm is exempt from paragraphs (1)(b) and (2)(b) if

(a) the firm has a minimum capital of not less than \$100,000, as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*;

(b) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*, no later than the 90th day after the end of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any, and

(c) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*, no later than the 30th day after the end of the first, second and third interim period of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the interim period and as at the end of the immediately preceding month, if any.

(5) If a registered firm is a member of the MFDA and is registered as an investment fund manager, the firm is exempt from paragraphs (1)(b) and (2)(b) if

- (a) the firm has a minimum capital of not less than \$100,000, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*,
- (b) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 *MFDA Financial Questionnaire and Report*, no later than the 90th day after the end of its financial year, that shows the calculation of the firm’s risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any, and
- (c) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 *MFDA Financial Questionnaire and Report*, no later than the 30th day after the end of the first, second and third interim period of its financial year, that shows the calculation of the firm’s risk adjusted capital as at the end of the interim period and as at the end of the immediately preceding month, if any.

55. Section 13.1 is amended by adding “an investment fund manager in respect of its activities as” **after** “apply to”.

56. Section 13.2 is amended

- (a) **in subsection (3) by deleting** “under paragraph (2)(a)”,
- (b) **in subparagraph (3)(b)(i) by replacing** “10%” **with** “25%”, **and**
- (c) **by adding the following after subsection (6):**

(7) Paragraph (2)(b) does not apply to a registrant in respect of a client for which the registrant only trades securities referred to in paragraphs 7.1(2)(b) and (2)(c).

57. Paragraph 13.6 (b) is amended by adding “, or is managed by an affiliate of,” **after** “affiliate of”.

58. Section 13.8 is replaced with the following:

Permitted referral arrangements

13.8 A registered firm, or a registered individual whose registration is sponsored by the registered firm, must not participate in a referral arrangement with another person or company unless,

(a) before a client is referred by or to the registrant, the terms of the referral arrangement are set out in a written agreement between the registered firm and the person or company;

(b) the registered firm records all referral fees, and

(c) the registrant ensures that the information prescribed by subsection 13.10(1) [*disclosing referral arrangements to clients*] is provided to the client in writing before the party receiving the referral either opens an account for the client or provides services to the client.

59. Section 13.9 is amended by

(a) *replacing* “registrant that refers” *with* “registered firm, or a registered individual whose registration is sponsored by the registered firm, must not refer”,

(b) *replacing* “must take” *with* “unless the firm first takes”, *and*

(c) *deleting* “himself, herself, or”.

60. Subsection 13.10 (1) is amended

(a) *in paragraph (a) by replacing* “referral arrangement” *with* “agreement referred to in paragraph 13.8(a)”,

(b) *in paragraph (b) by replacing* “referral arrangement” *with* “agreement”,
and

(c) *in paragraph (c) by replacing* “referral arrangement” *with* “agreement”.

61. Section 13.12 is amended by adding the following:

(2) Notwithstanding subsection (1), an investment fund manager may lend money on a short term basis to an investment fund it manages, if the loan is for the purpose of funding redemptions of its securities or meeting expenses incurred by the investment fund in the normal course of its business.

62. Subsection 13.13 (2) is amended by

(a) *adding* “one of the following applies” *after* “if”,

(b) *repealing paragraph (b)*.

63. *Section 13.14 is replaced with the following:*

13.14 Application of this Division

(1) This Division does not apply to an investment fund manager in respect of its activities as an investment fund manager.

(2) In Québec, a registered firm is deemed to comply with this Division if it complies with sections 168.1.1 to 168.1.3 of the *Securities Act* (Québec).

64. *Section 14.1 is replaced with the following:*

14.1 Investment fund managers exempt from Part 14

14.1 Other than sections 14.6 [*holding client assets in trust*], 14.12(5) [*content and delivery of trade confirmation*] and 14.14 [*account statements*], this Part does not apply to an investment fund manager in respect of its activities as an investment fund manager.

65. *Subsection 14.2 (2) is amended*

(a) *by replacing paragraph (j) with the following*

(j) If section 13.16 applies to the registered firm, disclosure that independent dispute resolution or mediation services are available at the registered firm's expense, to resolve any dispute that might arise between the client and the firm about any trading or advising activity of the firm or one of its representatives; *and*

(b) *in paragraph (k) by adding “registered” after “that the”.*

66. *Section 14.5 is replaced with the following:*

14.5 Notice to clients by non-resident registrants

(1) A registered firm whose head office is not located in the local jurisdiction must provide a client in the local jurisdiction with a statement in writing disclosing the following:

(a) the firm is not resident in the local jurisdiction;

(b) the jurisdiction in Canada or the foreign jurisdiction in which the head office or the principal place of business of the firm is located;

- (c) all or substantially all of the assets of the firm may be situated outside the local jurisdiction;
- (d) there may be difficulty enforcing legal rights against the firm because of the above;
- (e) the name and address of the agent for service of process of the firm in the local jurisdiction.

(2) This section does not apply to a registered firm whose head office is in Canada if the firm is registered in the local jurisdiction.

67. Section 14.12 is amended

(a) in subsection (1) by replacing “Subject to subsection (2), a” with “A” and by adding “or, if the client consents in writing, to a registered adviser acting for the client,” after “deliver to the client”,

(b) by replacing subsection (3) with the following

(3) Paragraph (1)(h) does not apply if all of the following apply:

(a) the security is a security of a mutual fund that is established and managed by the registered dealer or by an affiliate of the registered dealer, in its capacity as investment fund manager of the mutual fund;

(b) the names of the dealer and the mutual fund are sufficiently similar to indicate that they are affiliated or related., **and**

(c) by adding the following after subsection (4):

(5) A registered investment fund manager that has executed a redemption order received directly from a security holder must promptly deliver to the security holder a written confirmation of the redemption, setting out the following:

- (a) the quantity and description of the security redeemed;
- (b) the price per security received by the client;
- (c) the commission, sales charge, service charge and any other amount charged in respect of the redemption;
- (d) the settlement date of the redemption.

(6) Section 14.12 (5) does not apply to trades in a security of an investment fund made on reliance on section 8.6.

68. Section 14.13 is amended

(a) in the heading by replacing “Semi-annual confirmations” with “Confirmations”, and

(b) by repealing paragraph (d).

69. Section 14.14 is amended

(a) in the heading by replacing “Client” with “Account”,

(b) in subsection (2) by deleting “, other than a mutual fund dealer,” after “registered dealer”,

(c) by adding the following after subsection (2):

(2.1) Subsection (2) does not apply to a mutual fund dealer in connection with its activities as a dealer in respect of the securities listed in section 7.1(2)(b).

(d) by adding the following after subsection (3):

(3.1) If there is no dealer of record for a security holder on the records of a registered investment fund manager, the investment fund manager must deliver a statement to the security holder at least once every 12 months,

(e) by replacing subsection (4) with the following:

(4) A statement delivered under subsection (1), (2), (3) or (3.1) must include all of the following information for each transaction made for the client or security holder during the period covered by the statement:

- (a) the date of the transaction;
- (b) the type of transaction;
- (c) the name of the security;
- (d) the number of securities;
- (e) the price per security;
- (f) the total value of the transaction.

(f) by replacing subsection (5) with the following:

(5) A statement delivered under subsection (1), (2), (3) or (3.1) must include all of the following information about the client's or security holder's account as at the end of the period for which the statement is made:

- (a) the name and quantity of each security in the account;
- (b) the market value of each security in the account;
- (c) the total market value of each security position in the account;
- (d) any cash balance in the account;
- (e) the total market value of all cash and securities in the account, *and*

(g) by adding the following after subsection (5):

(6) Subsections (1) and (2) do not apply to a scholarship plan dealer if both of the following apply:

- (a) the dealer is not registered in another dealer or adviser category;
- (b) the dealer delivers to the client a statement at least once every 12 months that provides the information in subsections (4) and (5).

70. Subsection 15.1 is amended by adding "in Québec" after "regulator."

71. Subsection 16.4 is amended

(a) in paragraph (1)(b) by adding "or, in Québec, the securities regulatory authority" after "regulator"

(b) in subsection (3) by adding "a" after "dealer or".

72. Subsection 16.5(1) is replaced with the following

(1) A person or company is not required to register in the local jurisdiction as an investment fund manager if it is registered, or has applied for registration, as an investment fund manager in the jurisdiction of Canada in which its head office is located.

(2) Subsection (1) is repealed on September 28, 2012.

- 73. Subsection 16.6(2) is replaced with the following**
- (2) Subsection (1) is repealed on September 28, 2012.
- 74. Subsections 16.7(3) and (4) are amended by adding “or, in Québec, the securities regulatory authority” after “regulator” wherever this expression occurs.**
- 75. Subsection 16.8(b) is amended by adding “or, in Québec, the securities regulatory authority” after “regulator”.**
- 76. Subsection 16.9 is amended**
- (a) *in paragraph (1)(b), by adding “or, in Québec, the securities regulatory authority” after “regulator”, and*
- (b) *in subsection (2), by adding “in a jurisdiction of Canada” after “compliance officer”.*
- 77. Subsection 16.10 (1) is amended by adding “in a jurisdiction of Canada” after “is registered”.**
- 78. Subsection 16.16(1) is amended**
- (a) *by adding “in a jurisdiction of Canada” after “registered firm”, and*
- (b) *in subsection (2) by replacing “2 years after this Instrument comes into force” with “on September 28, 2012”.*
- 79. Section 16.17 is replaced with the following:**

16.17 Account statements – mutual fund dealers

- (1) Section 14.14 [*account statements*] does not apply to a person or company that was, on September 28, 2009, either of the following:
- (a) a member of the MFDA;
- (b) a mutual fund dealer in Québec, unless it was also a portfolio manager in Québec.
- (2) Subsection (1) is repealed on September 28, 2011.

80. *Form 31-103F1 is replaced with the following:*

FORM 31-103F1 CALCULATION OF EXCESS WORKING CAPITAL

_____ Firm Name

Capital Calculation

(as at _____ with comparative figures as at _____)

	Component	Current period	Prior period
1.	Current assets		
2.	Less current assets not readily convertible into cash (e.g., prepaid expenses)		
3.	Adjusted current assets Line 1 minus line 2 =		
4.	Current liabilities		
5.	Add 100% of long-term related party debt unless the firm and the lender have executed a subordination agreement in the form set out in Appendix B and the firm has delivered a copy of the agreement to the regulator or, in Québec, the securities regulatory authority		
6.	Adjusted current liabilities Line 4 plus line 5 =		
7.	Adjusted working capital Line 3 minus line 6 =		
8.	Less minimum capital		

9.	Less market risk		
10.	Less any deductible under the bonding or insurance policy required under Part 12 of National Instrument 31-103, <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations</i>		
11.	Less Guarantees		
12.	Less unresolved differences		
13.	Excess working capital		

Notes:

This form must be prepared using the accounting principles that you use to prepare your financial statements in accordance with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*. Section 12.1 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* provides further guidance in respect of these accounting principles.

Line 5. Related-party debt – Refer to the CICA Handbook for the definition of “related party” for publicly accountable enterprises.

Line 8. Minimum Capital – The amount on this line must be not less than (a) \$25,000 for an adviser and (b) \$50,000 for a dealer. For an investment fund manager, the amount must be not less than \$100,000 unless subsection 12.1(4) applies.

Line 9. Market Risk – The amount on this line must be calculated according to the instructions set out in Schedule 1 to this Form.

Line 11. Guarantees – If the registered firm is guaranteeing the liability of another party, the total amount of the guarantee must be included in the capital calculation. If the amount of a guarantee is included in the firm’s statement of financial position as a current liability and is reflected in line 4, do not include the amount of the guarantee on line 11.

Line 12. Unresolved differences – Any unresolved differences that could result in a loss from either firm or client assets must be included in the capital calculation. The examples below provide guidance as to how to calculate unresolved differences:

- (i) If there is an unresolved difference relating to client securities, the amount to be reported on Line 12 will be equal to the fair value of the client securities that are short, plus the applicable margin rate for those securities.
- (ii) If there is an unresolved difference relating to the registrant's investments, the amount to be reported on Line 12 will be equal to the fair value of the investments (securities) that are short.
- (iii) If there is an unresolved difference relating to cash, the amount to be reported on Line 12 will be equal to the amount of the shortfall in cash.

Please refer to section 12.1 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* for further guidance on how to prepare and file this form.

Management Certification		
Registered Firm Name: _____		
We have examined the attached capital calculation and certify that the firm is in compliance with the capital requirements as at _____.		
Name and Title	Signature	Date
1. _____ —	_____ —	_____ —
_____ —	_____ —	_____ —
2. _____ —		
_____ —		

**Schedule 1 of Form 31-103F1 Calculation of Excess Working Capital
(calculating line 9 [market risk])**

For purposes of completing this form:

(1) "Fair value" means the value of a security determined in accordance with Canadian GAAP applicable to publicly accountable enterprises.

(2) For each security whose value is included in line 1, Current Assets, multiply the fair value of the security by the margin rate for that security set out below. Add up the resulting amounts for all of the securities you hold. The total is the "market risk" to be entered on line 9.

(a) Bonds, Debentures, Treasury Bills and Notes

(i) Bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada, of the United Kingdom, of the United States of America and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively), maturing (or called for redemption):

within 1 year:	1% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years:	1 % of fair value
over 3 years to 7 years:	2% of fair value
over 7 years to 11 years:	4% of fair value
over 11 years:	4% of fair value

(ii) Bonds, debentures, treasury bills and other securities of or guaranteed by any jurisdiction of Canada and obligations of the International Bank for Reconstruction and Development, maturing (or called for redemption):

within 1 year:	2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years:	3 % of fair value
over 3 years to 7 years:	4% of fair value
over 7 years to 11 years:	5% of fair value
over 11 years:	5% of fair value

(iii) Bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or the United Kingdom maturing:

within 1 year: 3% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365

over 1 year to 3 years: 5 % of fair value

over 3 years to 7 years: 5% of fair value

over 7 years to 11 years: 5% of fair value

over 11 years: 5% of fair value

(iv) Other non-commercial bonds and debentures, (not in default): 10% of fair value

(v) Commercial and corporate bonds, debentures and notes (not in default) and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the registered firm's name maturing:

within 1 year: 3% of fair value

over 1 year to 3 years: 6 % of fair value

over 3 years to 7 years: 7% of fair value

over 7 years to 11 years: 10% of fair value

over 11 years: 10% of fair value

(b) Bank Paper

Deposit certificates, promissory notes or debentures issued by a Canadian chartered bank (and of Canadian chartered bank acceptances) maturing:

within 1 year: 2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365

over 1 year: apply rates for commercial and corporate bonds, debentures and notes

(c) Acceptable foreign bank paper

Deposit certificates, promissory notes or debentures issued by a foreign bank, readily negotiable and transferable and maturing:

within 1 year: 2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365

over 1 year: apply rates for commercial and corporate bonds, debentures and notes

“Acceptable Foreign Bank Paper” consists of deposit certificates or promissory notes issued by a bank other than a Canadian chartered bank with a net worth (i.e., capital plus reserves) of not less than \$200,000,000.

(d) Mutual Funds

Securities of mutual funds qualified by prospectus for sale in any jurisdiction of Canada:

- (i) 5% of the net asset value per security as determined in accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure*, where the fund is a money market mutual fund as defined in National Instrument 81-102 *Mutual Funds*; or
- (ii) the margin rate determined on the same basis as for listed stocks multiplied by the net asset value per security of the fund as determined in accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure*.

(e) Stocks

In this paragraph, “securities” includes rights and warrants and does not include bonds and debentures.

- (i) On securities including investment fund securities, rights and warrants, listed on any exchange in Canada or the United States of America:

Long Positions – Margin Required

Securities selling at \$2.00 or more – 50% of fair value

Securities selling at \$1.75 to \$1.99 – 60% of fair value

Securities selling at \$1.50 to \$1.74 – 80% of fair value

Securities selling under \$1.50 – 100% of fair value

Short Positions – Credit Required

Securities selling at \$2.00 or more – 150% of fair value

Securities selling at \$1.50 to \$1.99 - \$3.00 per share

Securities selling at \$0.25 to \$1.49 – 200% of fair value

Securities selling at less than \$0.25 – fair value plus \$0.25 per shares

(ii) For positions in securities that are constituent securities on a major broadly-based index of one of the following exchanges, 50% of the fair value:

- (a) Australian Stock Exchange Limited
- (b) Bolsa de Madrid
- (c) Borsa Italiana
- (d) Copenhagen Stock Exchange
- (e) Euronext Amsterdam
- (f) Euronext Brussels
- (g) Euronext Paris S.A.
- (h) Frankfurt Stock Exchange
- (i) London Stock Exchange
- (j) New Zealand Exchange Limited
- (k) Stockholm Stock Exchange
- (l) Swiss Exchange
- (m) The Stock Exchange of Hong Kong Limited
- (n) Tokyo Stock Exchange

(f) Mortgages

(i) For a firm registered in any jurisdiction of Canada except Ontario:

- (a) Insured mortgages (not in default): 6% of fair value
- (b) Mortgages which are not insured (not in default): 12% of fair value of the loan or the rates set by Canadian financial institutions or Schedule III banks, whichever is greater.

(ii) For a firm registered in Ontario:

- (a) Mortgages insured under the National Housing Act (Canada) (not in default): 6% of fair value
- (b) Conventional first mortgages (not in default): 12% of fair value of the loan or the rates set by Canadian financial institutions or Schedule III banks, whichever is greater.

If you are registered in Ontario regardless of whether you are also registered in another jurisdiction of Canada, you will need to apply the margin rates set forth in (ii) above.
--

(g) For all other securities – 100% of fair value.

81. *Form 31-103F2 is replaced with the following:*

**FORM 31-103F2 SUBMISSION TO JURISDICTION AND APPOINTMENT OF
AGENT FOR SERVICE**
(sections 8.18 [international dealer] and 8.26 [international adviser])

1. Name of person or company ("International Firm"):
2. If the International Firm was previously assigned an NRD number as a registered firm or an unregistered exempt international firm, provide the NRD number of the firm.
3. Jurisdiction of incorporation of the International Firm:
4. Head office address of the International Firm:
5. The name, e-mail address, phone number and fax number of the International Firm's chief compliance officer.

Name:

E-mail address:

Phone:

Fax:

6. Section of National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations* the International Firm is relying on:

- Section 8.18 [*international dealer*]
- Section 8.26 [*international adviser*]
- Other

7. Name of agent for service of process (the "Agent for Service"):
8. Address for service of process on the Agent for Service:
9. The International Firm designates and appoints the Agent for Service at the address stated above as its agent upon whom may be served a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal or other proceeding (a "Proceeding") arising out of or relating to or concerning the International Firm's activities in the local jurisdiction and irrevocably waives any right to raise as a defence in any such proceeding any alleged lack of jurisdiction to bring such Proceeding.
10. The International Firm irrevocably and unconditionally submits to the non-exclusive jurisdiction of the judicial, quasi-judicial and administrative tribunals of

the local jurisdiction in any Proceeding arising out of or related to or concerning the International Firm's activities in the local jurisdiction.

11. Until 6 years after the International Firm ceases to rely on section 8.18 [*international dealer*] or section 8.26 [*international adviser*], the International Firm must submit to the securities regulatory authority
 - a. a new Submission to Jurisdiction and Appointment of Agent for Service in this form no later than the 30th day before the date this Submission to Jurisdiction and Appointment of Agent for Service is terminated; and
 - b. an amended Submission to Jurisdiction and Appointment of Agent for Service no later than the 30th day before any change in the name or above address of the Agent for Service.
12. This Submission to Jurisdiction and Appointment of Agent for Service is governed by and construed in accordance with the laws of the local jurisdiction.

Dated: _____

(Signature of the International Firm or authorized signatory)

(Name and Title of authorized signatory)

Acceptance

The undersigned accepts the appointment as Agent for Service of (Insert name of International Firm) under the terms and conditions of the foregoing Submission to Jurisdiction and Appointment of Agent for Service.

Dated: _____

(Signature of Agent for Service or authorized signatory)

(Name and Title of authorized signatory)

82. ***Form 31-103F3 is amended by replacing “and Exemptions” with “, Exemptions and Ongoing Registrant Obligations”.***

83. Appendix B is amended

(a) **replacing** “and Exemptions” **with** “, Exemptions and Ongoing Registrant Obligations”, **and**

(b) **in section 1 by replacing** “owned” **with** “owed”, **and**

(c) **in section 4 by adding** “10 days before” **after** “Securities Regulatory Authority” **and by deleting** “prior to” **after** “Securities Regulatory Authority”.

This instrument comes into force on (insert date) 2011.

**AMENDMENTS TO NATIONAL INSTRUMENT 33-109 REGISTRATION
INFORMATION**

- 1. National Instrument 33-109 Registration Information is amended by this Instrument.**
- 2. Section 1.1 is amended**
 - (a) by deleting the definitions of “NI 31-102” and “NI 31-103”, and**
 - (b) in the opening statement of the definition of “permitted individual” by deleting the words “who is not a registered individual and” and in paragraph (a) by replacing “and” with “or”.**
- 3. Sections 1.2, 2.1 and 2.2 are amended by replacing “NI 31-102” wherever the expression occurs with “National Instrument 31-102- National Registration Database”.**
- 4. Section 2.3 is amended**
 - (a) in subsection (1) by replacing “NI 31-102” with “National Instrument 31-102- National Registration Database” ,**
 - (b) in subsection (2) by replacing “NI 31-103” with “National Instrument 31-103-Registration Requirements, Exemptions and Ongoing Registrant Obligations” and “NI 31-102” with “National Instrument 31-102- National Registration Database”, and**
 - (c) in paragraph (2)(b) by adding “resigned voluntarily,” after “resign,”.**
- 5. Section 2.4 is amended by replacing “NI 31-102” with “National Instrument 31-102- National Registration Database”.**
- 6. Section 2.5 is amended**
 - (a) in subsection (1) by replacing “NI 31-102” with “National Instrument 31-102- National Registration Database” and “7 days” with “10 days”,**
 - (b) in subsection (2), by adding “firm” after “a former sponsoring”, and**
 - (c) in paragraph (2)(a) by replacing “NI 31-102” with “National Instrument 31-102- National Registration Database”, and**
 - (d) in subparagraph 2(a)(i) by replacing “7 days ” with “10 days”.**
- 7. Sections 2.6 is amended by replacing “NI 31-102” with “National Instrument 31-102- National Registration Database”.**

8. Section 3.1 is amended by replacing “7 days” with “10 days” wherever the expression occurs.

9. Section 3.2 is amended by replacing “NI 31-102” with “National Instrument 31-102- National Registration Database” and “7 days” with “10 days”.

10. Subsection 4.1 is amended

- (a) in subsection (1) by replacing “7 days” with “10 days”,**
- (b) in subsection (3) and (4) by replacing “NI 31-102” with “National Instrument 31-102- National Registration Database”, and**
- (c) by replacing paragraph (4)(b) with the following paragraphs:**
 - (b) the removal or the addition of a category of registration;
 - (c) the surrender of registration in one or more non-principal jurisdictions.”

11. Section 4.2 is amended

- (a) in subsection (1) by replacing “NI 31-102” with “National Instrument 31-102- National Registration Database”,**
- (b) in paragraph (1)(b) by deleting “or retirement” and “or the completion or expiry of an employment or agency contract”, and**
- (c) in subsection (2), (3) and (4), by replacing “7 days” wherever the expression occurs with “10 days” and**
- (d) in subsections (3) and (4), by replacing “person or company” wherever the expression occurs with “registered firm”.**

12. Subsection 5.1 (1) is amended by adding “sponsoring” after “A”.

13. Section 6.2 is amended by replacing “instrument” wherever it occurs with “Instrument” and by replacing “7 days” wherever the expression occurs with “10 days”.

14. Section 6.4 is amended by replacing “NI 31-102” with “National Instrument 31-102- National Registration Database”.

15. Form 33-109F1 is amended

- (a) under “ **General Instructions**” by replacing “person” after “permitted” with “individual” and by adding at the end “or has ceased to act in a registerable activity or as a permitted individual”;
- (b) under “**Terms**” by replacing at the end “;” with “.”;
- (c) under “**When to submit the form**” by replacing “five business days” with “10 days”;
- (d) in **Item 5** by replacing the instructions above “[For NRD Format only:]” with the following:

Complete **Item 5** except where the individual is deceased. In the space below:

- state the reason(s) for the cessation / termination and
- provide details if the answer to any of the following questions is “Yes”.

- (e) in **Item 5** under “[For NRD Format only:]” by replacing “completed temporary employment contract, retired or” with “individual is”; and
- (f) by repealing **Item 6** and **Schedule A**.

16. Form 33-109F2 is amended

- (a) in the heading by replacing “section 4.2 or 2.2(2) or 2.5(2)” with “section 2.2(2), 2.4, 2.6(2) or 4.1(4)”;
- (b) by replacing **Item 2** with the following:

Item 2 Registration jurisdictions

1. Are you filing this form under the passport system / interface for registration?

Choose “no” if you are registered in:

- (a) only one jurisdiction in Canada
- (b) more than one jurisdiction in Canada and you are requesting a surrender in a non-principal jurisdiction or jurisdictions, but not in your principal jurisdiction.

(c) more than one jurisdiction in Canada and you are requesting a change only in your principal jurisdiction; *and*

(c) *by replacing Item 4 with the following:*

Item 4 Adding categories

1. Categories

What categories are you seeking to add?

2. Professional liability insurance (Québec mutual fund dealers and Québec scholarship plan dealers)

If you are seeking registration as a representative of a mutual fund dealer or of a scholarship plan dealer in Québec, are you covered by your sponsoring firm's professional liability insurance?

Yes No

If "No", state:

The name of your insurer _____

Your policy number _____

3. Relevant securities industry experience

If you have not been registered in the last 36 months and you passed the required examination more than 36 months ago, do you consider that you have gained 12 months of relevant securities industry experience during the 36 month period?

Yes No N/A

If you are an individual applying for IIROC approval, select "Not Applicable" above.

If "yes", complete Schedule A.

(d) *by replacing Schedule A with the following:*

SCHEDULE A

Relevant securities industry experience (Item 4)

Describe your responsibilities in areas relating to the category you are applying for, including the title(s) you have held, as well as start and end dates:

What is the percentage of your time devoted to these activities?

_____ %

Indicate the continuing education activities which you have participated in during the last 36 months and which are relevant to the category of registration you are applying for:

(e) *by adding the following after Schedule A:*

Schedule B

Contact information for

Notice of collection and use of personal information

Alberta

Alberta Securities Commission,
Suite 600, 250-5th St. SW
Calgary, AB T2P 0R4
Attention: Information Officer
Telephone: (403) 355-4151

British Columbia

British Columbia Securities Commission

Nunavut

Legal Registries Division
Department of Justice
Government of Nunavut
P.O. Box 1000 Station 570
Iqaluit, NU X0A 0H0
Attention: Deputy Registrar of Securities
Telephone: (867) 975-6590

P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
Attention: Freedom of Information Officer
Telephone: (604) 899-6500 or (800) 373-6393 (in BC)

Manitoba

The Manitoba Securities Commission
500 - 400 St. Mary Avenue
Winnipeg, MB R3C 4K5
Attention: Director of Registrations
Telephone (204) 945-2548
Fax (204) 945-0330

New Brunswick

New Brunswick Securities Commission
Suite 300, 85 Charlotte Street
Saint John, NB E2L 2J2
Attention: Director, Regulatory Affairs
Telephone: (506) 658-3060

Newfoundland and Labrador

Securities NL
Financial Services Regulation Division
Department of Government Services
P.O. Box 8700, 2nd Floor, West Block
Confederation Building
St. John's, NL A1B 4J6
Attention: Manager of Registrations
Tel: (709) 729-5661

Nova Scotia

Nova Scotia Securities Commission
2nd Floor, Joseph Howe Building
1690 Hollis Street
P.O. Box 458
Halifax, NS B3J 2P8
Attention: Deputy Director, Capital
Markets
Telephone: (902) 424-7768

Northwest Territories

Government of the Northwest Territories
P.O. Box 1320
Yellowknife, NWT X1A 2L9

Ontario

Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Attention: Compliance and Registrant
Regulation
Telephone: (416) 593-8314
e-mail: registration@osc.gov.on.ca

Prince Edward Island

Securities Registry
Office of the Attorney General B
Consumer, Corporate and
Insurance Services Division
P.O. Box 2000
Charlottetown, PE C1A 7N8
Attention: Deputy Registrar of Securities
Telephone: (902) 368-6288

Québec

Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Attention: Responsable de l'accès à
l'information
Telephone: (514) 395-0337 or (877) 525-0337 (in Québec)

Saskatchewan

Saskatchewan Financial Services
Commission
Suite 601, 1919 Saskatchewan Drive
Regina, SK S4P 4H2
Attention: Director
Telephone: (306) 787-5842

Yukon

Yukon Securities Office
Department of Community Services
P.O. Box 2703 C-6
Whitehorse, YT Y1A 2C6
Attention: Superintendent of Securities
Telephone: (867) 667-5225

Attention: Deputy Superintendent of
Securities
Telephone: (867) 920-8984

Self-regulatory organization
Investment Industry Regulatory
Organization of Canada
121 King Street West, Suite 1600
Toronto, Ontario M5H 3T9
Attention: Privacy Officer
Telephone: (416) 364-6133
E-mail: PrivacyOfficer@iiroc.ca

17. Form 33-109F3 is amended by replacing Schedule A with the following:

Schedule A

Contact information for

Notice of collection and use of personal information

Alberta

Alberta Securities Commission,
Suite 600, 250-5th St. SW
Calgary, AB T2P 0R4
Attention: Information Officer
Telephone: (403) 355-4151

British Columbia

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
Attention: Freedom of Information Officer
Telephone: (604) 899-6500 or (800) 373-
6393 (in BC)

Manitoba

The Manitoba Securities Commission
500 - 400 St. Mary Avenue
Winnipeg, MB R3C 4K5
Attention: Director of Registrations
Telephone (204) 945-2548
Fax (204) 945-0330

New Brunswick

New Brunswick Securities Commission
Suite 300, 85 Charlotte Street
Saint John, NB E2L 2J2

Nunavut

Legal Registries Division
Department of Justice
Government of Nunavut
P.O. Box 1000 Station 570
Iqaluit, NU X0A 0H0
Attention: Deputy Registrar of Securities
Telephone: (867) 975-6590

Ontario

Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Attention: Compliance and Registrant
Regulation
Telephone: (416) 593-8314
e-mail: registration@osc.gov.on.ca

Prince Edward Island

Securities Registry
Office of the Attorney General B
Consumer, Corporate and
Insurance Services Division
P.O. Box 2000
Charlottetown, PE C1A 7N8
Attention: Deputy Registrar of Securities
Telephone: (902) 368-6288

Attention: Director, Regulatory Affairs
Telephone: (506) 658-3060

Newfoundland and Labrador

Securities NL
Financial Services Regulation Division
Department of Government Services
P.O. Box 8700, 2nd Floor, West Block
Confederation Building
St. John's, NL A1B 4J6
Attention: Manager of Registrations
Tel: (709) 729-5661

Nova Scotia

Nova Scotia Securities Commission
2nd Floor, Joseph Howe Building
1690 Hollis Street
P.O. Box 458
Halifax, NS B3J 2P8
Attention: Deputy Director, Capital
Markets
Telephone: (902) 424-7768

Northwest Territories

Government of the Northwest Territories
P.O. Box 1320
Yellowknife, NWT X1A 2L9
Attention: Deputy Superintendent of
Securities
Telephone: (867) 920-8984

Québec

Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Attention: Responsable de l'accès à
l'information
Telephone: (514) 395-0337 or (877) 525-
0337 (in Québec)

Saskatchewan

Saskatchewan Financial Services
Commission
Suite 601, 1919 Saskatchewan Drive
Regina, SK S4P 4H2
Attention: Director
Telephone: (306) 787-5842

Yukon

Yukon Securities Office
Department of Community Services
P.O. Box 2703 C-6
Whitehorse, YT Y1A 2C6
Attention: Superintendent of Securities
Telephone: (867) 667-5225

Self-regulatory organization

Investment Industry Regulatory
Organization of Canada
121 King Street West, Suite 1600
Toronto, Ontario M5H 3T9
Attention: Privacy Officer
Telephone: (416) 364-6133
E-mail: PrivacyOfficer@iiroc.ca

18. Form 33-109F4 is amended

(a) *in the definition of “Approved person” under “Terms” by replacing “member of the IIROC (Member)” with “member (Member) of the Investment Industry Regulatory Organization of Canada (IIROC)”*,

(b) *in the paragraphs “NRD format” and “Format, other than NRD format”, under the heading “How to submit this form”, by adding “with securities regulation experience” after “legal adviser”*,

(c) *in section 1 of Item 8 by*

(i) *replacing the title with the following:*

“Course, examination or designation information and other education”,

(ii) *replacing “course and” with “course,” and by adding “and designation” in the first sentence of item 1, after “examination”, and*

(iii) *replacing “course or” with “course,” and by adding “or designation” in the second sentence of item 1, after “examination”;*

(d) *in section 2 of Item 8 by adding the following after “Advocis (formerly CAIFA):_____”:*

RESP Dealers Association of Canada:

Other:

(e) *in section 3 of Item 8 by adding “, designation” after the word “examination”;*

(f) *in Item 8 by adding the following after section 3:*

4. Relevant securities industry experience

If you are an individual applying for IIROC approval, select “Not Applicable below”.

If you have not been registered in the last 36 months and you passed the required examination more than 36 months ago, do you consider that you have gained 12 months of relevant securities industry experience during the 36 month period?

Yes No N/A

If “yes”, complete Schedule F.

(g) *in section 4 of Item 9 by adding “supervisor or” after “Name of”.*

(h) *in Item 14 by replacing “Immigration Act” with “Immigration and Refugee Protection Act”, and “Young Offenders Act” wherever the expression occurs with “former Young Offenders Act”.*

(i) *in Item 1.3 of Schedule A to Form 33-109F4 is amended by adding the following after “No ”:*

N/A

(j) *in Schedule C by replacing “Investment Industry Regulatory Organization of Canada” with “IIROC”.*

(k) *by replacing Schedule E with the following:*

**SCHEDULE E
Proficiency (Item 8)**

Item 8.1 Course, examination or designation information and other education

Course, examination, designation or other education	Date completed (YYYY/MM/DD)	Date exempted (YYYY/MM/DD)	Regulator / securities regulatory authority granting the exemption

If you have listed the CFA Charter in Item 8.1, please indicate by checking the box below whether you are a current member of the CFA Institute permitted to use the CFA Charter.

Yes No

If “no”, please explain why you no longer hold this designation:

If you have listed the CIM designation in Item 8.1, please indicate by checking the box below whether you are currently permitted to use the CIM designation.

Yes No

If “no”, please explain why you no longer hold this designation:

(l) *in Schedule F*

- (i) *in the heading by replacing “Item 8.3” with “Items 8.3 and 8.4”,*
- (ii) *by adding the word “, designation” after the word “examination” wherever it occurs, and*
- (iii) *by adding the following after Item 8.3:*

Item 8.4 Relevant securities industry experience

Describe your responsibilities in areas relating to the category you are applying for, including the title(s) you have held, as well as the start and end dates:

What is the percentage of your time devoted to these activities?

_____ %

Indicate the continuing education activities which you have participated in during the last 36 months and which are relevant to the category of registration you are applying for:

(m) in Schedule G by replacing section 5 with the following:

5. Conflicts of interest

If you have more than one employer or are engaged in business related activities:

A. Disclose any potential for confusion by clients and any potential for conflicts of interest arising from your multiple employment or business related activities or proposed business related activities.

B. Indicate whether or not any of your employers or organizations where you engage in business related activities are listed on an exchange.

C. Confirm whether the firm has procedures for minimizing potential conflicts of interest and if so, confirm that you are aware of these procedures.

D. State the name of the person at your sponsoring firm who has reviewed and approved your multiple employment or business related activities or proposed business related activities

E. If you do not perceive any conflicts of interest arising from this employment, explain why.

(n) by replacing Schedule O with the following:

Schedule O
Contact information for
Notice of collection and use of personal information

Alberta

Alberta Securities Commission,
Suite 600, 250-5th St. SW
Calgary, AB T2P 0R4
Attention: Information Officer
Telephone: (403) 355-4151

British Columbia

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
Attention: Freedom of Information Officer
Telephone: (604) 899-6500 or (800) 373-6393 (in BC)

Manitoba

The Manitoba Securities Commission
500 - 400 St. Mary Avenue
Winnipeg, MB R3C 4K5
Attention: Director of Registrations
Telephone (204) 945-2548
Fax (204) 945-0330

New Brunswick

New Brunswick Securities Commission
Suite 300, 85 Charlotte Street
Saint John, NB E2L 2J2
Attention: Director, Regulatory Affairs
Telephone: (506) 658-3060

Newfoundland and Labrador

Securities NL
Financial Services Regulation Division
Department of Government Services
P.O. Box 8700, 2nd Floor, West Block
Confederation Building
St. John's, NL A1B 4J6
Attention: Manager of Registrations
Tel: (709) 729-5661

Nunavut

Legal Registries Division
Department of Justice
Government of Nunavut
P.O. Box 1000 Station 570
Iqaluit, NU X0A 0H0
Attention: Deputy Registrar of Securities
Telephone: (867) 975-6590

Ontario

Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Attention: Compliance and Registrant
Regulation
Telephone: (416) 593-8314
e-mail: registration@osc.gov.on.ca

Prince Edward Island

Securities Registry
Office of the Attorney General B
Consumer, Corporate and
Insurance Services Division
P.O. Box 2000
Charlottetown, PE C1A 7N8
Attention: Deputy Registrar of Securities
Telephone: (902) 368-6288

Québec

Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Attention: Responsable de l'accès à
l'information
Telephone: (514) 395-0337 or (877) 525-0337 (in Québec)

Saskatchewan

Nova Scotia

Nova Scotia Securities Commission
2nd Floor, Joseph Howe Building
1690 Hollis Street
P.O. Box 458
Halifax, NS B3J 2P8
Attention: Deputy Director, Capital
Markets
Telephone: (902) 424-7768

Northwest Territories

Government of the Northwest Territories
P.O. Box 1320
Yellowknife, NWT X1A 2L9
Attention: Deputy Superintendent of
Securities
Telephone: (867) 920-8984

Saskatchewan Financial Services
Commission

Suite 601, 1919 Saskatchewan Drive
Regina, SK S4P 4H2
Attention: Director
Telephone: (306) 787-5842

Yukon

Yukon Securities Office
Department of Community Services
P.O. Box 2703 C-6
Whitehorse, YT Y1A 2C6
Attention: Superintendent of Securities
Telephone: (867) 667-5225

Self-regulatory organization

Investment Industry Regulatory
Organization of Canada
121 King Street West, Suite 1600
Toronto, Ontario M5H 3T9
Attention: Privacy Officer
Telephone: (416) 364-6133
E-mail: PrivacyOfficer@iiroc.ca

19. Form 33-109F5 is amended

(a) under “How to submit this form” by adding the following after subparagraph b) of the second paragraph:

Name _____ of _____ firm

Registration _____ categories

NRD number (firm) _____

(b) in Item 1 by adding the following under “ Form 33-109F6”:

“If submitting changes to Form 33-109F6, please attach a blackline of the amended sections of the form.”; and

(c) in Item 5 by deleting the line “name of firm”.

(d) by replacing *Schedule A with the following:*

Schedule A

Contact information for

Notice of collection and use of personal information

Alberta

Alberta Securities Commission,
Suite 600, 250-5th St. SW
Calgary, AB T2P 0R4
Attention: Information Officer
Telephone: (403) 355-4151

British Columbia

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
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Telephone: (604) 899-6500 or (800) 373-6393 (in BC)

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The Manitoba Securities Commission
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Winnipeg, MB R3C 4K5
Attention: Director of Registrations
Telephone (204) 945-2548
Fax (204) 945-0330

New Brunswick

New Brunswick Securities Commission
Suite 300, 85 Charlotte Street
Saint John, NB E2L 2J2
Attention: Director, Regulatory Affairs
Telephone: (506) 658-3060

Newfoundland and Labrador

Securities NL
Financial Services Regulation Division
Department of Government Services
P.O. Box 8700, 2nd Floor, West Block
Confederation Building
St. John's, NL A1B 4J6
Attention: Manager of Registrations

Nunavut

Legal Registries Division
Department of Justice
Government of Nunavut
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Saskatchewan

Saskatchewan Financial Services
Commission
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Regina, SK S4P 4H2
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Yukon

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Self-regulatory organization

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121 King Street West, Suite 1600
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E-mail: PrivacyOfficer@iiroc.ca

20. Form 33-109F6 is amended

(a) *in the definition of “NI 31-103” by replacing “and Exemptions” with “, Exemptions and Ongoing Registrant Obligations”,*

(b) *under “Definitions” by adding the following definitions in alphabetical order:*

“Foreign jurisdiction – see National Instrument 14-101 *Definitions*”;

“Jurisdiction or jurisdiction of Canada– see National Instrument 14-101 *Definitions*”.

“NI 52-107 – National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*”

(c) *under “Contents of the form” by replacing “Alberta and Manitoba” with “Alberta, Manitoba and New Brunswick”,*

(d) in the next to last paragraph under “How to complete and submit the form” by deleting “and fees”,

(e) under “How to complete and submit the form” by adding the following paragraph before the last paragraph :

“In most of this form, answers are required to questions which apply only to Canadian provinces and territories; you will find that the questions are referenced to “jurisdictions” or “jurisdiction of Canada”. These refer to all provinces and territories of Canada. However, the questions in Part 4 –*Registration History* and Part 7 – *Regulatory Action* are to be answered in respect of any jurisdiction in the world.”; **and**

(f) in section 1.3 of Part 1 by

(i) replacing “Questions 1.1, 1.2, 1.4, 1.5, 2.4, and Part 9” with “Questions 1.1, 1.2, 1.4, 1.5, 2.4, 3.9, 5.4, 5.6, and Part 9”,*

(ii) replacing “Questions 1.1, 1.2, 1.4, 1.5, 5.1, 5.4, 5.5, 5.6, 5.7, 5.8, Part 6 and Part 9” with “Questions 1.1, 1.2, 1.4, 1.5, 3.1, 5.1, 5.4, 5.5, 5.6*, 5.7, 5.8, Part 6 and Part 9”, and*

(iii) adding the following after “Part 6 and Part 9”:

“* If the firm is adding Québec as a jurisdiction for registration in the category of mutual fund dealer or scholarship plan dealer, complete question 5.6.”,

(g) in the table in section 1.4 under “Jurisdiction” by replacing “NT” with “NS”, and “NS” with “NT”,

(h) in the table in section 1.5 under “Jurisdiction(s) where the firm has applied for the exemption” by replacing “NT” with “NS”, and “NS” with “NT”,

(i) in the table in paragraph 2.2 (b) of Part 2 by replacing “NT” with “NS”, and “NS” with “NT”, and

(j) in sections 2.5 and 2.6 by replacing the word “Title” with:

Officer title
Telephone number
E-mail address

(k) *in section 3.3 in Part 3 by replacing “Alberta or Manitoba” with “Alberta, Manitoba or New Brunswick”,*

(l) *by replacing the first sentence of Part 4 with the following:*

“The questions in Part 4 apply to any jurisdiction and any foreign jurisdiction.”

(m) *in section 4.5 by deleting the word “ever”,*

(n) *by replacing section 5.1 of Part 5 with the following:*

5.1 Calculation of excess working capital

Attach the firm’s calculation of excess working capital.

- Investment dealers must use the capital calculation form required by the Investment Industry Regulatory Organization of Canada (IIROC).
- Mutual fund dealers must use the capital calculation form required by the Mutual Fund Dealers Association of Canada (MFDA), except for mutual fund dealers registered in Québec only
- Firms that are not members of either IIROC or the MFDA must use Form 31-103F1 *Calculation of Excess Working Capital*. See Schedule C.

(o) *in section 5.4 by replacing “NT” with “NS”, and “NS” with “NT”,*

(p) *in section 5.5 by adding the following after “Annual aggregate coverage (\$)”:*

Total coverage (\$)	
---------------------	--

(q) *in section 5.5 by replacing “Renewal date” with “Expiry date”,*

(r) *in section 5.6 by adding the following after “Annual aggregate coverage (\$)”:*

Total coverage (\$)	
---------------------	--

and under “Jurisdictions covered:” by replacing “NT” with “NS”, and “NS” with “NT”,

(s) by replacing section 5.13 with the following:

“(a) Attach, for your most recently completed year, either

(i) non-consolidated audited financial statements; or

(ii) audited financial statements prepared in accordance with section 3.2(3) of NI 52-107.

(b) If the audited financial statements attached for item (a) were prepared for a period ending more than 90 days before the date of this application, also attach an interim financial report for a period of not more than 90 days before the date of this application.

If the firm is a start-up company, you can attach an audited opening statement of financial position instead.”

(t) in Part 6

(i) by adding the following before section 6.1 and after “31-103CP”:

For guidance regarding whether a firm will hold or have access to client assets see section 12.4 of Companion Policy 31-103CP., **and**

(ii) in section 6.1 by replacing “does” with “will”.

(u) in Part 7 by replacing the first sentence with the following:

“The questions in Part 7 apply to any jurisdiction and any foreign jurisdiction. The information must be provided in respect of the last 7 years.”

(v) in section 7.1, by deleting “ever”.

(w) in Part 8 by replacing the first paragraph with the following:

“The firm must disclose offences or legal actions under any statute governing the firm and its business activities in any jurisdiction. The information must be provided in respect of the last 7 years.”

(x) in section 8.1 by deleting “ever”,

(y) *by replacing Schedule A with the following:*

Schedule A

Contact information for

Notice of collection and use of personal information

Alberta

Alberta Securities Commission,
Suite 600, 250-5th St. SW
Calgary, AB T2P 0R4
Attention: Information Officer
Telephone: (403) 355-4151

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Telephone: (867) 920-8984

Saskatchewan

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Commission
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Regina, SK S4P 4H2
Attention: Director
Telephone: (306) 787-5842

Yukon

Yukon Securities Office
Department of Community Services
P.O. Box 2703 C-6
Whitehorse, YT Y1A 2C6
Attention: Superintendent of Securities
Telephone: (867) 667-5225

Self-regulatory organization

Investment Industry Regulatory
Organization of Canada
121 King Street West, Suite 1600
Toronto, Ontario M5H 3T9
Attention: Privacy Officer
Telephone: (416) 364-6133
E-mail: PrivacyOfficer@iiroc.ca

(z) in Schedule B by adding the following under “Address for service of process on the Agent for Service”:

Phone number of the Agent for Service:

(a.1) in paragraphs 7(a) and 7(b) of Schedule B by replacing “7th day” with “10th day”,

(b.1) by replacing Schedule C with the following:

FORM 31-103F1 CALCULATION OF EXCESS WORKING CAPITAL

Firm Name

Capital Calculation

(as at _____ with comparative figures as at _____)

	Component	Current period	Prior period
1.	Current assets		
2.	Less current assets not readily convertible into cash (e.g., prepaid expenses)		
3.	Adjusted current assets Line 1 minus line 2 =		
4.	Current liabilities		
5.	Add 100% of long-term related party debt unless the firm and the lender have executed a subordination agreement in the form set out in Appendix B and the firm has delivered a copy of the agreement to the regulator or, in Québec, the securities regulatory authority		
6.	Adjusted current liabilities Line 4 plus line 5 =		
7.	Adjusted working capital Line 3 minus line 6 =		
8.	Less minimum capital		
9.	Less market risk		
10.	Less any deductible under the bonding or insurance policy required under Part 12 of National Instrument 31-103, <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations</i>		

11.	Less Guarantees		
12.	Less unresolved differences		
13.	Excess working capital		

Notes:

This form must be prepared using the accounting principles that you use to prepare your financial statements in accordance with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*. Section 12.1 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* provides further guidance in respect of these accounting principles.

Line 5. Related-party debt – Refer to the CICA Handbook for the definition of “related party” for publicly accountable enterprises.

Line 8. Minimum Capital – The amount on this line must be not less than (a) \$25,000 for an adviser and (b) \$50,000 for a dealer. For an investment fund manager, the amount must be not less than \$100,000 unless subsection 12.1(4) applies.

Line 9. Market Risk – The amount on this line must be calculated according to the instructions set out in Schedule 1 to this Form.

Line 11. Guarantees – If the registered firm is guaranteeing the liability of another party, the total amount of the guarantee must be included in the capital calculation. If the amount of a guarantee is included in the firm’s statement of financial position as a current liability and is reflected in line 4, do not include the amount of the guarantee on line 11.

Line 12. Unresolved differences – Any unresolved differences that could result in a loss from either firm or client assets must be included in the capital calculation. The examples below provide guidance as to how to calculate unresolved differences:

- (i) If there is an unresolved difference relating to client securities, the amount to be reported on Line 12 will be equal to the fair value of the client securities that are short, plus the applicable margin rate for those securities.

- (ii) If there is an unresolved difference relating to the registrant's investments, the amount to be reported on Line 12 will be equal to the fair value of the investments (securities) that are short.
- (iii) If there is an unresolved difference relating to cash, the amount to be reported on Line 12 will be equal to the amount of the shortfall in cash.

Please refer to section 12.1 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* for further guidance on how to prepare and file this form.

Management Certification		
Registered Firm Name: _____		
We have examined the attached capital calculation and certify that the firm is in compliance with the capital requirements as at _____.		
Name and Title	Signature	Date
1. _____ _____	_____	_____
2. _____ _____	_____	_____

**Schedule 1 of Form 31-103F1 Calculation of Excess Working Capital
(calculating line 9 [market risk])**

For purposes of completing this form:

(1) "Fair value" means the value of a security determined in accordance with Canadian GAAP applicable to publicly accountable enterprises.

(2) For each security whose value is included in line 1, Current Assets, multiply the fair value of the security by the margin rate for that security set out below. Add up the resulting amounts for all of the securities you hold. The total is the "market risk" to be entered on line 9.

(a) Bonds, Debentures, Treasury Bills and Notes

- (i) Bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada, of the United Kingdom, of the United States of America and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively), maturing (or called for redemption):

within 1 year:	1% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years:	1 % of fair value
over 3 years to 7 years:	2% of fair value
over 7 years to 11 years:	4% of fair value
over 11 years:	4% of fair value

- (ii) Bonds, debentures, treasury bills and other securities of or guaranteed by any jurisdiction of Canada and obligations of the International Bank for Reconstruction and Development, maturing (or called for redemption):

within 1 year:	2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years:	3 % of fair value
over 3 years to 7 years:	4% of fair value
over 7 years to 11 years:	5% of fair value
over 11 years:	5% of fair value

- (iii) Bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or the United Kingdom maturing:

within 1 year:	3% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years:	5 % of fair value
over 3 years to 7 years:	5% of fair value
over 7 years to 11 years:	5% of fair value
over 11 years:	5% of fair value

- (iv) Other non-commercial bonds and debentures, (not in default): 10% of fair value

- (v) Commercial and corporate bonds, debentures and notes (not in default) and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the registered firm's name maturing:

within 1 year:	3% of fair value
over 1 year to 3 years:	6 % of fair value
over 3 years to 7 years:	7% of fair value
over 7 years to 11 years:	10% of fair value
over 11 years:	10% of fair value

(b) Bank Paper

Deposit certificates, promissory notes or debentures issued by a Canadian chartered bank (and of Canadian chartered bank acceptances) maturing:

within 1 year:	2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year:	apply rates for commercial and corporate bonds, debentures and notes

(c) Acceptable foreign bank paper

Deposit certificates, promissory notes or debentures issued by a foreign bank, readily negotiable and transferable and maturing:

within 1 year:	2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year:	apply rates for commercial and corporate bonds, debentures and notes

“Acceptable Foreign Bank Paper” consists of deposit certificates or promissory notes issued by a bank other than a Canadian chartered bank with a net worth (i.e., capital plus reserves) of not less than \$200,000,000.

(d) Mutual Funds

Securities of mutual funds qualified by prospectus for sale in any jurisdiction of Canada:

- (i) 5% of the net asset value per security as determined in accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure*, where the fund is a money market mutual fund as defined in National Instrument 81-102 *Mutual Funds*; or
- (ii) the margin rate determined on the same basis as for listed stocks multiplied by the net asset value per security of the fund as determined in

accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure*.

(e) Stocks

In this paragraph, “securities” includes rights and warrants and does not include bonds and debentures.

- (i) On securities including investment fund securities, rights and warrants, listed on any exchange in Canada or the United States of America:

Long Positions – Margin Required

Securities selling at \$2.00 or more – 50% of fair value

Securities selling at \$1.75 to \$1.99 – 60% of fair value

Securities selling at \$1.50 to \$1.74 – 80% of fair value

Securities selling under \$1.50 – 100% of fair value

Short Positions – Credit Required

Securities selling at \$2.00 or more – 150% of fair value

Securities selling at \$1.50 to \$1.99 - \$3.00 per share

Securities selling at \$0.25 to \$1.49 – 200% of fair value

Securities selling at less than \$0.25 – fair value plus \$0.25 per shares

- (ii) For positions in securities that are constituent securities on a major broadly-based index of one of the following exchanges, 50% of the fair value:

- (a) Australian Stock Exchange Limited
- (b) Bolsa de Madrid
- (c) Borsa Italiana
- (d) Copenhagen Stock Exchange
- (e) Euronext Amsterdam
- (f) Euronext Brussels
- (g) Euronext Paris S.A.
- (h) Frankfurt Stock Exchange
- (i) London Stock Exchange
- (j) New Zealand Exchange Limited
- (k) Stockholm Stock Exchange
- (l) Swiss Exchange

- (m) The Stock Exchange of Hong Kong Limited
- (n) Tokyo Stock Exchange

(f) Mortgages

(i) For a firm registered in any jurisdiction of Canada except Ontario:

(a) Insured mortgages (not in default): 6% of fair value

(b) Mortgages which are not insured (not in default): 12% of fair value of the loan or the rates set by Canadian financial institutions or Schedule III banks, whichever is greater.

(ii) For a firm registered in Ontario:

(a) Mortgages insured under the National Housing Act (Canada) (not in default): 6% of fair value

(b) Conventional first mortgages (not in default): 12% of fair value of the loan or the rates set by Canadian financial institutions or Schedule III banks, whichever is greater.

If you are registered in Ontario regardless of whether you are also registered in another jurisdiction of Canada, you will need to apply the margin rates set forth in (ii) above.
--

(g) For all other securities – 100% of fair value.

22. Form 33-109F7 is amended

(a) in section 1 under “General Instructions” by adding “the end of” after “on or before”, and by replacing “termination” with “cessation”,

(b) in section 3 under “General instructions” by deleting “dismissed, or was”, and adding “resigned voluntarily or was dismissed,” after “resign,”,

(c) in the definition for “you”, “your” and “individual” under “Terms” by adding “or their status as permitted individual” after “registration”,

(d) in section 5 of Item 5 by deleting “Date on which you will become authorized to act on behalf of the new sponsoring firm as a registered individual or permitted individual (YYYY/MM/DD)”,

(e) in paragraph 2 (b) of Item 9 by adding “or resigned voluntarily” after “resign”,

(f) in Schedule B by replacing “Investment Industry Regulatory Organization of Canada” with “IIROC”.

(g) *by replacing section 5 of Schedule D with the following:*

5. Conflict of Interest

If you have more than one employer or are engaged in business related activities:

A. Disclose any potential for confusion by clients and any potential for conflicts of interest arising from your multiple employment or business related activities or proposed business related activities.

B. Indicate whether or not any of your employers or organizations where you engage in business related activities are listed on an exchange.

C. Confirm whether the firm has procedures for minimizing potential conflicts of interest and if so, confirm that you are aware of these procedures.

D. If you do not perceive any conflicts of interest arising from this employment, explain why.

(h) *by replacing Schedule F with the following:*

Schedule F

Contact information for

Notice of collection and use of personal information

Alberta

Alberta Securities Commission,
Suite 600, 250-5th St. SW
Calgary, AB T2P 0R4
Attention: Information Officer
Telephone: (403) 355-4151

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Attention: Freedom of Information Officer
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Securities
Telephone: (867) 920-8984

Saskatchewan

Saskatchewan Financial Services
Commission
Suite 601, 1919 Saskatchewan Drive
Regina, SK S4P 4H2
Attention: Director
Telephone: (306) 787-5842

Yukon

Yukon Securities Office
Department of Community Services
P.O. Box 2703 C-6
Whitehorse, YT Y1A 2C6
Attention: Superintendent of Securities
Telephone: (867) 667-5225

Self-regulatory organization

Investment Industry Regulatory
Organization of Canada
121 King Street West, Suite 1600
Toronto, Ontario M5H 3T9
Attention: Privacy Officer
Telephone: (416) 364-6133
E-mail: PrivacyOfficer@iiroc.ca

23. This Instrument comes into force on (*insert date*) 2011.

~~COMPANION POLICY~~ Companion Policy 31-103 CP
REGISTRATION REQUIREMENTS ~~AND~~ EXEMPTIONS AND ONGOING REGISTRANT
OBLIGATIONS

Part 1 Definitions and fundamental concepts

1.1 Introduction

Purpose of this Companion Policy

This Companion Policy sets out how the Canadian Securities Administrators (the CSA or we) interpret or apply the provisions of National Instrument 31-103 *Registration Requirements ~~and~~ Exemptions and Ongoing Registrant Obligations* (NI 31-103) and related securities legislation.

Numbering system

Except for Part 1, the numbering of Parts, Divisions and sections in this Companion Policy correspond to the numbering in NI 31-103. Any general guidance for a Part or a Division appears immediately after the Part or Division name. Any specific guidance on sections in NI 31-103 follows any general guidance. If there is no guidance for a Part, Division or section, the numbering in this Companion Policy will skip to the next provision that does have guidance.

All references in this Companion Policy to sections, Parts and Divisions are to NI 31-103, unless otherwise noted.

Additional requirements applicable to registrants

For additional requirements that may apply to them, registrants should refer to:

- National Instrument 31-102 *National Registration Database* (NI 31-102) and the Companion Policy to NI 31-102
- National Instrument 33-109 *Registration Information* (NI 33-109) and the Companion Policy to NI 33-109
- National Policy 11-204 *Process for Registration in Multiple Jurisdictions* (NP 11-204), and
- securities and derivatives legislation in their jurisdiction

Registrants that are members of a self-regulatory organization (SRO) must also comply with their SRO's requirements.

Disclosure and notices

Delivering disclosure and notices to the principal regulator

~~Registrants~~ Under section 1.3, registrants must deliver all disclosure and notices required under NI 31-103 to the registrant's principal regulator, ~~except for~~ This does not apply to notices under sections:

- 8.18 *International dealer*
- 8.26 *International adviser*
- 11.9 *Registrant acquiring a registered firm's securities or assets, and*
- 11.10 *Registered firm whose securities are acquired*

Registrants must deliver these notices to the regulator in each jurisdiction where they are registered or relying on an exemption from registration.

[Electronic delivery of documents](#)

These documents may be delivered electronically. Registrants should refer to National Policy 11-201 *Delivery of Documents by Electronic Means* and, in Québec, Notice 11-201 *Delivery of Documents by Electronic Means*.

See Appendix A for contact information for each regulator.

[Clear and meaningful disclosure to clients](#)

[We expect registrants to present disclosure information to clients in a clear and meaningful manner in order to ensure clients understand the information presented. Registrants should ensure that investors can readily understand the information. These requirements are consistent with the obligation to deal fairly, honestly and in good faith with clients.](#)

1.2 Definitions

Unless defined in NI 31-103, terms used in NI 31-103 and in this Companion Policy have the meaning given to them in the securities legislation of each jurisdiction or in National Instrument 14-101 *Definitions*. See Appendix B for a list of some terms that are not defined in NI 31-103 or this Companion Policy but are defined in other securities legislation.

In this Companion Policy, “regulator” means the regulator or securities regulatory authority in a jurisdiction.

Permitted client

The following discussion provides guidance on the term “permitted client”, which is defined in section ~~4.1 of NI 31-103-1.1~~.

“Permitted client” is used in the following sections:

- 8.18 *International dealer*
- 8.26 *International adviser*
- 13.2 *Know your client*
- 13.3 *Suitability*
- 13.13 *Disclosure when recommending the use of borrowed money*
- 14.2 *Relationship disclosure information*, and
- 14.4 *When the firm has a relationship with a financial institution*

Exemptions from registration when dealing with permitted clients

NI 31-103 exempts international dealers and international advisers from the registration requirement if they deal with certain permitted clients and meet certain other conditions.

Exemptions from other requirements when dealing with permitted clients

Under section 13.3, permitted clients may waive their right to have a registrant determine that a trade is suitable. In order to rely on this exemption, the registrant must determine that a client is a permitted client at the time the client waives their right to suitability.

Under sections 13.13, 14.2 and 14.4, registrants do not have to provide certain disclosures to permitted clients. In order to rely on these exemptions, registrants must determine that a client is a permitted client at the time the client opens an account.

Determining assets

The definition of permitted client includes monetary thresholds based on the value of the client's assets. The monetary thresholds in paragraphs (o) and (q) of the definition are intended to create "bright-line" standards. Investors who do not satisfy these thresholds do not qualify as permitted clients under the applicable paragraph.

Paragraph (o) of the definition

Paragraph (o) refers to an individual who beneficially owns financial assets with an aggregate realizable value that exceeds \$5 million, before taxes but net of any related liabilities.

In general, determining whether financial assets are beneficially owned by an individual should be straightforward. However, this determination may be more difficult if financial assets are held in a trust or in other types of investment vehicles for the benefit of an individual.

Factors indicating beneficial ownership of financial assets include:

- possession of evidence of ownership of the financial asset
- entitlement to receive any income generated by the financial asset
- risk of loss of the value of the financial asset, and
- the ability to dispose of the financial asset or otherwise deal with it as the individual sees fit

For example, securities held in a self-directed RRSP for the sole benefit of an individual are beneficially owned by that individual. Securities held in a group RRSP are not beneficially owned if the individual cannot acquire and deal with the securities directly.

"Financial assets" is defined in section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions* (NI 45-106).

Realizable value is typically the amount that would be received by selling an asset. ~~Market value may be used to estimate realizable value when a market for an asset exists.~~

Paragraph (q) of the definition

Paragraph (q) refers to a person or company that has net assets of at least \$25 million, as shown on its last financial statements. "Net assets" under this paragraph is total assets minus total liabilities. ~~The value attributed to assets should reasonably reflect their estimated fair value.~~

1.3 Fundamental concepts

This section describes the fundamental concepts that form the basis of the registration regime:

- requirement to register
- business trigger for trading and advising, and
- fitness for registration

A registered firm is responsible for the conduct of the individuals whose registration it sponsors. A registered firm

- must undertake due diligence before sponsoring an individual to be registered to act on its behalf (see further guidance in Part 4 *Due diligence by firms* of the Companion Policy to NI 33-109)
- has an ongoing obligation to monitor and supervise its registered individuals in an effective manner (see further guidance in section 11.1 of this Companion Policy)

[Failure of a registered firm to take reasonable steps to discharge these responsibilities may be relevant to the firm's own continued fitness for registration.](#)

Requirement to register

The requirement to register is found in securities legislation. Firms must register if they are:

- in the business of trading
- in the business of advising
- holding themselves out as being in the business of trading or advising
- acting as an underwriter, or
- acting as an investment fund manager

Individuals must register if they trade, underwrite or advise on behalf of a registered dealer or adviser, or act as the ultimate designated person (UDP) or chief compliance officer (CCO) of a registered firm. [Individuals Except for the UDP and the CCO, individuals](#) who act on behalf of a registered investment fund manager do not have to register.

[However, all permitted individuals of any registrant must file Form 33-109F4 Registration of Individuals and Review of Permitted Individuals \(Form 33-109F4\).](#)

There is no renewal requirement for registration, but fees must be paid every year to maintain registration.

Multiple categories

Registration in more than one category may be necessary. For example, an adviser that also manages an investment fund may have to register as a portfolio manager and an investment fund manager. An adviser that manages a portfolio and distributes units of an investment fund may have to register as a portfolio manager and as a dealer.

Registration exemptions

NI 31-103 provides exemptions from the registration requirement. [There may be additional exemptions in securities legislation.](#) Some exemptions do not need to be applied for if the conditions of the exemption are met. In other cases, on receipt of an application, the regulator has discretion to grant exemptions for specified dealers, advisers or investment fund managers, or activities carried out by them if registration is required but specific circumstances indicate that it is not otherwise necessary for investor protection or market integrity.

Business trigger for trading and advising

We refer to trading or advising in securities for a business purpose as the “business trigger” for registration.

We look at the type of activity and whether it is carried out for a business purpose to determine if an individual or firm must register. We consider the factors set out below, among others, to determine if the activity is for a business purpose. For the most part, these factors are from case law and regulatory decisions that have interpreted the business purpose test for securities matters.

Factors in determining business purpose

This section describes factors that we consider relevant in determining whether an individual or firm is trading or advising in securities for a business purpose and, therefore, subject to the dealer or adviser registration requirement.

This is not a complete list. We do not automatically assume that any one of these factors on its own will determine whether an individual or firm is in the business of trading or advising in securities.

(a) Engaging in activities similar to a registrant

We usually consider an individual or firm engaging in activities similar to those of a registrant to be trading or advising for a business purpose. Examples include promoting securities or stating in any way that the individual or firm will buy or sell securities. If an individual or firm sets up a business to carry out any of these activities, we may consider them to be trading or advising for a business purpose.

(b) Intermediating trades or acting as a market maker

In general, we consider intermediating a trade between a seller and a buyer of securities to be trading for a business purpose. This typically takes the form of the business commonly referred to as a broker. Making a market in securities is also generally considered to be trading for a business purpose.

(c) Directly or indirectly carrying on the activity with repetition, regularity or continuity

Frequent or regular transactions are a common indicator that an individual or firm may be engaged in trading or advising for a business purpose. The activity does not have to be their sole or even primary endeavour for them to be in the business.

We consider regularly trading or advising in any way that produces, or is intended to produce, profits to be for a business purpose. We also consider any other sources of income and how much time an individual or firm spends on all activities associated with the trading or advising.

(d) Being, or expecting to be, remunerated or compensated

Receiving, or expecting to receive, any form of compensation for carrying on the activity, including whether the compensation is transaction or value based, indicates a business purpose. It does not matter if the individual or firm actually receives compensation or in what form. Having the capacity or the ability to carry on the activity to produce profit is also a relevant factor.

(e) Directly or indirectly soliciting

Contacting anyone to solicit securities transactions or to offer advice may reflect a business purpose. Solicitation includes contacting someone by any means, including advertising that proposes buying or selling securities or participating in a securities transaction, or that offers services or advice for these purposes.

Business trigger examples

This section explains how the business trigger might apply to some common situations.

(a) Securities issuers

A securities issuer is an entity that issues or trades in its own securities. In general, securities issuers with an active non-securities business do not have to register as a dealer if they:

- do not hold themselves out as being in the business of trading in securities
- trade in securities infrequently
- are not, or do not expect to be, compensated for trading in securities
- do not act as intermediaries, and
- do not produce, or intend to produce, a profit from trading in securities

However, securities issuers may have to register as a dealer if they:

- frequently trade in securities

- employ or otherwise contract individuals to perform activities on their behalf that are similar to those performed by a registrant (other than underwriting in the normal course of a distribution or trading for their own account)
- solicit investors actively, or
- act as an intermediary by investing client money in securities

For example, an investment fund manager that carries out the activities described above may have to register as a dealer.

Securities issuers that are in the business of trading should consider whether they qualify for the exemption from the registration requirement for trades through a registered dealer in section [8.5 of NI 31-103.8.5](#).

In most cases, securities issuers are subject to the prospectus requirements in securities legislation. Regulators have the discretionary authority to require an underwriter for a prospectus distribution.

(b) Venture capital and private equity

This guidance does not apply to labour sponsored or venture capital funds as defined in National ~~instrument~~[Instrument](#) 81-106 *Investment Fund Continuous Disclosure* (NI 81-106).

Venture capital and private equity investing are distinguished from other forms of investing by the role played by venture capital and private equity management companies (collectively, VCs). This type of investing includes a range of activities that may require registration.

VCs typically raise money under one of the prospectus exemptions in NI 45-106, including for trades to “accredited investors”. The investors typically agree that their money will remain invested for a period of time. The VC uses this money to invest in securities of companies that are not publicly traded. The VC usually becomes actively involved in the management of the company, often over several years.

Examples of active management in a company include the VC having:

- representation on the board of directors
- direct involvement in the appointment of managers
- a say in material management decisions

The VC looks to realize on the investment either through a public offering of the company’s securities, or a sale of the business. At this point, the investors’ money can be returned to them, along with any profit.

Investors rely on the VC’s expertise in selecting and managing the companies it invests in. In return, the VC receives a management fee or “carried interest” in the profits generated from these investments. They do not receive compensation for raising capital or trading in securities.

Applying the business trigger factors to the VC activities as described above, there would be no requirement for the VC to register as:

- a portfolio manager, if the advice provided in connection with the purchase and sale of companies is incidental to the VC’s active management of these companies, or
- a dealer, if both the raising of money from investors and the investing of that money in companies are occasional and uncompensated activities

If the VC is actively involved in the management of the companies it invests in, the investment portfolio would generally not be considered an investment fund. As result, the VC would not need to register as an investment fund manager.

The business trigger factors and investment fund manager analysis may apply differently if the VC engages in activities other than those described above.

(c) One-time activities

In general, we do not require registration for one-time trading or advising activities. This includes trading or advising that:

- is carried out by an individual or firm acting as a trustee, executor, administrator, personal or other legal representative, or
- relates to the sale of a business

(d) Incidental activities

If trading or advising activity is incidental to a firm's primary business, we may not consider it to be for a business purpose.

For example, merger and acquisition specialists that advise the parties to a transaction between companies are not normally required to register as dealers or advisers in connection with that activity, even though the transaction may result in trades in securities and they will be compensated for the advice. ~~The primary business purpose in this example is to carry out~~ the transaction. ~~Any advice on~~ results in trades in the securities ~~is incidental to that purpose and is limited to the parties to the transaction of the company to an acquirer, this is considered incidental to the acquisition transaction. However, if the merger and acquisition specialists also engage in capital raising from prospective investors (including private placements), they will need to consider whether such activity would be in the business of trading and require registration.~~

Another example is professionals, such as lawyers, accountants, engineers, geologists and teachers, who may provide advice on securities in the normal course of their professional activities. We do not consider them to be advising on securities for a business purpose. For the most part, any advice on securities will be incidental to their professional activities. This is because they:

- do not regularly advise on securities
- are not compensated separately for advising on securities
- do not solicit clients on the basis of their securities advice, and
- do not hold themselves out as being in the business of advising on securities

Registration trigger for investment fund managers

Investment fund managers are subject to a registration trigger. This means that if a firm carries on the activities of an investment fund manager, it must register. However, investment fund managers are not subject to the business trigger.

Fitness for registration

The regulator will only register an applicant if they appear to be fit for registration. Following registration, individuals and firms must maintain their fitness in order to remain registered. If the regulator determines that a registrant has become unfit for registration, the regulator may suspend or revoke the registration. See Part 6 of this Companion Policy for guidance on suspension and revocation of individual registration. See Part 10 of this Companion Policy for guidance on suspension and revocation of firm registration.

Terms and conditions

The regulator may impose terms and conditions on a registration at the time of registration or at any time after registration. Terms and conditions imposed at the time of registration are generally permanent, for example, in the case of a restricted dealer who is limited to specific activities. Terms and conditions imposed after registration are generally temporary. For example, if a registrant does not maintain the required capital, it may have to file monthly financial statements and capital calculations until the regulator's concerns are addressed.

Opportunity to be heard

Applicants and registrants have an opportunity to be heard by the regulator before their application for registration is denied. They also have an opportunity to be heard before the regulator imposes terms and conditions on their registration if they disagree with the terms and conditions.

Assessing fitness for registration - firms

We assess whether a firm is or remains fit for registration through the information it is required to provide on registration application forms and as a registrant, and through compliance reviews. Based on this information, we consider whether the firm is able to carry out its obligations under securities legislation. For example, registered firms must be financially viable. A firm that is insolvent or has a history of bankruptcy may not be fit for registration.

In addition, when determining whether a firm whose head office is outside Canada is, and remains, fit for registration, we will consider whether the firm maintains registration or regulatory organization membership in the foreign jurisdiction that is appropriate for the securities business it carries out there.

Assessing fitness for registration - individuals

We use three fundamental criteria to assess whether an individual is or remains fit for registration:

- proficiency
- integrity, and
- solvency

(a) Proficiency

Individual applicants must meet the applicable education, training and experience requirements prescribed by securities legislation and demonstrate knowledge of securities legislation and the [products](#)[securities](#) they recommend.

Registered individuals should continually update their knowledge and training to keep pace with new [products](#)[securities](#), services and developments in the industry that are relevant to their business. See [section 3.4 Part 3](#) of this Companion Policy for more specific guidance on proficiency.

(b) Integrity

Registered individuals must conduct themselves with integrity and have an honest character. The regulator will assess the integrity of individuals through the information they are required to provide on registration application forms and as registrants, and through compliance reviews. For example, applicants are required to disclose information about conflicts of interest, such as other employment or partnerships, service as a member of a board of directors, or relationships with affiliates, and about any regulatory or legal actions against them.

(c) Solvency

The regulator will assess the overall financial condition of an individual applicant or registrant. An individual that is insolvent or has a history of bankruptcy may not be fit for registration. Depending on the circumstances, the regulator may consider the individual's contingent liabilities. The regulator may take into account an individual's bankruptcy or insolvency when assessing their continuing fitness for registration.

Part 2 Categories of registration for individuals

2.1 Individual categories

Multiple individual categories

Individuals who carry on more than one activity requiring registration on behalf of a registered firm must:

- register in all applicable categories, and
- meet the proficiency requirements of each category

For example, an advising representative of a portfolio manager who is also the firm's CCO must register in the categories of advising representative and CCO. They must meet the proficiency requirements of both of these categories.

Multiple firms

~~We will not usually register an individual as a dealing, advising or associate advising representative for more than one registered firm even if the firms are affiliated. We will consider applications for individuals to act as a representative of more than one firm on a case-by-case basis. Before we approve an application, we must be satisfied that:~~

- ~~• there are valid business reasons for the individual to be registered with both firms~~
- ~~• the applicant's sponsoring firms have demonstrated that they have policies and procedures addressing any conflicts of interest that may arise as a result of the dual registration, and~~
- ~~• the sponsoring firms will be able to deal with these conflicts~~

~~We may consider other relevant factors.~~

Individual registered in a firm category

An individual can be registered in both a firm and individual category. For example, a sole proprietor who is registered in the firm category of portfolio manager must also be registered in the individual category of advising representative.

2.2 Client mobility exemption – individuals

Conditions of the exemption

The mobility exemption in section 2.2 ~~of NI 31-103~~ allows registered individuals to continue dealing with and advising clients who move to another jurisdiction, without registering in that other jurisdiction. Section 8.30 *Client mobility exemption – firms* contains a similar exemption for registered firms.

The exemption becomes available when the client (not the registrant) moves to another jurisdiction. An individual may deal with up to five "eligible" clients in each other jurisdiction. Each of the client, their spouse and any children are an eligible client.

An individual may only rely on the exemption if:

- they and their sponsoring firm are registered in their principal jurisdiction
- they and their sponsoring firm only act as a dealer, underwriter or adviser in the other jurisdiction as permitted under their registration in their principal jurisdiction
- they comply with Part 13 *Dealing with clients – individuals and firms*
- they act fairly, honestly and in good faith in their dealings with the eligible client, and
- their sponsoring firm has disclosed to the eligible client that the individual and if applicable, their sponsoring firm, are exempt from registration in the other jurisdiction and are not subject to the requirements of securities legislation in that jurisdiction

As soon as possible after an individual first relies on this exemption, their sponsoring firm must complete and file Form 31-103F3 *Use of mobility exemption* (Form 31-103F3) with the other jurisdiction.

Limits on the number of clients

Sections 2.2 and 8.30 are independent of each other: individuals may rely on the exemption from registration in section 2.2 even though their sponsoring firm is registered in the local jurisdiction (and is not relying on the exemption from registration in section 8.30). The limits in sections 2.2 and 8.30 are per jurisdiction.

For example a firm using the exemption in section 8.30 could have 10 clients in each of several local jurisdictions where it is not registered. An individual may also use the exemption in section 2.2 to have 5 clients in each of several jurisdictions where the individual is not registered.

The individual limits are per individual. For example several individuals working for the same firm could each have 5 clients in the same local jurisdiction and each individual could still rely on the exemption in section 2.2. However, the firm may not exceed its 10 client limit if it wants to rely on the exemption in section 8.30. If the firm exceeds the 10 client limit, the firm must be registered in the local jurisdiction.

Part 3 Registration requirements – individuals

Division 1 General proficiency requirements

Application of proficiency requirements

Part 3 sets out the initial and ongoing proficiency requirements for

- dealing representatives and chief compliance officers of mutual fund dealers, scholarship plan dealers and exempt-market dealers respectively
- advising representatives, associate advising representatives and chief compliance officers of portfolio managers
- chief compliance officers of investment fund managers

The regulator is required to determine the individual's fitness for registration and may exercise discretion in doing so.

Section 3.3 does not provide proficiency requirements for dealing representatives of investment dealers since the IIROC Rules provide those requirements for the individuals who are approved persons of IIROC member firms.

Exam based requirements

Individuals must pass exams – not courses – to meet the education requirements in Part 3. For example, an individual must pass the Canadian Securities Course Exam, but does not have to complete the Canadian Securities Course. Individuals are responsible for completing the necessary preparation to pass an exam and for proficiency in all areas covered by the exam.

3.3 Time limits on examination requirements

Under section ~~3.3 of NI 31-103, 3.3~~, there is a time limit on the validity of exams prescribed in Part 3. Individuals must pass an exam within 36 months before they apply for registration. However, ~~the~~this time limit does not apply if the individual:

- was registered in an active capacity (i.e., not suspended), in the same category in a jurisdiction of Canada ~~for a total of 12 months~~at any time during the 36-month period; before the date of their application; or

- has gained relevant securities industry experience for a total of 12 months during the 36-month period before the date of their application; these months do not have to be consecutive, or with the same firm or organization

~~The 12 months of registration and relevant securities industry experience referred to in subsection 3.3(2) do not have to be consecutive, or with the same firm or organization. The individual must have been registered for a total of 12 months or obtained a total of 12 months of experience within the 36-month period before the date they apply for registration.~~

~~These time limits do not apply when individuals transfer to a new firm. This is because they do not have to apply for registration when they transfer. See Part 6 of this Companion Policy for guidance on individuals who transfer to a new firm to the CFA Charter or the CIM designation, since we do not expect the holders of these designations to have to retake the courses forming part of the requirements applicable to these designations. However, if the individual no longer has the right to use the CFA Charter or the CIM designation, by reason of revocation of the designation or otherwise, we may consider the reasons for such a revocation to be relevant in determining an individual's fitness for registration. Registered individuals are required to notify the regulator of any change in the status of the CFA Charter or the CIM designation within 10 days of the change, by submitting Form 33-109F5 *Change of Registration Information* in accordance with National Instrument 31-102 *National Registration Database*.~~

When assessing an individual's fitness for registration, the regulator may consider

- the date on which the relevant examination was passed, and
- the length of time between any suspension and reinstatement of registration during the 36 month period

See Part 6 of this Companion Policy for guidance on the meaning of "suspension" and "reinstatement".

Relevant securities industry experience

The securities industry experience under subsection 3.3(2)(b) should be relevant to the category applied for. It may include experience acquired:

- during employment at a registered dealer, a registered adviser or an investment fund manager
- in related investment fields, such as investment banking, securities trading on behalf of a financial institution, securities research, portfolio management, investment advisory services or supervision of those activities
- in legal, accounting or consulting practices related to the securities industry
- in other professional service fields that relate to the securities industry, or
- in a securities-related business in a foreign jurisdiction

Division 2 Education and experience requirements

See Appendix C for a chart that sets out the proficiency requirements for each individual category of registration.

Granting exemptions

The regulator may grant an exemption from any of the education and experience requirements in Division 2 if it is satisfied that an individual has qualifications or relevant experience that is equivalent to, or more appropriate in the circumstances than, the prescribed requirements.

Proficiency for representatives of investment dealers

~~IIROC sets the proficiency requirements for dealing representatives of its members.~~

Proficiency for representatives of restricted dealers and restricted portfolio managers

The regulator will decide on a case-by-case basis what education and experience are required for registration as:

- a dealing representative or CCO of a restricted dealer, and
- an advising representative or CCO of a restricted portfolio manager

The regulator will determine these requirements when it assesses the individual's fitness for registration.

3.4 Proficiency – initial and ongoing

Proficiency principle

~~Under section 3.4 of NI 31-103, registered individuals, including CCOs,~~ 3.4, registered individuals must not perform an activity that requires registration unless they have the education, training and experience that a reasonable person would consider necessary to perform the activity competently, including understanding the structure, features and risks of each security they recommend to a client (also referred to as know-your-product or KYP).

The requirement to understand the structure, features and risks of each security recommended to a client is a proficiency requirement. This requirement is in addition to the suitability obligation in section 13.3 and applies even where there is an exemption from the suitability obligation such as, for example, the exemption in subsection 13.3(4) in respect of permitted clients.

CCOs must also not perform an activity that requires registration unless they have the education, training and experience that a reasonable person would consider necessary to perform the activity competently.
~~Registered firms should ensure that~~

Responsibility of the firm

The responsibility of registered firms to oversee the compliance of registered individuals acting on their behalf ~~meet this requirement at all times. extends to ensuring that they are proficient at all times. A registered firm must not permit an individual they sponsor to perform an activity if the proficiency requirements are not met.~~

~~For example, firms~~ Firms should perform their own analysis of all ~~products~~ securities they recommend to clients and provide product training to ensure their registered representatives have a sufficient understanding of the ~~products~~ securities and their risks to meet their suitability obligations under section 13.3. Similarly, registered individuals should have a thorough understanding of a ~~product~~ security before they recommend it to a client (also referred to as know-your-product or KYP).

3.11 Portfolio manager – advising representative

3.12 Portfolio manager – associate advising representative

The 12 months of relevant investment management experience referred to in section 3.11 ~~of NI 31-103~~ and 24 months of relevant investment management experience referred to in section 3.12 do not have to be consecutive, or with the same firm or organization. The individual must obtain a total of this experience within the 36-month period before the date they apply for registration.

For individuals with a CFA charter, the regulator will decide on a case-by-case basis whether the experience they gained to earn the charter qualifies as relevant investment management experience.

Relevant investment management experience

Relevant investment management experience under sections 3.11 and 3.12 may vary according to the level of specialization of the individual. It may include:

- securities research and analysis experience, demonstrating an ability in, and understanding of, portfolio analysis or portfolio security selection, or
- management of investment portfolios on a discretionary basis, including investment decision making, rebalancing and evaluating performance

Advising representatives

Advising representatives may acquire relevant investment management experience during employment in a portfolio management capacity with a registered investment dealer or adviser firm.

Associate advising representatives

Relevant investment management experience for associate advising representatives may include working at:

- an unregistered portfolio manager of a Canadian financial institution
- an adviser that is registered in another jurisdiction of Canada, or
- an adviser in a foreign jurisdiction

Division 3 Membership in a self-regulatory organization

3.16 Exemptions from certain requirements for SRO approved persons

Section 3.16 exempts registered individuals who are dealing representatives of IIROC or MFDA members from the requirements in NI 31-103 for suitability and disclosure when recommending the use of borrowed money. This is because IIROC and the MFDA have their own rules for these matters.

In Québec, these requirements do not apply to dealing representatives of a mutual fund dealer ~~who comply with the applicable Québec~~ to the extent that equivalent requirements are applicable to those dealing representatives under regulations in Québec.

This section also exempts registered individuals who are dealing representatives of IIROC from the know your client obligations in section 13.2.

Part 4 Restrictions on registered individuals

4.1 Restrictions on acting for another registered firm

We will consider exemption applications on a case by case basis. When reviewing a registered firm's application for relief from this restriction, we will consider:

- there are valid business reasons for the individual to be registered with both firms
- the individual will have sufficient time to adequately serve both firms
- the applicant's sponsoring firms have demonstrated that they have policies and procedures addressing any conflicts of interest that may arise as a result of the dual registration, and
- the sponsoring firms will be able to deal with these conflicts, including supervising how the individual will deal with these conflicts

In the case of 4.1(1)(b), namely a dealing, advising or associate advising representative acting for another registered firm, affiliation of the firms may be one of the factors that we would consider in respect of an exemption application.

We note that the prohibitions in section 4.1 are in addition to the conflicts of interest provisions set out in section 13.4 [Identifying and responding to conflicts of interest]. See section 13.4 for further guidance on individuals who serve on boards of directors.

4.2 Associate advising representatives – pre-approval of advice

The associate advising representative category is primarily meant to be an apprentice category for individuals who intend to become an advising representative but who do not meet the education or experience requirements for that category when they apply for registration. It allows an individual to work at a registered adviser while completing the proficiency requirements for an advising representative. For example, a previously registered advising representative could work in an advising capacity while acquiring the relevant work experience required for an advising representative under section ~~3.11 of NI 31-103~~.3.11.

However, associate advising representatives are not required to subsequently register as a full advising representative. They can remain as an associate advising representative indefinitely. This category also accommodates, for example, individuals who provide specific advice to clients, but do not manage client portfolios without supervision.

As required by section 4.2, registered firms must designate an advising representative to approve the advice provided by an associate advising representative. The designated advising representative must approve the advice before the associate advising representative gives it to the client. The appropriate processes for approving the advice will depend on the circumstances, including the associate advising representative's level of experience.

Registered firms that have associate advising representatives must:

- document their policies and procedures for meeting the supervision and approval obligations as required under section 11.1
- implement controls as required under section 11.1
- maintain records as required under section 11.5, and

- notify the regulator of the names of the advising representative and the associate advising representative whose advice they are approving no later than the seventh day after the advising representative is designated

Part 5 Ultimate designated person and chief compliance officer

Sections 11.2 and 11.3 ~~of NI 31-103~~ require registered firms to designate a UDP and a CCO. The UDP and CCO must be registered and perform the compliance functions set out in sections 5.1 and 5.2. While the UDP and CCO have specific compliance functions, they are not solely responsible for compliance – it is the responsibility of the firm as a whole.

The same person as UDP and CCO

The UDP and the CCO can be the same person if they meet the requirements for both registration categories. We prefer firms to separate these functions, but we recognize that it might not be practical for some registered firms.

UDP or CCO as advising or dealing representative

The UDP or CCO may also be registered in trading or advising categories. For example, a small registered firm might conclude that one individual can adequately function as UDP and CCO, while also carrying on advising and trading activities. We may have concerns about the ability of a UDP or CCO of a large firm to conduct these additional activities and carry out their UDP, CCO and advising responsibilities at the same time.

5.1 Responsibilities of the ultimate designated person

The UDP is responsible for promoting a culture of compliance and overseeing the effectiveness of the firm's compliance system. They do not have to be involved in the day- to- day management of the compliance group. There are no specific education or experience requirements for the UDP. However, they are subject to the proficiency principle in section 3.4.

5.2 Responsibilities of the chief compliance officer

The CCO is an operating officer who is responsible for the monitoring and oversight of the firm's compliance system. This includes:

- establishing or updating policies and procedures for the firm's compliance system, and
- managing the firm's compliance monitoring and reporting according to the policies and procedures

At the firm's discretion, the CCO may also have authority to take supervisory or other action to resolve compliance issues.

The CCO must meet the proficiency requirements set out in Part 3. No other compliance staff have to be registered unless they are also advising or trading. The CCO may set the knowledge and skills necessary or desirable for individuals who report to them.

If a firm is registered in multiple categories, the CCO must meet the most stringent of the proficiency requirements of the firm's categories of registration.

Firms must designate one CCO. However, in large firms, the scale and kind of activities carried out by different operating divisions may warrant the designation of more than one CCO. We will consider applications, on a case-by-case basis, for different individuals to act as the CCO of a firm's operating divisions.

We will not usually register the same person as CCO of more than one firm unless the firms are affiliated, and the scale and kind of activities carried out make it reasonable for the same person to act as CCO of more than one firm. We will consider applications, on a case-by-case basis, for the CCO of one registered firm to act as the CCO of another registered firm.

Subsection 5.2(c) ~~of NI 31-103~~ requires the CCO to report to the UDP any instances of non-compliance with securities legislation that:

- create a reasonable risk of harm to a client or to the market, or
- are part of a pattern of non-compliance

The CCO should report non-compliance to the UDP even if it has been corrected.

Subsection 5.2(d) requires the CCO to submit an annual report to the board of directors.

Part 6 Suspension and revocation of registration – individuals

The requirements for surrendering registration and additional requirements for suspending and revoking registration are found in the securities legislation of each jurisdiction. The guidance for Part 6 relates to requirements under both securities legislation and NI 31-103.

There is no renewal requirement for registration. A registered individual may carry on the activities for which they are registered until their registration is:

- suspended automatically under NI 31-103
- suspended by the regulator under certain circumstances, or
- surrendered by the individual

6.1 If individual ceases to have authority to act for firm

Under section ~~6.1 of NI 31-103~~, 6.1, if a registered individual ceases to have authority to act on behalf of their sponsoring firm because their working relationship with the firm ends or changes, the individual's registration with the registered firm is suspended until reinstated or revoked under securities legislation. This applies whether the individual or the firm ends the relationship.

If a registered firm terminates its working relationship with a registered individual for any reason, the firm must complete and file a notice of termination on Form 33-109F1 *Notice of Termination of Registered Individuals and Permitted Individuals* (Form 33-109F1) no later than five~~ten~~ days after the effective date of the individual's termination. This includes when an individual resigns, is dismissed or retires.

The firm must file additional information about the individual's termination prescribed in Part 5 of Form 33-109F1 ~~#:~~

- ~~(except where~~ the individual ~~resigned (either voluntarily or at the firm's request)~~
- ~~the individual was dismissed (whether or not for cause), or~~
- ~~the firm indicates "other" as the reason for termination on Form 33-109F1~~ ~~The firm must file this information~~ is deceased, no later than 30 days after the date of termination. The regulator uses this information to determine if there are any concerns about the individual's conduct that may be relevant to their ongoing fitness for registration. Under NI 33-109, the firm must provide this information to the individual on request.

Suspension

An individual whose registration is suspended must not carry on the activity they are registered for. The individual otherwise remains a registrant and is subject to the jurisdiction of the regulator. A suspension remains in effect until the regulator reinstates or revokes the individual's registration.

If an individual who is registered in more than one category is suspended in one of the categories, the regulator will consider whether to suspend the individual's registration in other categories or to impose terms and conditions, subject to an opportunity to be heard.

Automatic suspension

An individual's registration will automatically be suspended if:

- they cease to have a working relationship with their sponsoring firm
- the registration of their sponsoring firm is suspended or revoked, or
- they cease to be an approved person of an SRO

An individual must have a sponsoring firm to be registered. If an individual leaves their sponsoring firm for any reason, their registration is automatically suspended. Automatic suspension is effective on the day that an individual no longer has authority to act on behalf of their sponsoring firm.

Individuals do not have an opportunity to be heard by the regulator in the case of any automatic suspension.

Suspension in the public interest

An individual's registration may be suspended if the regulator exercises its power under securities legislation and determines that it is no longer in the public interest for the individual to be registered. The regulator may do this if it has serious concerns about the ongoing fitness of the individual. For example, this may be the case if an individual is charged with a crime, in particular fraud or theft.

Reinstatement

"Reinstatement" means that a suspension on a registration has been lifted. Once reinstated, an individual may resume carrying on the activity they are registered for. If a suspended individual joins a new sponsoring firm, they will have to apply for reinstatement under the process set out in NI 33-109. In certain cases, the reinstatement or transfer to the new firm will be automatic.

Automatic transfers

Subject to certain conditions set out in NI 33-109, an individual's registration may be automatically reinstated if they:

- transfer directly from one sponsoring firm to another registered firm in the same jurisdiction
- join the new sponsoring firm within 90 days of leaving their former sponsoring firm
- seek registration in the same category as the one previously held, and
- complete and file Form 33-109F7 *Reinstatement of Registered Individuals and Permitted Individuals* (Form 33-109F7)

This allows individuals to engage in activities requiring registration from their first day with the new sponsoring firm.

Individuals are not eligible for an automatic reinstatement if they:

- have new information to disclose regarding regulatory, criminal, civil or financial matters as described in Item 9 of Form 33-109F7, or
- as a result of allegations of criminal activity, breach of securities legislation or breach of SRO rules:
 - were dismissed by their former sponsoring firm, or
 - were asked by their former sponsoring firm to resign

In these cases, the individual must apply to have their registration reinstated under NI 33-109 using Form 33-109F7 ~~4-Registration of Individuals and Review of Permitted Individuals-4.~~

6.2 If IIROC approval is revoked or suspended

6.3 If MFDA approval is revoked or suspended

Registered individuals acting on behalf of member firms of an SRO are required to be an approved person of the SRO.

If an SRO suspends or revokes its approval of an individual, the individual's registration in the category requiring SRO approval will be automatically suspended. This automatic suspension of individuals does not apply to mutual fund dealers registered only in Québec.

If an SRO suspends an individual for reasons that do not involve significant regulatory concerns and subsequently reinstates the individual's approval, the individual's registration will usually be reinstated by the regulator as soon as possible.

Revocation

6.6 Revocation of a suspended registration – individual

If an individual's registration has been suspended under Part 6 ~~of NI 31-103~~ but not reinstated, it will be automatically revoked on the second anniversary of the suspension.

"Revocation" means that the regulator has terminated the individual's registration. An individual whose registration has been revoked must submit a new application if they want to be registered again.

Surrender or termination of registration

~~"Surrender" means~~ if an individual wants to terminate their registration in ~~some, but not all,~~ one or more of the non-principal jurisdictions ~~in which they are~~ where the individual is registered. ~~An, the~~ individual may apply to surrender their registration at any time by completing Form 33-109F2 *Change or Surrender of Individual Categories* (Form 33-109F2) and having their sponsoring firm file it.

~~An~~ an individual ~~who is registered in one or more jurisdictions and~~ wants to terminate their registration in all jurisdictions ~~does not have to file Form 33-109F2. This is because their sponsoring firm is required to file Form 33-109F1~~ their principal jurisdiction, Form 33-109F1 must be filed by the individual's sponsoring firm. Once Form 33-109F1 is filed, the individual's termination of registration will be reflected in all jurisdictions.

Part 7 Categories of registration for firms

The categories of registration for firms have two main purposes:

- to specify the type of business that the firm may conduct, and
- to provide a framework for the requirements the registrant must meet

Firms registered in more than one category

A firm may be required to register in more than one category. For example, a portfolio manager that manages an investment fund must register both as a portfolio manager and as an investment fund manager.

Individual registered in a firm category

An individual can be registered in both a firm and individual category. For example, a sole proprietor who is registered in the firm category of portfolio manager must also be registered in the individual category of advising representative.

7.1 Dealer categories

Underwriting is a subset of dealing activity for specified categories. Investment dealers may underwrite any securities. Exempt market dealers may underwrite securities in limited circumstances.

Exempt market dealer

Under subsection 7.1(2)(d) ~~of NI 31-103,~~ exempt market dealers may only act as a dealer in the "exempt market". The permitted activities of an exempt market dealer are determined with reference to the prospectus exemptions in NI 45-106 and include trades to "accredited investors" and purchasers of at least \$150,000 of a security and trades to anyone under the offering memorandum exemption.

Exempt market dealers can sell investment funds (whether or not they are prospectus-qualified) under these exemptions without registering as a mutual fund dealer or being a member of the MFDA.

Restricted dealer

The restricted dealer category in subsection 7.1(2)(e) permits specialized dealers that may not qualify under another dealer category to carry on a limited trading business. It is intended to be used only if there is a compelling case for the proposed trading to take place outside the other registration categories.

The regulator will impose terms and conditions that restrict the dealer's activities. The CSA will co-ordinate terms and conditions for restricted dealers.

7.2 Adviser categories

The registration requirement in section 7.2 ~~of NI 31-103~~ applies to advisers who give "specific advice". Advice is specific when it is tailored to the needs and circumstances of a client or potential client. For example, an adviser who recommends a security to a client is giving specific advice.

Restricted portfolio manager

The restricted portfolio manager category in subsection 7.2(2)(b) permits individuals or firms to advise in specific securities, classes of securities or securities of a class of issuers.

The regulator will impose terms and conditions on a restricted portfolio manager's registration that limit the manager's activities ~~to~~. For example, a restricted portfolio manager might be limited to advising in respect of a specific area, for example, sector, such as securities of oil and gas issuers.

7.3 Investment fund manager category

Investment fund managers direct the business, operations or affairs of an investment fund. They organize the fund and are responsible for its management and administration. If an entity is uncertain about whether it must register as an investment fund manager, it should consider whether the fund is an "investment fund" for the purposes of securities legislation. See section 1.2 of the Companion Policy to NI 81-106 for guidance on the general nature of investment funds.

An investment fund manager may:

- advertise to the general public a fund it manages without being registered as an adviser, and
- promote the fund to registered dealers without being registered as a dealer

If an investment fund manager acts as portfolio manager for a fund it manages, it should consider whether it may have to be registered as an adviser. If it distributes units of the fund directly to investors, it should consider whether it may have to be registered as a dealer.

In most fund structures, the investment fund manager is a separate legal entity from the fund itself. However, in situations where the board of directors or the trustee(s) of an investment fund direct the business, operations or affairs of the investment fund, the fund itself may be required to register in the investment fund manager category. To address the investor protection concerns that may arise from the investment fund manager and the fund being the same legal entity, and the practical issues of applying the ongoing requirements of a registrant on the fund, terms and conditions may be imposed.

An investment fund manager may delegate or outsource certain functions to other service providers. However, the investment fund manager is responsible for these functions and must supervise the service provider. See Part 11 of this Companion Policy for more guidance on outsourcing.

Limited partnerships

~~Investment funds organized as limited partnerships of investment vehicles should consider which entity or entities may need to be registered as an investment fund manager. Multiple registrations may not be necessary if each general partner in the affiliated group enters into a contract with a single registered investment fund manager within the group. In this case, the investment fund manager may not be one of the general partners.~~ fund complexes or groups with more than one investment fund manager

Some investment fund complexes or groups may have more than one entity within the fund complex that can be considered as directing the business, operations or affairs of an investment fund. For example, structures where investment funds are organized as limited partnerships may have multiple entities within the fund complex that could require investment fund manager registration. Although the investment fund manager functions are often delegated to one entity within the fund complex, there may be more than one entity in the group subject to investment fund manager registration, absent an exemption from registration.

We will consider exemption applications on a case-by-case basis to allow only one investment fund manager within the fund complex to be registered. We will typically consider the following factors when reviewing such applications:

- there is a management agreement in place delegating all or substantially all of the investment fund management function from the investment fund manager seeking the relief to an affiliate (or to an entity whose mind and management is the same) that is registered as an investment fund manager
- the majority of the investment fund management functions are performed by the registered affiliate (or entity whose mind and management is the same)
- the investment fund manager seeking the relief and the registered affiliate have directors and officers in common

Part 8 Exemptions from the requirement to register

NI 31-103 provides several exemptions from the registration requirement. There may be additional exemptions in securities legislation. If a firm is exempt from registration, the individuals acting on its behalf are also exempt from registration.

Division 1 Exemptions from dealer and underwriter registration

We provide no specific guidance for the following exemptions because there is guidance on them in the Companion Policy to NI 45-106:

- 8.12 *Mortgages*
- 8.17 *Reinvestment plan*
- 8.20 *Exchange contract – Alberta, British Columbia, New Brunswick and Saskatchewan*

8.5 Trades through or to a registered dealer

Section 8.5 provides an exemption from the dealer registration requirement for trades made

- solely through an agent who is an appropriately registered dealer, or
- to an appropriately registered dealer that is purchasing for that dealer's account

This exemption is available ~~when no intermediary is involved in a trade, for example, when an individual or firm trades their own securities directly with a registered dealer. An individual or firm will have to register, however, if they trade another party's securities with a registered dealer~~ in respect of a trade made by a person through a registered dealer so long as there is no intervening trading activity by that person for which that person is not appropriately registered or otherwise exempt from the dealer registration requirement. This would typically be the case where an individual trades through their account with an investment dealer or a company issues its own securities through an investment dealer.

This exemption is, however, not available where a person or company conducts trading activities for which they are not registered or exempt from registration and then directs the execution of that trade through a registered dealer. Such trading activities could involve directly contacting persons in the local jurisdiction to solicit their purchase of securities or marketing the securities in the local jurisdiction. For example:

- if an individual acts in furtherance of a sale of securities by soliciting potential purchasers of securities (sometimes referred to as a finder) and then the sale to the purchaser is executed through a registered dealer, the individual would not qualify for this exemption.
- if a person who is registered in the local jurisdiction, or operates under an exemption for their trading activities in that local jurisdiction, proposes to rely on this exemption for their trading activities in another jurisdiction of Canada, the person would need to utilize an appropriately registered dealer to solicit purchases in the other jurisdiction, since that person could not interact directly with purchasers in the other jurisdiction (without being appropriately registered or exempt from registration in that other jurisdiction).

Cross-border transactions (“jitneys”)

All trading activity in reliance upon this exemption that occurs within the local jurisdiction should be done through or to a registered dealer in that jurisdiction. On that basis, the execution of a trade through or to an appropriately registered dealer by a dealer located in another jurisdiction would qualify under this exemption. However, if the dealer in the other jurisdiction engages in other trading activities in the local jurisdiction in connection with the transaction, the trade is no longer a trade made solely through or to a registered dealer and this exemption would not be available.

A trade is not considered to be solely through a registered dealer if the dealer in the other jurisdiction interacts directly with the purchaser in the local jurisdiction. For example, if a dealer in the United States that is not registered in Alberta contacts a potential purchaser in Alberta to solicit the purchase of securities, this trade does not qualify for this exemption. The dealer in the United States must instead solicit the purchase by contacting a dealer registered in Alberta, and have that dealer contact potential purchasers in Alberta.

Plan administrators

A plan administrator can rely on this exemption to place sell orders with dealers in respect of shares of issuers held by plan participants. Section 8.16 [Plan administrator] covers the activity of the plan administrator receiving sell orders from plan participants.

8.6 — Adviser — non-prospectus qualified investment fund 8.6 Investment fund trades by adviser to managed account

Registered advisers often create and use investment funds as a way to efficiently invest their clients' money. In issuing units of those funds to managed account clients, they are in the business of trading in securities. Under the exemption in section 8.6 of NI 31-103, 8.6, a registered ~~advisers do~~ adviser does not have to register as a dealer does for a trade in a security of a ~~non-prospectus qualified~~ an investment fund if they:

- act as the fund's adviser and investment fund manager, and
- distribute units of the fund only into their clients' managed accounts

The exemption is also available to those who qualify for the international adviser exemption under section 8.26.

~~Registered advisers often create non-prospectus qualified investment funds as a way to efficiently invest their clients' money. In issuing units of those funds to clients, they are in the business of trading in securities.~~

Subsection 8.6(2) limits the availability of this exemption to legitimate ~~fully~~ managed accounts. We do not intend for the exemption to be used to distribute the adviser's ~~own non-prospectus qualified~~ investment funds on a retail basis.

8.18 International dealer

General principle

This exemption allows international dealers to provide limited services to Canadian permitted clients, as defined in section 8.18, without having to register in Canada. International dealers that seek wider access to Canadian investors must register in an appropriate category. Both the terms *Canadian permitted client* and

permitted client are used in this section. As mentioned above, the term Canadian permitted client is defined in section 8.18. The term permitted client is defined in section 1.1.

Notice requirement

~~Advisers relying on the exemption in section 8.6 should consider whether they may have to register as an investment fund manager.~~ If a firm is relying on the exemption in more than one jurisdiction, it must provide an initial notice by filing a Form 31-103F2 *Submission to Jurisdiction and Appointment of Agent for Service* (Form 31-103F2) with the regulator in each jurisdiction where it relies on the exemption. If there is any change to the information in the firm's Form 31-103F2, it must update it by filing a replacement Form 31-103F2 with them.

So long as the firm continues to rely on the exemption, it must file an annual notice with each regulator. Subsection 8.18(5) does not prescribe a form of annual notice. An email or letter will therefore be acceptable.

In Ontario, compliance with the filing and fee payment requirements applicable to an unregistered exempt international dealer under Ontario Securities Commission Rule 13-502 *Fees* satisfies the annual notification requirement in subsection (5).

8.19 Self-directed registered education savings plan

We consider the creation of a self-directed registered education savings plan, as defined in section ~~8.19 of NI 31-103, 8.19~~, to be a trade in a security, whether or not the assets held in the plan are securities. This is because the definition of "security" in securities legislation of most jurisdictions includes "any document constituting evidence of an interest in a scholarship or educational plan or trust".

Section 8.19 provides an exemption from the dealer registration requirement for the trade when the plan is created but only under the conditions described in subsection 8.19(2).

Division 2 Exemptions from adviser registration

8.25 Advising generally

Section 8.25 ~~of NI 31-103~~ contains an exemption from the requirement to register as an adviser if the advice is not tailored to the needs of the recipient.

In general, we would not consider advice about specific securities to be tailored to the needs of the recipient if it:

- is a general discussion of the merits and risks of the security
- is delivered through investment newsletters, articles in general circulation newspapers or magazines, websites, e-mail, Internet chat rooms, bulletin boards, television or radio, and
- does not claim to be tailored to the needs and circumstances of any recipient

This type of general advice can also be given at conferences. However, if a purpose of the conference is to solicit the audience and generate specific trades in specific securities, we may consider the advice to be tailored or we may consider the individual or firm giving the advice to be engaged in trading activity.

Under subsection 8.25(3), if an individual or firm relying on the exemption has a financial or other interest in the securities they recommend, they must disclose the interest to the recipient when they make the recommendation.

8.26 International adviser

This exemption allows international advisers to provide limited services to Canadian permitted clients, as defined in section 8.26, without having to register in Canada. International advisers that seek wider access to Canadian investors must register in an appropriate category. Unlike the exemption for international

dealers in section 8.18, this exemption is not available where the client is registered under securities legislation of Canada as an adviser or dealer.

Incidental advice on Canadian securities

An international adviser relying on the exemption in section 8.26 may advise in Canada on foreign securities without having to register. It may also advise in Canada on securities of Canadian issuers, but only to the extent that the advice is incidental to its acting as an adviser for foreign securities.

However, this is not an exception or a “carve-out” that allows some portion of a permitted client’s portfolio to be made up of Canadian securities chosen by the international adviser without restriction. Any advice with respect to Canadian securities must be directly related to the activity of advising on foreign securities. Permissible incidental advice would include, for example:

- an international adviser, when advising on a portfolio with a particular investment objective, such as gold mining companies, could advise on securities of a Canadian gold mining company within that portfolio, provided that the portfolio is otherwise made up of foreign securities
- an international adviser, having a mandate to advise on equities traded on European exchanges could advise with respect to the securities of a Canadian corporation traded on a European exchange, to the extent that Canadian corporation forms part of the mandate

Revenue derived in Canada

An international adviser is only permitted to undertake a prescribed amount of business in Canada. In making the calculation required under paragraph 8.26(4)(d), it is necessary to include all revenues derived from portfolio management activities in Canada, which would include any sub-adviser arrangements. However, the calculation of aggregate consolidated gross revenue derived in Canada does not include the gross revenue of affiliates that are registered in a jurisdiction of Canada.

An international adviser is not required to monitor Canadian revenue on an ongoing basis. Eligibility for the exemption is assessed with reference to revenues as of the end of the adviser’s last financial year. The 10% threshold in paragraph 8.26(4)(d) is determined by looking back at the revenue of the firm and its affiliates “during its most recently completed financial year”.

Notice requirement

If a firm is relying on the exemption in more than one jurisdiction, it must provide an initial notice by filing a Form 31-103F2 with the regulator in each jurisdiction where it relies on the exemption. If there is any change to the information in the firm’s Form 31-103F2, it must update it by filing a replacement Form 31-103F2 with them.

So long as the firm continues to rely on the exemption, it must file an annual notice with each regulator. Subsection 8.26(5) does not prescribe a form of annual notice. An email or letter will therefore be acceptable.

In Ontario, compliance with the filing and fee payment requirements applicable to an unregistered exempt international firm under Ontario Securities Commission Rule 13-502 Fees satisfies the annual notification requirement in subsection (5).

Division 3 Exemptions from investment fund manager registration

8.28 Capital accumulation plan exemption

Section 8.28 ~~of NI 31-103~~ provides an exemption from the investment fund manager registration requirement to an individual or firm that administers a capital accumulation plan. If an investment fund manager is also required to register as a dealer or adviser, this exemption only applies to their activities as an investment fund manager.

Division 4 Mobility exemption – firms

8.30 Client mobility exemption – firms

The mobility exemption in section 8.30 ~~of NI 31-103~~ allows registered firms to continue dealing with and advising clients who move to another jurisdiction, without registering in that other jurisdiction. Section 2.2 *Client mobility exemption – individuals* contains a similar exemption for registered individuals.

The exemption becomes available when the client (not the registrant) moves to another jurisdiction. A registered firm may deal with up to 10 “eligible” clients in each other jurisdiction. Each of the client, their spouse and any children are an eligible client.

A firm may only rely on the exemption if:

- it is registered in its principal jurisdiction
- it only acts as a dealer, underwriter or adviser in the other jurisdiction as permitted under its registration in its principal jurisdiction
- the individual acting on its behalf is eligible for the exemption in section 2.2
- it complies with Parts 13 [*Dealing with clients – individuals and firms*] and 14 [*Handling client accounts – firms*], and
- it acts fairly, honestly and in good faith in its dealings with the eligible client

Firm’s responsibilities for individuals relying on the exemption

In order for a registered individual to rely on the exemption in section 2.2, their sponsoring firm must disclose to the eligible client that the individual and if applicable, the firm, are exempt from registration in the other jurisdiction and are not subject to the requirements of securities legislation in that jurisdiction.

As soon as possible after an individual first relies on the exemption in section 2.2, their sponsoring firm must complete and file Form 31-103F3 in the other jurisdiction.

The registered firm must have appropriate policies and procedures for supervising individuals who rely on a mobility exemption. Registered firms must also keep appropriate records to demonstrate they are complying with the conditions of the mobility exemption.

[See the guidance in section 2.2 of this Companion Policy on the client mobility exemption available to individuals.](#)

Part 9 Membership in a self-regulatory organization

9.3 Exemptions from certain requirements for ~~SRO~~IIROC members

~~9.4 Exemptions from certain requirements for MFDA members~~

[NI 31-103 now has two distinct sections, section 9.3 and 9.4, which distinguish the exemptions which are available on the basis of whether or not the member of IIROC or the MFDA is registered in another category. This clarifies our intent with respect to the exemptions for SRO members and recognizes that IIROC and the MFDA have rules in these areas.](#)

~~Section 9.3 of NI 31-103 contains an exemption~~[Sections 9.3 and 9.4 contain exemptions](#) from certain requirements for investment dealers that are IIROC members ~~and, except in Québec,~~ for mutual fund dealers that are MFDA members [and in Québec, for mutual fund dealers to the extent equivalent requirements are applicable under the regulations in Québec.](#)

However, if an SRO member is registered in another category, ~~this section does~~[these sections do](#) not exempt them from their obligations as a registrant in that category. For example, if a firm is registered as an investment fund manager and as an investment dealer with IIROC, section 9.3 does not exempt them from their obligations as an investment fund manager under NI 31-103.

[However SRO members that are registered in multiple categories may use the forms prescribed by the SROs, on certain conditions. See sections 12.1, 12.12 and 12.14 for requirements on calculating working capital and the delivery of working capital calculations for SRO members that are registered in multiple categories.](#)

Part 10 Suspension and revocation of registration – firms

The requirements for surrendering registration and additional requirements for suspending and revoking registration are found in the securities legislation of each jurisdiction. The guidance for Part 10 relates to requirements under both securities legislation and NI 31-103.

There is no renewal requirement for registration but firms must pay fees every year to maintain their registration and the registration of individuals acting on their behalf. A registered firm may carry on the activities for which it is registered until its registration is:

- suspended automatically under NI 31-103
- suspended by the regulator under certain circumstances, or
- surrendered by the firm

Division 1 When a firm's registration is suspended

Suspension

A firm whose registration has been suspended must not carry on the activity it is registered for. The firm otherwise remains a registrant and is subject to the jurisdiction of the regulator. A suspension remains in effect until the regulator reinstates or revokes the firm's registration.

If a firm that is registered in more than one category is suspended in one of the categories, the regulator will consider whether to suspend the firm's registration in other categories or to impose terms and conditions, subject to an opportunity to be heard.

Automatic suspension

A firm's registration will automatically be suspended if:

- it fails to pay its annual fees within 30 days of the due date
- it ceases to be a member of IIROC, or
- except in Québec, it ceases to be a member of the MFDA

Firms do not have an opportunity to be heard by the regulator in the case of any automatic suspension.

10.1 Failure to pay fees

Under section ~~40.1 of NI 31-103~~, [10.1](#), a firm's registration will be automatically suspended if it has not paid its annual fees within 30 days of the due date.

10.2 If IIROC membership is revoked or suspended

Under section ~~40.2 of NI 31-103~~, [10.2](#), if IIROC suspends or revokes a firm's membership, the firm's registration as an investment dealer is suspended until reinstated or revoked.

10.3 If MFDA membership is revoked or suspended

Under section ~~40.3 of NI 31-103~~, [10.3](#), if the MFDA suspends or revokes a firm's membership, the firm's registration as a mutual fund dealer is suspended until reinstated or revoked. Section 10.3 does not apply in Québec.

Suspension in the public interest

A firm's registration may be suspended if the regulator exercises its power under securities legislation and determines that it is no longer in the public interest for the firm to be registered. The regulator may do this if it has serious concerns about the ongoing fitness of the firm or any of its registered individuals. For example, this may be the case if a firm or one or more of its registered or permitted individuals is charged with a crime, in particular fraud or theft.

Reinstatement

"Reinstatement" means that a suspension on a registration has been lifted. Once reinstated, a firm may resume carrying on the activity it is registered for.

Revocation

10.5 Revocation of a suspended registration – firm

10.6 Exception for firms involved in a hearing

Under sections 10.5 and ~~10.6 of NI 31-103~~, [10.6](#), if a firm's registration has been suspended under Part 10 and has not been reinstated, it is revoked on the second anniversary of the suspension, except if a hearing [or proceeding](#) concerning the suspended registrant has commenced. In this case the registration remains suspended.

"Revocation" means that the regulator has terminated the firm's registration. A firm whose registration has been revoked must submit a new application if it wants to be registered again.

Surrender

A firm may apply to surrender its registration in one or more categories at any time. There is no prescribed form for an application to surrender. A firm should file an application to surrender registration with its principal regulator. If Ontario is a non-principal jurisdiction, it should also file the application with the regulator in Ontario. See the Companion Policy to Multilateral Instrument 11-102 *Passport System* for more details on filing an application to surrender.

Before the regulator accepts a firm's application to surrender registration, the firm must provide the regulator with evidence that the firm's clients have been dealt with appropriately. This evidence does not have to be provided when a registered individual applies to surrender registration. This is because the sponsoring firm will continue to be responsible for meeting obligations to clients who may have been served by the individual.

The regulator does not have to accept a firm's application to surrender its registration. Instead, the regulator can act in the public interest by suspending, or imposing terms and conditions on, the firm's registration.

When considering a registered firm's application to surrender its registration, the regulator typically considers the firm's actions, the completeness of the application and the supporting documentation.

The firm's actions

The regulator may consider whether the firm:

- has stopped carrying on activity requiring registration
- proposes an effective date to stop carrying on activity requiring registration that is within six months of the date of the application to surrender, and
- has paid any outstanding fees and submitted any outstanding filings at the time of filing the application to surrender

Completeness of the application

Among other things, the regulator may look for:

- the firm's reasons for ceasing to carry on activity requiring registration
- satisfactory evidence that the firm has given all of its clients reasonable notice of its intention to stop carrying on activity requiring registration, including an explanation of how it will affect them in practical terms, and
- satisfactory evidence that the firm has given appropriate notice to the SRO, if applicable

Supporting documentation

The regulator may look for:

- evidence that the firm has resolved all outstanding client complaints, settled all litigation, satisfied all judgments or made reasonable arrangements to deal with and fund any payments relating to them, and any subsequent client complaints, settlements or liabilities
- confirmation that all money or securities owed to clients has been returned or transferred to another registrant, where possible, according to client instructions
- up-to-date audited financial statements with an auditor's comfort letter
- evidence that the firm has satisfied any SRO requirements for withdrawing membership, and
- an officer's or partner's certificate supporting these documents

Part 11 Internal controls and systems

General business practices – outsourcing

Registered firms are responsible and accountable for all functions that they outsource to a service provider. Firms should have a written, legally binding contract that includes the expectations of the parties to the outsourcing arrangement.

Registered firms should follow prudent business practices and conduct a due diligence analysis of prospective third-party service providers. This includes third-party service providers that are affiliates of the firm. Due diligence should include an assessment of the service provider's reputation, financial stability, relevant internal controls and ability to deliver the services.

Firms should also:

- ensure that third-party service providers have adequate safeguards for keeping information confidential and, where appropriate, disaster recovery capabilities
- conduct ongoing reviews of the quality of outsourced services
- develop and test a business continuity plan to minimize disruption to the firm's business and its clients if the third-party service provider does not deliver its services satisfactorily, and
- note that other legal requirements, such as privacy laws, may apply when entering into outsourcing arrangements

The regulator, the registered firm and the firm's auditors should have the same access to the work product of a third-party service provider as they would if the firm itself performed the activities. Firms should ensure this access is provided and include a provision requiring it in the contract with the service provider, if necessary.

Division 1 Compliance

11.1 Compliance system

General principles

Section 11.1 ~~of NI 31-103~~ requires registered firms to establish, maintain and apply policies and procedures that establish a system of controls and supervision (a compliance system) that:

- provides assurance that the firm and individuals acting on its behalf comply with securities legislation, and
- manages the risks associated with the firm's business ~~risks~~ in accordance with prudent business practices

Operating an effective compliance system is essential to a registered firm's continuing fitness for registration. It provides reasonable assurance that the firm is meeting, and will continue to meet, all requirements of applicable securities laws and SRO rules and is managing risk prudently in accordance with prudent business practices. A compliance system should include internal controls and mechanisms monitoring systems that are reasonably likely to identify non-compliance at an early stage and supervisory systems that allow the firm to correct non-compliant conduct in a timely manner.

Compliance The responsibilities of the UDP are set out in section 5.1 and those of the CCO in section 5.2. However, compliance is not only a responsibility of a specific individual or a compliance department of the firm, but rather is a firm-wide responsibility and an integral part of the firm's activities. Everyone in the firm should understand the standards of conduct for their role. This includes the board of directors, partners, management, employees and agents, whether or not they are registered.

Having a UDP and CCO, and in larger firms, a compliance group and other supervisory staff, does not relieve anyone else in the firm of the obligation to report and act on compliance issues. A compliance system should identify those who will act as alternates in the absence of the UDP or CCO.

Elements of an effective compliance system

While policies and procedures are essential, they do not make an acceptable compliance system on their own. An effective compliance system also includes internal controls, day to day and systemic monitoring, and supervision elements.

Internal controls

Internal controls are an important part of a firm's compliance system. They should mitigate risk and protect firm and client assets. They should be designed to assist firms in monitoring compliance with securities legislation and managing the risks that affect their business, including risks that may arise from relate to:

- safeguarding of client and firm assets
- accuracy of books and records
- trading, including personal and proprietary trading
- conflicts of interest
- money laundering
- ~~trading~~
- business interruption
- hedging strategies
- marketing and sales practices, and
- the firm's overall financial viability

Supervision

Monitoring and supervision

~~Supervision is an~~ Monitoring and supervision are essential component elements of a firm's compliance system. ~~It consists~~ They consist of day- to- day monitoring and supervision, and overall systemic monitoring.

(a) Day- to day monitoring and supervision

~~Day-to-day~~ In our view, an effective monitoring and supervision system includes:

- identifying monitoring to identify specific cases of non-compliance or internal control weaknesses that might lead to non-compliance

- referring non-compliance or internal control weaknesses to management or other individuals with authority to take supervisory action to correct them
- taking supervisory action to correct them, and
- minimizing the compliance risk in key areas of a firm's operations

In our view, effective day to day monitoring should include, among other things

- approving new account documents
- reviewing and, in some cases, approving transactions
- approving marketing materials, and
- ~~Minimizing risk usually involves approving new account documents, monitoring and in some cases, approving transactions, approving marketing materials and~~ preventing inappropriate use or disclosure of non-public information.

Firms can use a risk-based approach to monitoring, such as reviewing an appropriate sample of transactions.

The firm's management is responsible for the supervisory element of correcting non-compliance or internal control weaknesses. However, at a firm's discretion, its CCO may be given supervisory authority, but this is not a necessary component of the CCO's role.

Anyone who supervises registered individuals has a responsibility on behalf of the firm to take all reasonable measures to ensure that each of these individuals:

- deals fairly, honestly and in good faith with their clients
- complies with securities legislation
- complies with the firm's policies and procedures, and
- maintains an appropriate level of proficiency

(b) Systemic monitoring

Systemic monitoring involves assessing, and advising and reporting on the effectiveness of the firm's compliance system. This includes ensuring that:

- the firm's day- to- day supervision is reasonably effective in identifying and promptly correcting cases of non-compliance deficiencies and internal control weaknesses
- policies and procedures are enforced and kept up to date, and
- everyone at the firm generally understands and complies with the policies and procedures, and with securities legislation

Specific elements

More specific elements of an effective compliance system include:

(a) Visible commitment

Senior management and the board of directors or partners should demonstrate a visible commitment to compliance.

(b) Sufficient resources and training

The firm should have sufficient resources to operate an effective compliance system. Qualified individuals (including anyone acting as an alternate during absences) should have the responsibility and authority to monitor the firm's compliance, identify any instances of non-compliance and take supervisory action to correct them.

The firm should provide training to ensure that everyone at the firm understands the standards of conduct and their role in the compliance system, including ongoing communication and training on changes in regulatory requirements or the firm's policies and procedures.

(c) Detailed policies and procedures

The firm should have detailed written policies and procedures that:

- identify the internal controls the firm will use to ensure compliance with legislation and manage risk
- set out the firm's standards of conduct for compliance with securities and other applicable legislation and the systems for monitoring and enforcing compliance with those standards
- clearly outline who is expected to do what, when and how
- are readily accessible by everyone who is expected to know and follow them
- are updated when regulatory requirements and the firm's business practices change, and
- take into consideration the firm's obligation under securities legislation to deal fairly, honestly and in good faith with its clients

(d) Detailed records

The firm should keep records of activities conducted to identify compliance deficiencies and the action taken to correct them.

Setting up a compliance system

It is up to each registered firm to determine the most appropriate compliance system for its operations. Registered firms should consider the size and scope of their operations, including products, types of clients or counterparties, risks and compensating controls, and any other relevant factors.

For example, a large registered firm with diverse operations may require a large team of compliance professionals with several divisional heads of compliance reporting to a CCO dedicated entirely to a compliance role.

All firms must have policies, procedures and systems to demonstrate compliance. However, some of the elements noted above may be unnecessary or impractical for smaller registered firms.

We encourage firms to meet or exceed industry best practices in complying with regulatory requirements.

11.2 Designating an ultimate designated person

Under subsection 11.2(1) ~~of NI 31-103,~~ registered firms must designate an individual to be the UDP. Firms should ensure that the individual understands and is able to perform the obligations of a UDP under section 5.1. The UDP must be:

- the chief executive officer ~~of the registered firm (CEO) of the registered firm or the individual acting in a similar capacity, if the firm does not have a CEO. The person acting in a similar capacity to a CEO is the most senior decision maker in the firm, who might have the title of managing partner or president, for example~~
- the sole proprietor of the registered firm, or
- ~~an~~ the officer in charge of a division of the firm that carries on all of the ~~activity that requires registration, or registerable activity if the firm also has significant other business activities, such as insurance, conducted in different divisions. This is not an option if the core business of the firm is trading or advising in securities and it only has some other minor operations conducted in other divisions. In this case, the UDP must be the CEO or equivalent.~~

To designate someone else as the UDP requires an exemptive relief order. Given that the intention of section 11.2 is to ensure that responsibility for its compliance system rests at the very top of a firm, we will only grant relief in rare cases.

~~• an individual acting in a similar capacity~~

We note that in larger organizations, the UDP is sometimes supported by an officer who has a compliance oversight role and title within the organization and who is more senior than the CCO. We have no objection to such arrangements, but it must be understood that they can in no way diminish the UDP's regulatory responsibilities.

If the person designated as the UDP no longer meets ~~any of the above conditions~~ these requirements, and the registered firm is unable to designate another UDP, the firm should promptly advise the regulator of the actions it is taking to designate ~~an appropriate UDP~~ a new UDP who meets these requirements.

11.3 Designating a chief compliance officer

Under subsection 11.3(1) ~~of NI 31-103,~~ registered firms must designate an individual to be the CCO. Firms should ensure that the individual understands and is able to perform the obligations of a CCO under section 5.2.

The CCO must meet the applicable proficiency requirements in Part 3 ~~of NI 31-103~~ and be:

- an officer or partner of the registered firm, or
- the sole proprietor of the registered firm

If the CCO no longer meets any of the above conditions and the registered firm is unable to designate another CCO, the firm should promptly advise the regulator of the actions it is taking to designate an appropriate CCO.

Division 2 Books and records

Under securities legislation, the regulator may access, examine and take copies of a registered firm's records. The regulator may also conduct regular and unscheduled compliance reviews of registered firms.

11.5 General requirements for records

Under subsection 11.5(1) ~~of NI 31-103,~~ registered firms must maintain records to accurately record their business activities, financial affairs and client transactions, and demonstrate compliance with securities legislation.

The following discussion provides guidance for the various elements of the records described in subsection 11.5(2).

Financial affairs

The records required under subsections 11.5(2)(a), (b) and (c) are records firms must maintain to help ensure they are able to prepare and file financial information, determine their capital position, including the calculation of excess working capital, and generally demonstrate compliance with the capital and insurance requirements.

Client transactions

The records required under subsections 11.5(2)(g), (h), (i), (l) and (n) are records firms must maintain to accurately and fully document transactions entered into on behalf of a client. We expect firms to maintain notes of ~~oral communications with clients, and all e-mail, regular mail, fax and other written communications with clients to the extent these communications~~ that could have an impact on the client's account or the client's relationship with the firm. ~~However,~~ These communications include

- oral communications
- all e-mail, regular mail, fax and other written communications

While we do not expect registered firms to save every voicemail or e-mail, or to record all telephone conversations with clients, we do expect that registered firms maintain records of all communications relating to orders received from their clients.

The records required under subsection 11.5(2)(g) should document buy and sell transactions, referrals, margin transactions and any other activities relating to a client's account. They include records of all actions leading to trade execution, settlement and clearance, such as trades on exchanges, alternative trading systems, over-the-counter markets, debt markets, and distributions and trades in the prospectus-exempt market.

Examples of these records are:

- trade confirmation statements
- summary information about account activity
- communications between a registrant and its client about particular transactions, and

- records of transactions resulting from securities a client holds, such as dividends or interest paid, or dividend reinvestment program activity

Subsection 11.5(2)(l) requires firms to maintain records that demonstrate compliance with the know your client obligations in section 13.2 and the suitability obligations in section 13.3. This includes records for unsuitable trades in subsection 13.3(2).

Client relationship

The records required under subsection 11.5(2)(k) and (m) should document information about a registered firm's relationship with its client and relationships that any representatives have with that client.

These records include:

- communication between the firm and its clients, such as disclosure provided to clients and agreements between the registrant and its clients
- account opening information
- change of status information provided by the client
- disclosure and other relationship information provided by the firm
- margin account agreements
- communications regarding a complaint made by the client
- actions taken by the firm regarding a complaint
- communications that do not relate to a particular transaction, and
- conflicts records

Each record required under subsection 11.5(2)(k) should clearly indicate the name of the accountholder and the account the record refers to. A record should include information only about the accounts of the same accountholder or group. For example, registrants should have separate records for an individual's personal accounts and for accounts of a legal entity that the individual owns or jointly holds with another party.

Where applicable, the financial details should note whether the information is for an individual or a family. This includes spousal income and net worth. The financial details for accounts of a legal entity should note whether the information refers to the entity or to the owner(s) of the entity.

If the registered firm permits clients to complete new account forms themselves, the forms should use language that is clear and avoids terminology that may be unfamiliar to unsophisticated clients.

Internal controls

The records required under subsection 11.5(2)(d), (e), (f), (j) and (o) are records firms must maintain to support the internal controls and supervision components of their compliance system.

11.6 Form, accessibility and retention of records

Third party access to records

Subsection 11.6(1)(b) ~~of NI 31-103~~ requires registered firms to keep their records in a safe location. This includes ensuring that no one has unauthorized access to information, particularly confidential client information. Registered firms should be particularly vigilant if they maintain books and records in a location that may be accessible by a third party. In this case, the firm should have a confidentiality agreement with the third party.

Division 3 *Certain business transactions*

11.8 Tied selling

Section 11.8 ~~of NI 31-103~~ prohibits an individual or firm from engaging in abusive sales practices such as selling a security on the condition that the client purchase another product or service from the registrant or one of its affiliates. These types of practices are known as “tied selling”. In our view, this section would be contravened if, for example, a financial institution agreed to lend money to a client only if the client acquired securities of mutual funds sponsored by the financial institution.

However, section 11.8 is not intended to prohibit relationship pricing or other beneficial selling arrangements similar to relationship pricing. Relationship pricing refers to the practice of industry participants offering financial incentives or advantages to certain clients.

11.9 Registrant acquiring a registered firm’s securities or assets

Under section ~~11.9 of NI 31-103~~, [11.9](#), registrants must give the regulator notice if they propose to purchase securities or assets of a registered firm or the parent of a registered firm. For purposes of this section, a registered firm’s book of business would be a substantial part of the assets of the registered firm. This notice gives the regulator an opportunity to consider ownership issues that may affect a firm’s fitness for registration.

Subsection 11.9(4) does not apply in British Columbia. However, the regulator in British Columbia may exercise discretion under section 36 or 161 of the BC *Securities Act* (BCSA) to impose conditions, restrictions or requirements on the registrant’s registration or to suspend or revoke the registration if it decides that an acquisition would affect the registrant’s fitness for registration or be prejudicial to the public interest. In these circumstances, the registrant would be entitled to an opportunity to be heard, except if the regulator issues a temporary order under section 161 of the BCSA.

11.10 Registered firm whose securities are acquired

Under section ~~11.10 of NI 31-103~~, [11.10](#), registered firms must notify the regulator if they know or have reason to believe that any individual or firm is about to purchase more than 10% of the voting securities of the firm or the firm’s parent. This notice gives the regulator an opportunity to consider ownership issues that may affect a firm’s fitness for registration. [We expect this notice to be sent as soon as the registered firm knows or has reason to believe such a transaction is going to take place.](#)

We expect any individual or firm that buys assets of a registered firm and is not already a registrant will have to apply for registration. We will assess their fitness for registration when they apply.

Subsection 11.10(5) does not apply in British Columbia. However, the regulator in British Columbia may exercise discretion under section 36 or 161 of the BCSA to impose conditions, restrictions or requirements on the registrant’s registration or to suspend or revoke the registration if it decides that an acquisition would affect the registrant’s fitness for registration or be prejudicial to the public interest. In these circumstances,

the registrant would be entitled to an opportunity to be heard, except if the regulator issues a temporary order under section 161 of the BCSA.

Part 12 Financial condition

Division 1 Working capital

12.1 Capital requirements

Frequency of working capital calculations

Section 12.1 ~~of NI 31-103~~ requires registered firms to notify the regulator as soon as possible if their excess working capital is less than zero.

Registered firms should know their working capital position at all times. This may require a firm to calculate its working capital every day. The frequency of working capital calculations depends on many factors, including the size of the firm, the nature of its business and the stability of the components of its working capital. For example, it may be sufficient for a sole proprietor firm with a dedicated and stable source of working capital to do the calculation on a monthly basis.

Form 31-103F1 - Calculation of excess working capital

Application of NI 52-107 Acceptable Accounting Principles and Auditing Standards

Form 31-103F1 – Calculation of Excess Working Capital (Form 31-103F1) must be prepared using the accounting principles used to prepare their financial statements in accordance with National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards (NI 52-107). Refer to section 12.10 of this Companion Policy and Companion Policy 52-107 Acceptable Accounting Principles and Auditing Standards (52-107CP) for further guidance on audited financial statements.

IIROC and MFDA member firms that are also registered in another category

IIROC and MFDA member firms that are also registered in a category that does not require SRO membership must still comply with the financial filing requirements in Part 12 [Financial condition], even if they are relying on the exemptions in sections 9.3 and 9.4. Provided certain conditions are met, SRO members that are registered in other categories may be permitted to calculate their working capital in accordance with the SRO forms and file the SRO forms instead of Form 31-103F1.

For example, if the SRO firm is also an investment fund manager, it will need to report any net asset value (NAV) adjustments quarterly in order to comply with the investment fund manager requirements, notwithstanding that its SRO has no such requirements. However, they may be permitted to calculate their working capital in accordance with the SRO forms and file the SRO forms instead of Form 31-103F1. See sections 12.1, 12.12 and 12.14 for the requirements on delivery of working capital calculations for SRO members that are registered in multiple categories.

Working capital requirements are not cumulative

The working capital requirements for registered firms set out in section 12.1 are not cumulative. If a firm is registered in more than one category, it must meet the highest capital requirement of its categories of registration, except for those investment fund managers who are also registered as portfolio managers and meet the requirements of the exemption in section 8.6. These investment fund managers need only meet the lower capital requirement for portfolio managers.

If a registrant becomes insolvent or declares bankruptcy

The regulator will review the circumstances of a registrant's insolvency or bankruptcy on a case-by-case basis. If the regulator has concerns, it may impose terms and conditions on the registrant's registration, such as close supervision and delivering progress reports to the regulator, or it may suspend the registrant's registration.

12.2 Subordination agreements

Long-term related party debt must be deducted from a firm's working capital on Form 31-103F1, unless the firm and the lender have executed a subordination agreement in the form set out in Appendix B of NI 31-103 and delivered a copy of that agreement with the regulator.

Division 2 Insurance

Insurance coverage limits

Registrants must maintain bonding or insurance that provides for a “double aggregate limit” or a “full reinstatement of coverage” (also known as “no aggregate limit”). The insurance provisions state that the registered firm must “maintain” bonding or insurance in the amounts specified. We do not expect that the calculation would differ materially from day to day. If there is a material change in a firm's circumstances, it should consider the potential impact on its ability to meet its insurance requirements.

Most insurers offer aggregate limit policies that contain limits based on a single loss and on the number or value of losses that occur during the coverage period.

Double aggregate limit policies have a specified limit for each claim. The total amount that may be claimed during the coverage period is twice that limit. For example, if an adviser maintains a financial institution bond of \$50,000 for each clause with a double aggregate limit, the adviser's coverage is \$50,000 for any one claim and \$100,000 for all claims during the coverage period.

Full reinstatement of coverage policies and no aggregate limit policies have a specified limit for each claim but no limit on the number of claims or losses during the coverage period. For example, if an adviser maintains a financial institution bond of \$50,000 for each clause with a full reinstatement of coverage provision, the adviser's maximum coverage is \$50,000 for any one claim, but there is no limit on the total amount that can be claimed under the bond during the coverage period.

Insurance requirements are not cumulative

Insurance requirements are not cumulative. For example, a firm registered in the categories of portfolio manager and investment fund manager need only maintain insurance coverage for the higher of the amounts required for each registration category. Despite being registered as both a portfolio manager and an investment fund manager, when calculating the investment fund manager insurance requirement under subsection 12.5(2), an investment fund manager should only include the total assets under management of its own investment funds. It is only with respect to its own funds that the registrant is acting as an investment fund manager.

12.4 Insurance – adviser

The insurance requirements for advisers depend in part on whether the adviser holds or has access to client assets.

An adviser will be considered to hold or have access to client assets if they do any of the following:

- hold client securities or cash for any period
- accept funds from clients, for example, a cheque made payable to the registrant
- accept client money from a custodian, for example, client money that is deposited in the registrant's bank or trust accounts before the registrant issues a cheque to the client
- have the ability to gain access to client assets
- have, in any capacity, legal ownership of, or access to, client funds or securities

- have the authority, such as under a power of attorney, to withdraw funds or securities from client accounts
- have authority to debit client accounts to pay bills other than investment management fees
- act as a trustee for clients, or
- act as fund manager or general partner for investment funds

12.6 Global bonding or insurance

Registered firms may be covered under a global insurance policy. Under this type of policy, the firm is insured under a parent company's policy that covers the parent and its subsidiaries or affiliates. Firms should ensure that the claims of other entities covered under a global insurance policy do not affect the limits or coverage applicable to the firm.

Division 4 Financial reporting

12.10 Annual financial statements and interim financial information

Accounting Principles

Registrants are required to deliver annual financial statements and interim financial information that comply with ~~National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards (NI 52-107)~~. [NI 52-107](#). Depending on the financial year, a registrant will look to different parts of NI 52-107 to determine which accounting principles and auditing standards apply:

- Part 3 of NI 52-107 applies for financial years beginning on or after January 1, 2011;
- Part 4 of NI 52-107 applies to financial years beginning before January 1, 2011.

Part 3 of NI 52-107 refers to Canadian GAAP applicable to publicly accountable enterprises, which is IFRS as incorporated into the Handbook. Under Part 3 of NI 52-107, annual financial statements and interim financial information delivered by a registrant must be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises except that any investments in subsidiaries, jointly controlled entities and associates must be accounted for as specified for separate financial statements in International Accounting Standard 27 Consolidated and Separate Financial Statements. Separate financial statements are sometimes referred to as non-consolidated financial statements.

Section 3.2(3) of NI 52-107 requires annual financial statements to include a statement and description about this required financial reporting framework. Section 2.7 of ~~Companion Policy 52-107CP Acceptable Accounting Principles and Auditing Standards (CP 52-107)~~ provides guidance on section 3.2(3). We remind registrants to refer to these provisions in NI 52-107 and ~~CP 52-107CP~~ in preparing their annual financial statements and interim financial information.

Part 4 of NI 52-107 refers to Canadian GAAP for public enterprises, which is Canadian GAAP as it existed before the mandatory effective date for the adoption of IFRS, included in the Handbook as Part V. Under Part 4 of NI 52-107, annual financial statements and interim financial information delivered by a registrant must be prepared in accordance with Canadian GAAP for public enterprises except that the financial statements and interim financial information must be prepared on a non-consolidated basis.

Changeover to International Financial Reporting Standards

When preparing annual financial statements, interim financial information or Form 31-103F1 for a financial year beginning in 2011 or for interim periods relating to a financial year beginning in 2011, registrants may rely on the exemption in subsection 12.15(1) and exclude comparative information for the preceding financial year. Section 3.2(4) of NI 52-107 provides a corresponding exemption for the accounting principles used by registrants. If a registrant relies on these exemptions, its date of transition to IFRS will be the first day of its financial year beginning in 2011. Section 2.7 of ~~CP 52-107CP~~ provides further guidance on this topic. We remind registrants to refer to the provisions in NI 52-107 and ~~CP 52-107CP~~ in preparing their financial statements and interim financial information for a financial period beginning in 2011.

12.14 Delivering financial information – investment fund manager

NAV errors and adjustments

Section 12.14 ~~of NI 31-103~~ requires investment fund managers to periodically deliver to the regulator, among other things, a description of any ~~net asset value (NAV)~~ adjustment. A NAV adjustment is necessary when there has been a material error and the NAV per unit does not accurately reflect the actual NAV per unit at the time of computation.

Some examples of the causes of NAV errors are:

- mispricing of a security
- corporate action recorded incorrectly
- incorrect numbers used for issued and outstanding units
- incorrect expenses and income used or accrued
- incorrect foreign exchange rates used in the valuation, and
- human error, such as inputting an incorrect value

We expect investment fund managers to have policies that clearly define what constitutes a material error that requires an adjustment, including threshold levels, and how to correct material errors. If an investment fund manager does not have a threshold in place, it may wish to consider the threshold in IFIC Bulletin Number 22 [Correcting Portfolio NAV Errors](#) or adopt a more stringent policy.

Part 13 Dealing with clients – individuals and firms

Division 1 Know your client and suitability

13.2 Know your client

General principles

Registrants act as gatekeepers of the integrity of the capital markets. They should not, by act or omission, facilitate conduct that brings the market into disrepute. As part of their gatekeeper role, registrants are required to establish the identity of, and conduct due diligence on, their clients under the know your client (KYC) obligation in section ~~13.2 of NI 31-103~~ [13.2](#). Complying with the KYC obligation can help ensure that trades are completed in accordance with securities laws.

KYC information forms the basis for determining whether trades in securities are suitable for investors. This helps protect the client, the registrant and the integrity of the capital markets. The KYC obligation requires registrants to take reasonable steps to obtain and periodically update information about their clients.

Verifying a client's reputation

Subsection 13.2(2)(a) requires registrants to make inquiries if they have cause for concern about a client's reputation. The registrant must make all reasonable inquiries necessary to resolve the concern. This includes making a reasonable effort to determine, for example, the nature of the client's business [or the identity of beneficial owners where the client is a corporation, partnership or trust](#). See subsection 13.2(3) [for additional guidance on identifying clients that are corporations, partnerships or trusts](#).

Identifying insiders

Under subsection 13.2(2)(b), a registrant must take reasonable steps to establish whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded.

We consider “reasonable steps” to include explaining to the client what an insider is and what it means for securities to be publicly traded.

For purposes of this paragraph, “reporting issuer” has the meaning given to it in securities legislation and “other issuer” means any issuer whose securities are traded in any public market. This includes domestic, foreign, exchange-listed and over-the-counter markets. This definition does not include issuers whose securities have been distributed through a private placement and are not freely tradeable.

[A registrant need not ascertain whether the client is an insider if the only securities traded for the client are mutual fund securities and scholarship plan securities referred to in sections 7.1\(2\)\(b\) and 7.1\(2\)\(c\). However, we encourage firms, when selling highly concentrated pooled funds, to enquire as to whether a client is an insider of the issuer of any securities held by the fund, notwithstanding the exemption provided in subsection 13.2\(7\). In addition, we remind registrants that they remain subject to the requirement in section 13.2\(2\)\(b\) when they trade any other securities than those listed in sections 7.1\(2\)\(b\) and 7.1\(2\)\(c\).](#)

[This exemption does not change an insider’s reporting and conduct responsibilities.](#)

[Clients that are corporations, partnerships or trusts](#)

[Subsection 13.2\(3\) requires registrants to establish the identity of any person who owns or controls 25% or more of the shares of a client that is a corporation or exercises control over the affairs of a client that is a partnership or trust. We remind registrants that this is in addition to the requirement in subsection 13.2\(2\)\(a\) which requires registrants to make inquiries if they have cause for concern about a client’s reputation. If a registrant has cause for concern about a particular client that is a corporation, partnership or trust, they may need to identify all beneficial owners of such entity.](#)

Keeping KYC information current

Under subsection 13.2(4), registrants are required to make reasonable efforts to keep their clients’ KYC information current.

We consider information to be current if it is sufficiently up-to-date to support a suitability determination. For example, a portfolio manager with discretionary authority should update its clients’ KYC information frequently. A dealer that only occasionally recommends trades to a client should ensure that the client’s KYC information is up-to-date at the time a proposed trade or recommendation is made.

13.3 Suitability

[Suitability obligation](#)

Subsection 13.3(1) ~~of NI-31-103~~ requires registrants to take reasonable steps to ensure that a proposed trade is suitable for a client before making a recommendation or accepting instructions from the client. To meet this suitability obligation, registrants should have in-depth knowledge of all ~~products~~securities that they buy and sell for, or recommend to, their clients. This is often referred to as the “know your product” or KYP obligation.

Registrants should know each ~~product~~security well enough to understand and explain to their clients the ~~product~~security’s risks, key features, and initial and ongoing costs and fees. Having the registered firm’s approval for representatives to sell a product does not mean that the product will be suitable for all clients. Individual registrants must still determine the suitability of each transaction for every client.

Registrants should also be aware of, and act in compliance with, the terms of any exemption being relied on for the trade or distribution of the ~~product~~security.

In all cases, we expect registrants to be able to demonstrate a process for making suitability determinations that are appropriate in the circumstances.

Suitability obligations cannot be delegated

Registrants may not:

- delegate their suitability obligations to anyone else, or

- satisfy the suitability obligation by simply disclosing the risks involved with a trade

Only permitted clients may waive their right to a suitability determination. Registrants must make a suitability determination for all other clients. If a client instructs a registrant to make a trade that is unsuitable, the registrant may not allow the trade to be completed until they warn the client as required under subsection 13.3(2).

KYC information for suitability depends on circumstances

The extent of KYC information a registrant needs to determine suitability of a trade will depend on the:

- client's circumstances
- type of security
- client's relationship to the registrant, and
- registrant's business model

In some cases, the registrant will need extensive KYC information, for example, if the registrant is a portfolio manager with discretionary authority. In these cases, the registrant should have a comprehensive understanding of the client's:

- investment needs and objectives, including the client's time horizon for their investments
- overall financial circumstances, including net worth, income, current investment holdings and employment status, and
- risk tolerance for various types of securities and investment portfolios, taking into account the client's investment knowledge

In other cases, the registrant may need less KYC information, for example, if the registrant only occasionally deals with a client who makes small investments relative to their overall financial position.

If the registrant recommends securities traded under the prospectus exemption for accredited investors in NI 45-106, the registrant should determine whether the client qualifies as an accredited investor.

If a client is opening more than one account, the registrant should indicate whether the client's investment objectives and risk tolerance apply to a particular account or to the client's whole portfolio of accounts.

Registered firm and financial institution clients

Under subsection 13.3(3), there is no obligation to make a suitability determination for a client that is a registered firm, a Canadian financial institution or a Schedule III bank.

Permitted clients

Under subsection 13.3(4), registrants do not have to make a suitability determination for a permitted client if:

- the permitted client has waived their right to suitability in writing, and
- the registrant does not act as an adviser for a managed account of the permitted client

A permitted client may waive their right to suitability for all trades under a blanket waiver.

SRO exemptions

SRO rules may also provide conditional exemptions from the suitability obligation, for example, for dealers who offer order execution only services.

13.4 Identifying and responding to conflicts of interest

Section 13.4 ~~of NI 31-103~~ covers a broad range of conflicts of interest. It requires registered firms to take reasonable steps to identify existing material conflicts of interest and material conflicts that the firm reasonably expects to arise between the firm and a client. As part of identifying these conflicts, a firm should collect information from the individuals acting on its behalf regarding the conflicts they expect to arise with their clients.

We consider a conflict of interest to be any circumstance where the interests of different parties, such as the interests of a client and those of a registrant, are inconsistent or divergent.

Responding to conflicts interest

A registered firm's policies and procedures for managing conflicts should allow the firm and its staff to:

- identify conflicts of interest that should be avoided
- determine the level of risk that a conflict of interest raises, and
- respond appropriately to conflicts of interest

When responding to any conflict of interest, registrants should consider their standard of care for dealing with clients and apply consistent criteria to similar types of conflicts of interest.

In general, three methods are used to respond to conflicts of interest:

- avoidance
- control, and
- disclosure

If a registrant allows a serious conflict of interest to continue, there is a high risk of harm to clients or to the market. If the risk of harming a client or the integrity of the markets is too high, the conflict needs to be avoided. If a registered firm does not avoid a conflict of interest, it should take steps to control or disclose the conflict, or both. The firm should also consider what internal structures or policies and procedures it should use or have to reasonably respond to the conflict of interest.

Avoiding conflicts of interest

Registrants must avoid all conflicts of interest that are prohibited by law. If a conflict of interest is not prohibited by law, registrants should avoid the conflict if it is sufficiently contrary to the interests of a client that there can be no other reasonable response.

For example, some conflicts of interest are so contrary to another person's or company's interest that a registrant cannot use controls or disclosure to respond to them. In these cases, the registrant should avoid the conflict, stop providing the service or stop dealing with the client.

Controlling conflicts of interest

Registered firms should design their organizational structures, lines of reporting and physical locations to control conflicts of interest effectively. For example, the following situations would likely raise a conflict of interest:

- advisory staff reporting to marketing staff
- compliance or internal audit staff reporting to a business unit, and

- registered representatives and investment banking staff in the same physical location

Depending on the conflict of interest, registered firms may control the conflict by:

- assigning a different representative to provide a service to the particular client
- creating a group or committee to review, develop or approve responses
- monitoring trading activity, or
- using information barriers for certain internal communication

Disclosing conflicts of interest

(a) When disclosure is appropriate

Registered firms should ensure that their clients are adequately informed about any conflicts of interest that may affect the services the firm provides to them. This is in addition to any other methods the registered firm may use to manage the conflict.

(b) Timing of disclosure

Under subsection 13.4(3), if a reasonable investor would expect to be informed of a conflict, a registered firm must disclose the conflict in a timely manner. Registered firms and their representatives should disclose conflicts of interest to their clients before or at the time they recommend the transaction or provide the service that gives rise to the conflict. This is to give clients a reasonable amount of time to assess the conflict.

We note that where this disclosure is provided to a client before the transaction takes place, we expect the disclosure to be provided shortly before the transaction takes place. For example, if it was initially provided with the client's account opening documentation months or years previously we expect that a registered representative would also disclose this conflict to the client shortly before the transaction or at the time the transaction is recommended.

For example, if a registered individual recommends a security that they own, ~~they~~this may constitute a material conflict which should ~~disclose that~~be disclosed to the client before or at the time of the recommendation.

(c) When disclosure is not appropriate

Disclosure may not be appropriate if a conflict of interest involves confidential or commercially sensitive information, or the information amounts to "inside information" under insider trading provisions in securities legislation.

In these situations, registered firms will need to assess whether there are other methods to adequately respond to the conflict of interest. If not, the firm may have to decline to provide the service to avoid the conflict of interest.

Registered firms should also have specific procedures for responding to conflicts of interest that involve inside information and for complying with insider trading provisions.

(d) How to disclose a conflict of interest

Registered firms should provide disclosure about material conflicts of interest to their clients if a reasonable investor would expect to be informed about them. When a registered firm provides this disclosure, it should:

- be prominent, specific, clear and meaningful to the client, and
- explain the conflict of interest and how it could affect the service the client is being offered

Registered firms should not:

- provide generic disclosure
- give partial disclosure that could mislead their clients, or
- obscure conflicts of interest in overly detailed disclosure

Examples of conflicts of interest

This section describes specific situations where a registrant could be in a conflict of interest and how to manage the conflict.

Relationships with related or connected issuers

When a registered firm trades in, or recommends securities of, a related or connected issuer, it should respond to the resulting conflict of interest by disclosing it to the client.

To provide disclosure about conflicts with related issuers, a registered firm may maintain a list of the related issuers for which it acts as a dealer or adviser. It may make the list available to clients by:

- posting the list on its website and keeping it updated
- providing the list to the client at the time of account opening, or
- explaining to the client at the time of account opening how to contact the firm to request a copy of the list free of charge

The list may include examples of the types of issuers that are related or connected and the nature of the firm's relationship with those issuers. For example, a firm could generally describe the nature of its relationship with an investment fund within a family of investment funds. This would mean that the firm may not have to update the list when a new fund is added to that fund family.

However, this type of disclosure may not meet the expectations of a reasonable investor when a specific conflict with a related or connected issuer arises, for example, when a registered individual recommends a trade in the securities of a related issuer. In these circumstances, a registered firm should provide the client with disclosure about the specific conflict with that issuer. This disclosure should include a description of the nature of the firm's relationship with the issuer.

Like all disclosure, information regarding a conflict with a related or connected issuer should be made available to clients before or at the time of the advice or trade giving rise to the conflict, so that clients have a reasonable amount of time to assess it. Registrants should use their judgment for the best way and time to inform clients about these conflicts. Previous disclosure may no longer be relevant to, or remembered by, a client, while disclosure of the same conflict more than once in a short time may be unnecessary and confusing.

Firms do not have to disclose to clients their relationship with a related or connected issuer that is a mutual fund ~~and~~ managed by an affiliate of the firm if the names of the firm and the fund are similar enough that a reasonable person would conclude they are affiliated.

Relationships with other issuers

Firms should assess whether conflicts of interest may arise in relationships with issuers that do not fall within the definitions of related or connected issuers. Examples include non-corporate issuers such as a trust, partnership or special purpose entity or conduit issuing asset-backed commercial paper. This is especially important if a registered firm or its affiliates are involved in sponsoring, manufacturing, underwriting or distributing these securities.

The registered firm should disclose the relationship with these types of issuers if it may give rise to a conflict of interest that a reasonable client would expect to be informed about.

Competing interests of clients

If clients of a registered firm have competing interests, the firm should make reasonable efforts to be fair to all clients. Firms should have internal systems to evaluate the balance of these interests.

For example, a conflict of interest can arise between investment banking clients, who want the highest price, lowest interest rate or best terms in general for their issuances of securities, and retail clients who will buy the product. The firm should consider whether the product meets the needs of retail clients and is competitive with alternatives available in the market.

Individuals who serve on a board of directors

(a) Board of directors of another registered firm

Under section 4.1, a registered individual must not act as a director of another registered firm that is not an affiliate of the individual's sponsoring firm.

(b) Board of directors of non registered persons or companies

~~Conflicts~~ Section 4.1 does not apply to registered individuals who act as directors of unregistered firms. However, significant conflicts of interest can arise when a registered ~~individuals serve~~ individual serves on a board of directors. Examples include conflicting fiduciary duties owed to the company and to a registered firm or client, possible receipt of inside information and conflicting demands on the representative's time.

Registered firms should consider controlling the conflict by:

- requiring their representatives to seek permission from the firm to serve on the board of directors of an issuer, and
- having policies for board participation that identify the circumstances where the activity would not be in the best interests of the firm or its clients

The regulator will take into account the potential conflicts of interest that may arise when an individual serves on a board of directors when assessing that individual's application for registration or continuing fitness for registration.

Individuals who have outside business activities

Conflicts can arise when registered individuals are involved in outside business activities, for example, because of the compensation they receive for these activities or because of the nature of the relationship between the individual and the outside entity. Before approving any of these activities, registered firms should consider potential conflicts of interest. If the firm cannot properly control a potential conflict of interest, it should not permit the outside activity.

The regulator will take into account the potential conflicts of interest that may arise as a result of an individual's outside business activities when assessing that individual's application for registration or continuing fitness for registration.

Compensation practices

Registered firms should consider whether any particular benefits, compensation or remuneration practices are inconsistent with their obligations to clients, especially if the firm relies heavily on commission-based remuneration. For example, if there is a complex product that carries a high commission, the firm may decide that it is not appropriate to offer that product.

13.5 Restrictions on certain managed account transactions

Section 13.5 ~~of NI 31-103~~ prohibits a registered adviser from engaging in certain transactions in investment portfolios it manages for clients on a discretionary basis where the relationship may give rise to a conflict of interest or a perceived conflict of interest. The prohibited transactions include trades in securities in which a responsible person or an associate of a responsible person may have an interest or over which they may have influence or control.

Disclosure when responsible person is partner, director or officer of issuer

Subsection 13.5(2)(a) prohibits a registered adviser from purchasing securities of an issuer in which a responsible person or an associate of a responsible person is a partner, officer or director for a client's managed account. The prohibition applies unless the conflict is disclosed to the client and the client's written consent is obtained prior to the purchase.

If the client is an investment fund, the disclosure should be provided to, and the consent obtained from, each security holder of the investment fund in order for it to be meaningful. This disclosure may be provided in the offering memorandum that is provided to security holders. Like all disclosure about conflicts, it should be prominent, specific, clear and meaningful to the client. Consent may be obtained in the investment management agreement signed by [the clients of the adviser that are also](#) security holders [of the investment fund](#).

This approach may not be practical for prospectus qualified mutual funds. Investment fund managers and advisers of these funds should also consider the specific exemption from the prohibition under section 6.2 of National Instrument 81-107 *Independent Review Committee for Investment Funds* (NI 81-107) for prospectus-qualified investment funds.

Restrictions on trades with certain investment portfolios

Subsection 13.5(2)(b) prohibits certain trades, including, for example, those between the managed account of a client and the managed account of:

- a spouse of the adviser
- a trust for which a responsible person is the trustee, or
- a corporation in which a responsible person beneficially owns 10% or more of the voting securities

It also prohibits inter-fund trades. An inter-fund trade occurs when the adviser for an investment fund knowingly directs a trade in portfolio securities to another investment fund that it acts for or instructs the dealer to execute the trade with the other investment fund. Investment fund managers and their advisers should also consider the exemption from the prohibition that exists for inter-fund trades by public investment funds under section 6.1 of NI 81-107.

[Section 13.5\(2\)\(b\) is not intended to prohibit a responsible person from purchasing units in the investment fund itself, nor is it intended to prohibit one investment fund from purchasing units of another fund in situations where they have the same adviser.](#)

[In instances where an IIROC dealer, who is also an adviser to a managed account, trades between its inventory account and the managed account, the dealer is expected to have policies and procedures that sufficiently mitigate the conflicts of interest inherent in such transactions. Generally, we expect these policies and procedures to ensure that:](#)

- [the trades achieve best execution as referenced in National Instrument 23-101 *Trading Rules*, while ensuring that the trades are consistent with the objectives of the managed account](#)
- [reasonable steps are taken to access information, including marketplace quotations or quotes provided by arms-length parties, to ensure that the trade is executed at a fair price](#)
- [there is appropriate oversight and a compliance mechanism to monitor this trading activity in order to ensure that it complies with applicable regulatory requirements, including the requirements referred to above.](#)

13.6 Disclosure when recommending related or connected securities

Section 13.6 ~~of NI 31-103~~ restricts the ability of a registered firm to recommend a trade in a security of a related or connected issuer. The restrictions apply to recommendations made in any medium of communication. This includes recommendations in newsletters, articles in general circulation newspapers or magazines, websites, e-mail, Internet chat rooms, bulletin boards, television and radio.

It does not apply to oral recommendations made by registered individuals to their clients. These recommendations are subject to the requirements of section 13.4.

Division 3 Referral arrangements

Division 3 sets out the requirements for permitted referral arrangements. Regulators want to ensure that under any referral arrangements:

- individuals and firms that engage in registerable activities are appropriately registered
- the roles and responsibilities of the parties [to the written agreement](#) are clear, including responsibility for compliance with securities legislation, and
- clients are provided with disclosure about the referral arrangement to help them evaluate the referral arrangement and the extent of any conflicts of interest

[Registered firms have a responsibility to monitor and supervise all of their referral arrangements to ensure that they comply with the requirements of NI 31-103 and other applicable securities laws and continue to comply for so long as the arrangement remains in place.](#)

Obligations to clients

A client who is referred to an individual or firm becomes the client of that individual or firm for the purposes of the services provided under the referral arrangement.

The registrant receiving a referral must meet all of its obligations as a registrant toward its referred clients, including know your client and suitability determinations.

Registrants involved in referral arrangements should manage any related conflicts of interest in accordance with the applicable provisions of Part 13 *Dealing with clients – individuals and firms*. For example, if the registered firm is not satisfied that the referral fee is reasonable, it should assess whether an unreasonably high fee may create a conflict that could motivate its representatives to act contrary to their duties toward their clients.

13.7 Definitions – referral arrangements

Section 13.7 ~~of NI 31-103~~ defines “referral arrangement” in broad terms. [Referral arrangement means an arrangement in which a registrant agrees to pay or receive a referral fee.](#) The definition is not limited to referrals for providing investment products, financial services or services requiring registration. It also includes receiving a referral fee for providing a client name and contact information to an individual or firm. “Referral fee” is also broadly defined. It includes sharing or splitting any commission resulting from the purchase or sale of a security.

[In situations where there is no expectation of reward or compensation, we would not consider the receipt of an unexpected gift of appreciation to fall within the scope of a referral arrangement. One of the key elements of the referral arrangement is that the registrant agrees to pay or receive a referral fee for the referral of a client. This agreement or understanding is absent in the case of unexpected gifts.](#)

13.8 Permitted referral arrangements

Under section ~~13.8 of NI 31-103~~, [13.8](#), parties to a referral arrangement are required to set out the terms of the arrangement in a written agreement. This is intended to ensure that each party's roles and responsibilities are made clear. [This includes obligations for registered firms involved in referral arrangements to keep records of referral fees. Payments do not necessarily have to go through a registered firm, but a record of all payments related to a referral arrangement must be kept.](#)

We expect referral agreements to include:

- the roles and responsibilities of each party
- limitations on any party that is not a registrant (to ensure that it is not engaging in any activities requiring registration)
- the disclosure to be provided to referred clients, and

- who provides the disclosure to referred clients

If the individual or firm receiving the referral is a registrant, they are responsible for:

- carrying out all activity requiring registration that results from the referral arrangement, and
- communicating with referred clients

Registered firms are required to be parties to referral agreements ~~entered into by their representatives~~. This ensures that they are aware of these arrangements so they can adequately supervise their representatives and monitor compliance with the agreements. This does not preclude the individual registrant from also being a party to the agreement.

A party to a referral arrangement may need to be registered depending on the activities that the party carries out. Registrants cannot use a referral arrangement to assign, contract out of or otherwise avoid their regulatory obligations.

13.9 Verifying the qualifications of the person or company receiving the referral

Section 13.9 ~~of NI 31-103~~ requires the registrant making a referral to satisfy itself that the party receiving the referral is appropriately qualified to perform the services, and if applicable, is appropriately registered. The registrant is responsible for determining the steps that are appropriate in the particular circumstances. For example, this may include an assessment of the types of clients that the referred services would be appropriate for. ~~This is consistent with the registrant's obligation to act in the best interest of its clients.~~

13.10 Disclosing referral arrangements to clients

The disclosure of information to clients required under section 13.10 ~~of NI 31-103~~ is intended to help clients make an informed decision about the referral arrangement and to assess any conflicts of interest. The disclosure should be provided to clients before or at the time the referred services are provided. ~~Registrants~~ A registered firm, and any registered individuals who are directly participating in the referral arrangement, should take reasonable steps to ensure that clients understand:

- which entity they are dealing with
- what they can expect that entity to provide to them
- the registrant's key responsibilities to them
- the limitations of the registrant's registration category
- any relevant terms and conditions imposed on the registrant's registration
- the extent of the referrer's financial interest in the referral arrangement, and
- the nature of any potential or actual conflict of interest that may arise from the referral arrangement

Division 4 Loans and margin

13.12 Restriction on lending to clients

The purpose of section 13.12 is intended to limit the financial exposure of a registered firm. To the extent that products sold to clients are structured in a way that would result in the registrant becoming a lender to the clients, including the registrant extending margin to the client, we would consider the registrant to not be in compliance with section 13.12.

Section 13.12 prohibits registrants from lending money, extending credit or providing margin to clients as we consider that this activity creates a conflict of interest which cannot be easily managed.

We note that SROs are exempt from section 13.12 as they have their own rules or prohibitions on lending, extending credit and providing margin to clients. Direct lending to clients (margin) is reserved for IIROC

members. The MFDA has its own rules prohibiting margining and, except in specific limited circumstances, lending.

Division 5 Complaints

Registered firms in Québec ~~comply with Division 5 if they must~~ comply with sections 168.1.1 to 168.1.3 of the Québec *Securities Act*, which has provided a substantially similar regime since 2002. The guidance in Division 5 if this Companion Policy applies to firms registered in any jurisdiction, including Québec.

13.15 Handling complaints

General duty to document and respond to complaints

Section 13.15 ~~of NI 31-103~~ requires registered firms to document complaints, and to effectively and fairly respond to them. ~~Registered firms must consider all complaints, not just those relating to possible violations of securities legislation.~~ We are of the view that registered firms should document and respond to all complaints received from a client, a former client or a prospective client who has dealt with the registered firm (complainant).

Firms are reminded that they are required to maintain records which demonstrate compliance with complaint handling requirements under subsection 11.5(2)(m).

Complaint handling policies

An effective complaint system ~~deals should deal~~ with all formal and informal complaints or disputes ~~internally, or refers them to the appropriate external person or process~~ in a timely and fair manner. To achieve the objective of handling complaints fairly, the firm's complaint system should include standards allowing for objective factual investigation and analysis of the matters specific to the complaint.

We take the view that registered firms should take a balanced approach to the gathering of facts that objectively considers the interests of

- the complainant
- the registered representative, and
- the firm

Registered firms should not limit their consideration and handling of complaints to those relating to possible violations of securities legislation.

Complaint monitoring

The firm's complaint handling policy should provide for specific procedures for reporting the complaints to superiors, in order to allow the detection of frequent and repetitive complaints made with respect to the same matter which may, on a cumulative basis, indicate a serious problem. Firms should take appropriate measures to deal with such problems as they arise.

Responding to complaints

Types of complaints

All complaints relating to one of the following matters should be responded to by the firm by providing an initial and substantive response, both in writing and within a reasonable time:

- a trading or advising activity
- a breach of client confidentiality
- theft, fraud, misappropriation or forgery
- misrepresentation

- an undisclosed or prohibited conflict of interest, or
- personal financial dealings with a client

Firms may determine that a complaint relating to matters other than the matters listed above is nevertheless of a sufficiently serious nature to be responded in the manner described below. This determination should be made, in all cases, by considering if an investor, acting reasonably, would expect a written response to their complaint.

When complaints are not made in writing

We would not expect that complaints relating to matters other than those listed above, when made verbally and when not otherwise considered serious based on an investor's reasonable expectation, would need to be responded to in writing. However, we do expect that verbal complaints be given as much attention as written complaints. If a complaint is made verbally and is not clearly expressed, the firm may request the complainant to put the complaint in writing and we expect firms to offer reasonable assistance to do so.

Firms are entitled to expect the complainant to put unclear verbal issues into written format in order to try to resolve confusion about the nature of the issue. If the verbal complaint is clearly frivolous, we do not expect firms to offer assistance to put the complaint in writing. The firm may nonetheless ask the complainant to put the complaint in writing on his or her own.

Timeline for responding to complaints

Firms should

- promptly send an initial written response to a complainant: we consider that an initial response should be provided to the complainant within five business days of receipt of the complaint
- provide a substantive response to all complaints relating to the matters listed under "Types of complaints" above, indicating the firm's decision on the complaint

We encourage firms to resolve complaints relating to the matters listed above within 90 days.

13.16 Dispute resolution service

~~If a~~ registered firm ~~receives a complaint about any of its trading or advising activities, it~~ must ensure that the complainant is aware of the dispute resolution or mediation services that are available to them and that the firm will pay for the services. Registered firms should know all applicable mechanisms and processes for dealing with different types of complaints, including those prescribed by the applicable SRO.

~~Québec registrants~~

In Québec, registrants must inform each complainant, in writing and without delay, that if the complainant is dissatisfied with how the complaint is handled or with the outcome, they may request the registrant to forward a copy of the complaint file to the Autorité des marchés financiers. The registrant must forward a copy of the complaint file to the Autorité des marchés financiers, which will examine the complaint. The Autorité des marchés financiers may act as a mediator if it considers it appropriate to do so and the parties agree.

Registrants who do business in other sectors

Some registrants are also registered or licensed to do business in other sectors, such as insurance. These registrants should inform their clients of the complaint mechanisms for each sector in which they do business and how to use them.

Part 14 Handling client accounts – firms

Division 2 Disclosure to clients

Registrants should ensure that clients understand who they are dealing with. They should carry on all registerable activities in their full legal or registered trade name. Contracts, confirmation and account statements, among other documents, should contain the registrant's full legal name.

14.2 Relationship disclosure information

Content of relationship disclosure information

There is no prescribed form for the relationship disclosure information required under section ~~14.2 of NI 31-103~~14.2. A registered firm may provide this information in a single document or in separate documents, which together give the client the prescribed information.

Disclosure of costs

Under subsection 14.2(2)(g), registered firms must provide clients with a description of the costs they will pay in making, holding and selling investments. We expect this description to include all costs a client may pay during the course of holding a particular investment. For example, for a mutual fund, the description should briefly explain each of the following and how they may affect the investment:

- the management expense ratio
- the sales charge options available to the client
- the trailing commission
- any short-term trading fees
- any switch or change fees

Permitted clients

Under subsection 14.2(6), registrants do not have to provide relationship disclosure information to permitted clients if:

- the permitted client has waived the requirements in writing, and
- the registrant does not act as an adviser for a managed account of the permitted client

Promoting client participation

Registered firms should help their clients understand the registrant-client relationship. They should encourage clients to actively participate in the relationship and provide them with clear, relevant and timely information and communications.

In particular, registered firms should encourage clients to:

- Keep the firm up to date. Clients should provide full and accurate information to the firm and the registered individuals acting for the firm. Clients should promptly inform the firm of any change to information that could reasonably result in a change to the types of investments appropriate for them, such as a change to their income, investment objectives, risk tolerance, time horizon or net worth.
- Be informed. Clients should understand the potential risks and returns on investments. They should carefully review sales literature provided by the firm. Where appropriate, clients should consult professionals, such as a lawyer or an accountant, for legal or tax advice.
- Ask questions. Clients should ask questions and request information from the firm to resolve questions about their account, transactions or investments, or their relationship with the firm or a registered individual acting for the firm.
- Stay on top of their investments. Clients should pay for securities purchases by the settlement date. They should review all account documentation provided by the firm and regularly review portfolio holdings and performance.

14.4 When the firm has a relationship with a financial institution

As part of their duty to clients, registrants who have a relationship with a financial institution should ensure that their clients understand which legal entity they are dealing with. In particular, clients may be confused if more than one financial services firm is carrying on business in the same location. Registrants may differentiate themselves through various methods, including signage and disclosure.

Division 3 Client assets

14.6 Holding client assets in trust

Section 14.6 ~~of NI 31-103~~ requires a registered firm to segregate client assets and hold them in trust. We consider it prudent for registrants who are not members of an SRO to hold client assets in client name only. This is because the capital requirements for non-SRO members are not designed to reflect the added risk of holding client assets in nominee name.

Division 4 Client accounts

14.10 Allocating investment opportunities fairly

If the adviser allocates investment opportunities among its clients, the firm's fairness policy should, at a minimum, indicate the method used to allocate the following:

- price and commission among client orders when trades are bunched or blocked
- block trades and initial public offerings among client accounts
- block trades and initial public offerings among client orders that are partially filled, such as on a pro-rata basis

The fairness policy should also address any other situation where investment opportunities must be allocated.

Division 5 Account activity reporting

Each trade should be reported in the currency in which it was executed. If a trade is executed in a foreign currency through a Canadian account, the exchange rate should be reported to the client.

14.12 Content and delivery of trade confirmation

Section 14.12 requires registered dealers to deliver trade confirmations. A dealer may enter into an outsourcing arrangement for the sending of trade confirmations to its clients. Like all outsourcing arrangements, the registrant is ultimately responsible for the function and must supervise the service provider. See Part 11 of this Companion Policy for more guidance on outsourcing.

14.14 ~~Client~~Account statements

Section 14.14 ~~of NI 31-103~~ requires registered dealers and advisers to deliver statements to clients at least once every three months. There is no prescribed form for these statements but they must contain the information in subsections 14.14(4) and (5). The types of transactions that must be disclosed in an account statement include any purchase, sale or transfer of securities, dividend or interest payment received or reinvested, any fee or charge, and any other account activity.

We expect all dealers and advisers to provide client account statements. For example, an exempt market dealer should provide ~~an account~~ statement that contains the information prescribed for all transactions the exempt market dealer has entered into or arranged on a client's behalf.

The requirement to produce and deliver an account statement may be outsourced. Portfolio managers frequently enter into outsourcing arrangements for the production and delivery of account statements. Third-party pricing providers may also be used to value securities for the purpose of account statements. Like all outsourcing arrangements, the registrant is ultimately responsible for the function and must supervise the service provider. See Part 11 of this Companion Policy for more guidance on outsourcing.

Appendix A
Contact information

Jurisdiction	E-mail	Fax	Address
Alberta	registration@asc.ca	(403) 297-4113	Alberta Securities Commission, 4th Floor, 300–5th Avenue S.W. Suite 600, 250–5th St. SW Calgary, AB T2P 3C0R4 Attention: Registration
British Columbia	registration@bcsc.bc.ca	(604) 899-6506	British Columbia Securities Commission P.O. Box 10142, Pacific Centre 701 West Georgia Street Vancouver, BC V7Y 1L2 Attention: Registration
Manitoba	registrationmsc@gov.mb.ca	(204) 945-0330	The Manitoba Securities Commission 500-400 St. Mary Avenue Winnipeg, MB R3C 4K5 Attention: Registrations
New Brunswick	nrs@nbsc-cvmnb.ca	(506) 658-3059	New Brunswick Securities Commission Suite 300, 85 Charlotte Street Saint John, NB E2L 2J2 Attention: Registration Officer
Newfoundland & Labrador	scon@gov.nl.ca	(709) 729-6187	Financial Services Regulation Division Department of Government Services Government of Newfoundland and Labrador P.O. Box 8700, 2nd Floor, West Block Confederation Building St. John's, NL A1B 4J6 Attention: Registration Section
Northwest Territories	SecuritiesRegistry@gov.nt.ca	(867) 873-0243	Government of the Northwest Territories P.O. Box 1320 Yellowknife, NWT X1A 2L9 Attention: Deputy Superintendent of Securities
Nova Scotia	nrs@gov.ns.ca	(902) 424-4625	Nova Scotia Securities Commission 2nd Floor, Joseph Howe Building 1690 Hollis Street P.O. Box 458 Halifax, NS B3J 2P8 Attention: Deputy Director, Capital Markets
Nunavut	CorporateRegistrations@gov.nu.ca	(867) 975-6590 (Faxing to NU is unreliable. The preferred method is e-mail.)	Legal Registries Division Department of Justice Government of Nunavut P.O. Box 1000 Station 570 Iqaluit, NU X0A 0H0 Attention: Deputy Registrar
Ontario	registration@osc.gov.on.ca	(416) 593-8283	Ontario Securities Commission Suite 1903, Box 55 20 Queen Street West Toronto, ON M5H 3S8 Attention: Compliance and Registrant Regulation
Prince Edward Island	ccis@gov.pe.ca	(902) 368-6288	Consumer and Corporate Services Division, Office of the Attorney General P.O. Box 2000, 95 Rochford Street Charlottetown, PE C1A 7N8

Jurisdiction	E-mail	Fax	Address
			Attention: Superintendent of Securities
Québec	inscription@lautorite.qc.ca	(514) 873-3090	Autorité des marchés financiers Service de l'encadrement des intermédiaires 800 square Victoria, 22e étage C.P 246, Tour de la Bourse Montréal (Québec) H4Z 1G3
Saskatchewan	registrationsfsc@gov.sk.ca	(306) 787-5899	Saskatchewan Financial Services Commission Suite 601 1919 Saskatchewan Drive Regina, SK S4P 4H2 Attention: Registration
Yukon	corporateaffairs@gov.yk.ca	(867) 393-6251	Department of Community Services Yukon Yukon Securities Office P.O. Box 2703 C-6 Whitehorse, YT Y1A 2C6 Attention: Superintendent of Securities

Appendix B
Terms not defined in NI 31-103 or this Companion Policy

Terms defined in National Instrument 14-101 *Definitions*:

- adviser registration requirement
- Canadian securities regulatory authority
- dealer registration requirement
- foreign jurisdiction
- jurisdiction or jurisdiction of Canada
- local jurisdiction
- investment fund manager registration requirement
- prospectus requirement
- registration requirement
- regulator
- securities directions
- securities legislation
- securities regulatory authority
- SRO
- underwriter registration requirement

Terms defined in National Instrument 45-106 *Prospectus and Registration Exemptions*:

- accredited investor
- eligibility adviser
- financial assets

Terms defined in National Instrument 81-102 *Mutual Funds*:

- money market fund

Terms defined in the Securities Act of most jurisdictions:

- adviser
- associate
- company
- control person
- dealer
- director
- distribution
- exchange contract (BC, AB, SK and NB only)
- insider
- individual
- investment fund
- investment fund manager
- issuer
- mutual fund
- officer
- person
- promoter
- records
- registrant
- reporting issuer
- security
- trade
- underwriter

2. CSC 3. IFIC 4. <u>CFA Charter and 12 months of relevant securities industries experience in the 36-months before applying for registration</u> 5. 4. Advising representative requirements – portfolio manager <u>or exempt from these under section 16.10(1)</u>	2. CCO requirements – portfolio manager <u>or exempt from these under section 16.9(2)</u>
Exempt market dealer	
Dealing representative	CCO
One of these three <u>four</u> options: 1. CSC 2. EMP 3. <u>CFA Charter and 12 months of relevant securities industries experience in the 36-months before applying for registration</u> 4. 3. Advising representative requirements – portfolio manager <u>or exempt from these under section 16.10(1)</u>	One of these three <u>two</u> options: 1. PDO <u>or CCOQ</u> and <u>EMP or</u> CSC 2. PDO and EMP 2. 3. CCO requirements – portfolio manager <u>or exempt from these under section 16.9(2)</u>
Scholarship plan dealer	
Dealing representative	CCO
SRP	SRP, BMP, and PDO <u>or CCOQ</u>
Restricted dealer	
Dealing representative	CCO
Regulator to determine on a case-by-case basis	Regulator to determine on a case-by-case basis

Portfolio manager		
Advising representative	Associate advising representative	CCO
<p>One of these two options:</p> <ol style="list-style-type: none"> 1. CFA and 12 months of relevant investment management experience in the 36-month period before applying for registration 2. CIM and 48 months of relevant investment management experience (12 months gained in the 36-month period for<u>before</u> applying for registration) 	<p>One of these two options:</p> <ol style="list-style-type: none"> 1. Level 1 of the CFA and 24 months of relevant investment management experience 2. CIM and 24 months of relevant investment management experience 	<p>One of these three options:</p> <ol style="list-style-type: none"> 1. CSC, PDO <u>except if the individual has the CFA or CIM designation, PDO or CCOQ</u>, and CFA or a professional designation as a lawyer, CA, CGA, CMA, notary in Quebec or the equivalent in a foreign jurisdiction, and: <ul style="list-style-type: none"> • 36 months of relevant securities experience working at an investment dealer, registered adviser or investment fund manager, or • 36 months providing professional services into <u>to</u> the securities industry and 12 months working at a registered dealer, registered adviser or investment fund manager, for a total of 48 months 2. CSC, PDO <u>except if the individual has the CFA or CIM designation, PDO or CCOQ</u> and five years working at: <ul style="list-style-type: none"> • an investment dealer or a registered adviser (including 36 months in a compliance capacity), or • a Canadian financial institution in a compliance capacity relating to portfolio management and 12 months at a registered dealer or registered adviser, for a total of six years 3. PDO <u>or CCOQ</u> and advising representative requirements – portfolio manager
Restricted portfolio manager		
Advising representative	Associate advising representative	CCO
Regulator to determine on case-by-case basis	Regulator to determine on case-by-case basis	Regulator to determine on case-by-case basis
Investment fund manager		
CCO		
<p>One of these three options:</p> <ol style="list-style-type: none"> 1. CSC, PDO <u>except if the individual has the CFA or CIM designation, PDO or CCOQ</u>, and CFA or a professional 		

designation as a lawyer, CA, CGA, CMA, notary in Quebec or the equivalent in a foreign jurisdiction, and:

- 36 months of relevant securities experience working at a registered dealer, registered adviser or investment fund manager, or
 - 36 months providing professional services in the securities industry and 12 months working in a relevant capacity at an investment fund manager, for a total of 48 months
2. CIF, CSC or IFIC; PDO [or CCOQ](#) and five years of relevant securities experience working at a registered dealer, registered adviser or an investment fund manager (including 36 months in a compliance capacity)
 3. CCO requirements for portfolio manager [or exempt from these requirements under section 16.9\(2\)](#)

Companion Policy 33-109CP Registration Information

PART 1 – GENERAL

1.1 Purpose

This Companion Policy sets out how the Canadian Securities Administrators interpret or apply National Instrument 33-109 *Registration Information* (the Rule).

The registration requirement in securities legislation provides protection to investors from unfair, improper or fraudulent practices and enhances capital market integrity and efficiency. The information required under the Rule allows regulators to assess a filer's fitness for registration or for permitted individual status, with regard to their solvency, integrity and proficiency. These fitness requirements are the cornerstones of the registration requirement. In each jurisdiction of Canada the registration requirement and the Rule apply to dealers, underwriters, advisers and investment fund managers and to individuals who act on their behalf as registered or permitted individuals.

1.2 ~~Overview of the forms~~ Definition of permitted individuals

Section 1.1 of the Rule defines a permitted individual as an individual who meets the criteria set forth in either subsection (a) or subsection (b) of the definition, or both. A permitted individual may or may not be a registered individual. For example, the chief executive officer of a registered firm is registered as the firm's ultimate designated person and is also a permitted individual. The definition of permitted individual allows the Rule to separate out the filing requirements which are applicable only to permitted individuals from those which are applicable to registered individuals.

1.3 Overview of the forms

The following forms are ~~submitted by~~ for firms:

- Form 33-109F6 *Firm Registration* – to apply for registration as a dealer, adviser or investment fund manager
- Form 33-109F3 *Business Locations other than Head Office* – to disclose each business location of the firm and any change of location

The following forms are for individuals and are submitted in NRD format:

- Form 33-109F1 *Notice of Termination of Registered Individuals and Permitted Individuals* – to notify the regulator that a registered or permitted individual has ceased to have authority to act on behalf of the firm

The following forms are for individuals and are submitted in NRD format:

- Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* – to apply for registration or review as a permitted individual
- Form 33-109F2 *Change or Surrender of Individual Categories* – to apply for registration or review in an additional category or to surrender a category
- Form 33-109F7 *Reinstatement of Registered Individuals and Permitted Individuals* – to reinstate an individual's registration or a permitted individual status

4.31.4 Notice requirements

Form 33-109F5 *Change of Registration Information* is used by firms and individuals to notify regulators of any change to their registration information. Under sections 3.1 and 4.1 of the Rule a registrant and a permitted individual must keep their registration information current on an ongoing basis by filing notices of change of information within the required time.

Appendix A summarizes the notice requirements, time periods and the forms under the Rule to notify regulators of a change to a firm's or individual's registration information.

4.41.5 Contact information

When a firm submits a ~~form~~ [Form 33-109F6](#), supporting documents or a ~~form~~ [Form 33-109F5](#), it can make the submission using e-mail, fax or mail. Appendix B attached to this policy sets out the contact information for the regulator in each jurisdiction of Canada and for the Investment Industry Regulatory Organization of Canada (IIROC) in those jurisdictions where the securities regulatory authority has delegated, assigned or authorized IIROC to perform registration functions.

PART 2 – FORMS USED BY INDIVIDUALS

2.1 National Registration Database (NRD)

The NRD is the database containing information about all registrants and permitted individuals under securities or commodity futures legislation in each jurisdiction of Canada. The requirement for firms to enrol, and to make certain submissions, on NRD are set out in National Instrument 31-102 *National Registration Database*. Detailed information about the NRD and the enrolment process is available in the NRD User Guide published at www.nrd-info.ca.

2.2 Form 33-109F4

Types of submissions using Form 33-109F4

The NRD format for submitting a completed ~~form~~ [Form 33-109F4](#) under subsections 2.2(1) or 2.5(1) of the Rule include four distinct NRD submission types that are made in the following circumstances:

- *Initial Registration*, when an individual is seeking registration, or review as a permitted individual, through NRD for the first time
- *Registration in an Additional Jurisdiction*, when an individual is registered or is a permitted individual in a jurisdiction of Canada and is seeking registration, or review as a permitted individual, in an additional jurisdiction;
- *Registration with an Additional Sponsoring Firm*, when an individual is registered, or is a permitted individual, on behalf of one sponsoring firm and applies for registration, or seeks review as a permitted individual, to act on behalf of an additional sponsoring firm
- *Reactivation of registration*, when an individual who has an NRD record is applying for registration, reinstatement of registration or is seeking review as a permitted individual and is not eligible under sections 2.3(2) or 2.5(2) of the Rule to submit a Form 33-109F7

Submissions by permitted individuals

Under subsection 2.5(1) of the Rule, within **710** days of becoming a permitted individual, the individual must submit a ~~form~~ [Form 33-109F4](#) for review by the regulator. An individual whose registration is suspended may apply to reinstate the registration by submitting a completed ~~form~~ [Form 33-109F4](#) to the regulator. This is done with the *Reactivation of registration* submission on NRD. After making this submission the individual may not conduct activities requiring registration unless and until the regulator has approved the application. However, an application for reinstatement or review is not required if the individual meets all of the conditions for automatic reinstatement in subsections 2.3(2) or 2.5(2) of the Rule, which include submitting a completed ~~form~~ [Form 33-109F7](#) to the regulator as described in section 2.5 below.

Agent for service

[Item 18 Agent for service of Form 33-109F4 is a certification clause by the individual that he or she has completed the appointment for service required in each relevant jurisdiction. There is no distinct form under NI 33-109 for the appointment of an agent for service for use by individuals. Please refer to the form used by the registered firm. This format is acceptable to the regulator.](#)

2.3 Form 33-109F2

This form is used by individuals to apply to add or to surrender a registration category or to seek review of a change in their permitted individual category. If an individual has ceased to have authority to act on behalf of their sponsoring firm as a registered or permitted individual in the last jurisdiction of Canada where they were so acting, they cannot submit a ~~form~~ [Form 33-109F2](#). Instead, the individual's sponsoring firm submits a Form 33-109F1 to notify the regulator of the termination or cessation of authority to act on behalf of the firm.

2.4 Form 33-109F5 for individuals

When an individual submits a ~~form~~ [Form 33-109F5](#) to update their registration information the NRD will transmit the information to the regulator in each jurisdiction in which the individual is registered or is a permitted individual. However, only the principal regulator processes the submission to update the individual's registration information on NRD, or if necessary to deny or withdraw the submission.

[Form 33-109F5 should not be used by an individual applying to add or surrender a registration category or to seek review of a change in his/her permitted individual category. In this case, Form 33-109F2 is used. It should also be noted that Form 33-109F5 is not used by an individual that is registered or is a permitted individual in a jurisdiction of Canada and is seeking registration, or review as a permitted individual, in an additional jurisdiction. In this case, a Form 33-109F4 is used and is identified on NRD as *Registration in an additional jurisdiction*. This also applies to an individual adding a sponsoring firm; Form 33-109F4 is used and is identified on NRD as *Registration with an additional sponsoring firm*.](#)

2.5 Form 33-109F7 for reinstatement

When an individual leaves a sponsoring firm and joins a new registered firm, they may submit a ~~form~~ [Form 33-109F7](#) to have their registration or permitted individual status automatically reinstated in the same category and jurisdiction(s) as before, subject to all of the conditions set out in subsection 2.3(2) or 2.5(2) of the Rule. An individual who meets all of the applicable conditions will be able to transfer directly from one sponsoring firm to another and start engaging in activities requiring registration from the first day that they submit the ~~form~~ [Form 33-109F7](#).

2.6 Ongoing fitness for registration

Every registrant must maintain their fitness for registration on an ongoing basis. Under securities legislation, the regulator has discretionary authority to suspend or revoke an individual's registration or to restrict it with terms and conditions at any time. The regulator may do this, for example, if it receives information through a notice of termination from an individual's former sponsoring firm or any other source that raises concerns about the individual's continued fitness for registration. Individuals will be given an opportunity to be heard before a decision is made to suspend or revoke registration or to impose terms and conditions.

PART 3 – FORMS USED BY FIRMS

3.1 Form 33-109F6

When a firm submits a ~~form~~ [Form 33-109F6](#) to apply for registration, it may pay the regulatory fees to the applicable regulators by cheque or by using the NRD function called *Resubmit Fee Payment*. A firm that applies in multiple jurisdictions should submit its application to the regulator in the principal jurisdiction or, if Ontario is a non-principal jurisdiction, to the regulators in the principal jurisdiction and in Ontario. For more details refer to National Policy 11-204 *Process for registration in multiple jurisdictions*.

3.2 Form 33-109F5

A firm that is registered in multiple jurisdictions may submit a ~~form~~ [Form 33-109F5](#) to its principal regulator only to notify regulators of a change to the firm's registration information, in accordance with subsection 3.1(6) of the Rule.

3.3 Form 33-109F3

A firm must notify the regulator of each business location in the jurisdiction, including a residence, where a firm's registered individuals are based for the purpose of carrying out activities that require registration. Firms submit this form through the NRD website.

3.4 Discretionary exemption for bulk transfers

Regulators will consider an application for an exemption from certain requirements in the Rule to facilitate a reorganization or combination of firms which would otherwise require a large number of submissions to change locations and transfer individuals. The information required, and the conditions to obtain, this type of exemption application are described in the attached Appendix C.

3.5 Form 33-109F1

Under section 4.2 of the Rule, a registered firm must notify the regulator no more than 710 days after an individual ceased to have authority to act on behalf of the firm, as a registered or permitted individual. Typically, this occurs due to the termination of the individual's employment, partnership or agency relationship with the firm. However, it also occurs when an individual is re-assigned to a different position at the firm that does not require registration or is not a permitted individual category. ~~The form~~ [Form 33-109F1](#) is submitted through the NRD website to give notice of the cessation date and the reason for the termination or cessation.

Under paragraph 4.2(1)(b) of the Rule, the information in item 5 [*Details about the termination*] of a ~~form~~ [Form 33-109F1](#) must be submitted unless the cessation of authority to act on behalf of the firm was caused by the death ~~or retirement~~ of the individual ~~or the completion of an employment or agency contract~~. A firm can submit the information in item 5 either at the time of the making the initial submission on NRD, if the information is available within that 710 day period, or within 30 days of the cessation date, by making an NRD submission entitled *Update / Correct Termination Information*.

PART 4 – DUE DILIGENCE BY FIRMS

4.1 Obligations of former sponsoring firm

After submitting a Form 33-109F1 with regard to a former sponsored individual a firm should promptly send the individual a copy of the completed ~~form~~ [Form 33-109F1](#). Under subsections 4.2(3) and (4) of the Rule, within 710 days of a request by a former sponsored individual, a firm must provide the individual with a copy of the ~~form~~ [Form 33-109F1](#) that was submitted, and if necessary, a further copy that includes the information in item 5 of the ~~form~~ [Form 33-109F1](#), within 710 days of submitting that information.

4.2 Obligations of new sponsoring firm

- (1) In fulfilling its obligations under subsection 5.1(1) of the Rule, a firm should make reasonable efforts to do all of the following:
- establish written policies and procedures to verify an individual's information prior to submitting a Form 33-109F4 or Form 33-109F7 on behalf of the individual
 - document the firm's review of an individual's information in accordance with the firm's policies and procedures
 - regularly remind registered and permitted individuals about their disclosure obligations under the Rule, such as notifying the regulator about changes to their registration information

Under subsection 5.1(2) of the Rule, within 60 days of hiring a sponsored individual a firm must obtain a copy of the most recent Form 33-109F1, if any, for the individual. If a sponsoring firm cannot obtain it from the sponsored individual, as a last resort the individual should request it from the regulator.

The information referred to above will assist the firm in meeting its obligations under subsection 5.1(1) of the Rule and should inform the firm's hiring decisions. If an individual is hired before a completed Form 33-109F1 is available and if the firm discovers an inconsistency in the individual's disclosure to the firm or the regulator, then the firm should take appropriate action. All of the required information should be available within 60 days of hiring the individual, which will often fall within the individual's probation period under their employment or agency contract.

PART 5 – COMMODITY FUTURES ACT SUBMISSIONS

5.1 Ontario

In Ontario, if a person or company is required to make a submission under both the Rule and OSC Rule 33-506 (*Commodity Futures Act*) with respect to the same information, the securities regulatory authority is of the view that a single filing on a form required under either rule satisfies both requirements.

5.2 Manitoba

In Manitoba, the Rule is a rule under each of the *Securities Act* and the *Commodity Futures Act*. A single submission with respect to the same information will satisfy the requirements of both statutes.

Appendix A

Summary of Notice Requirements in National Instrument 33-109

Description of Change	Notice Period	Section	Form submitted
Firms – Form 33-109F6 information			by e-mail, fax or mail
Part 1 – Registration details	7 10 days	3.1(1)(b)	Form 33-109F5
Part 2 – Contact information, including head office address (except 2.4)	7 10 days		
Item 2.4 – Agent and Address for service [items 3 and 4 of Schedule B to Form 33-109F6]	7 10 days	3.1(4)	Schedule B to Form 33-109F6 <i>Submission to Jurisdiction</i>
Part 3 – Business history & structure	30 days	3.1(1)(a)	Form 33-109F5
Part 4 – Registration history	7 10 days	3.1(1)(b)	
Part 5 – Financial condition	7 10 days		
Part 6 – Client relationships	7 10 days		
Part 7 – Regulatory action	7 10 days		
Part 8 – Legal action	7 10 days		
Firms – other notice requirements			
Open / change of business location (other than head office)	7 10 days	3.2	Form 33-109F3
Termination / Cessation of Authority of a registered or permitted individual – items 1 – 4 item 5	7 10 days	4.2(2)(a)	Form 33-109F1
	30 days	4.2(2)(b)	
Individuals – Form F4 information			in NRD format
Item 1 – Name	7 10 days	4.1(1)(b)	Form 33-109F5
Item 2 – Address	7 10 days		
Item 3 – Personal information	No update required	4.1(2)	
Item 4 – Citizenship	30 days	4.1(1)(a)	
Item 5 – Registration jurisdictions	7 10 days	4.1(1)(b)	
Item 6 – Individual categories	7 10 days		
Item 7 – Address for service	7 10 days		
Item 8 – Proficiency	7 10 days		
Item 9 – Location of employment	7 10 days		
Item 10 – Current employment	7 10 days		
Item 11 – Previous employment	30 days		
Item 12 – Terminations	7 10 days	4.1(1)(b)	
Item 13 – Regulatory disclosure	7 10 days		
Item 14 – Criminal disclosure	7 10 days		
Item 15 – Civil disclosure	7 10 days		
Item 16 – Financial disclosure	7 10 days		
Item 17 – Ownership of securities	7 10 days		
Change of F4: registrant position or relationship with sponsoring firm / permitted status	7 10 days	4.1(4)	Form 33-109F2
Review of a Permitted individual	7 10 days after appointment	2.5	Form 33-109F4 or Form 33-109F7, subject to conditions
Automatic reinstatement of registration subject to conditions	within 90 days of cessation date	2.3(2)	Form 33-109F7

Appendix B

Contact Information for the Regulators and IROC

- Part 1 provides the regulators' contact information for registrants in all categories, except for those in the jurisdictions and categories listed in Part 2
- Part 2 below, provides IROC's contact information in the jurisdictions where IROC performs registration functions for representatives of investment dealers and, in some cases, for investment dealer firms

PART 1 – Regulators' Contact Information

<p>Alberta e-mail: registration@asc.ca fax: (403) 297-4113 Alberta Securities Commission, 4th Floor, 300 – 5th Avenue S.W. Suite 600, 250–5th St. SW Calgary, AB T2P 3C0R4 Registration department</p>	<p>British Columbia e-mail: registration@bcsc.bc.ca fax: (604) 899-6506 British Columbia Securities Commission P.O. Box 10142, Pacific Centre 701 West Georgia Street Vancouver, BC V7Y 1L2 Attention: Registration</p>
<p>Manitoba e-mail: registrationmsc@gov.mb.ca fax: (204) 945-0330 The Manitoba Securities Commission 500-400 St. Mary Avenue Winnipeg, MB R3C 4K5 Attention: Registrations</p>	<p>New Brunswick e-mail: nrs@nbsc-cvmnb.ca fax: (506) 658-3059 Fax: New Brunswick Securities Commission Suite 300, 85 Charlotte Street Saint John, NB E2L 2J2 Attention: Registration Officer nrs@nbsc-cvmnb.ca</p>
<p>Newfoundland and Labrador e-mail: scon@gov.nl.ca fax: (709) 729-6187 Financial Services Regulation Division Department of Government Services Government of Newfoundland and Labrador P.O. Box 8700, 2nd Floor, West Block Confederation Building St. John's, NL A1B 4J6 Attention: Registration Section</p>	<p>Northwest Territories e-mail: SecuritiesRegistry@gov.nt.ca fax: (867) 873-0243 Government of the Northwest Territories P.O. Box 1320 Yellowknife, NWT X1A 2L9 Attention: Exemption Review Staff</p>
<p>Nova Scotia e-mail: nrs@gov.ns.ca fax: (902) 424-4625 Nova Scotia Securities Commission 2nd Floor, Joseph Howe Building 1690 Hollis Street P.O. Box 458 Halifax, NS B3J 3J9 Attention: Registration</p>	<p>Nunavut e-mail: CorporateRegistrations@gov.nu.ca fax: (867) 975-6594 Legal Registries Division Department of Justice Government of Nunavut P.O. Box 1000 Station 570 Iqaluit, NU X0A 0H0 Attention: Deputy Registrar</p>

PART 1 – Regulators' Contact Information

<p>Ontario e-mail: registration@osc.gov.on.ca fax: (416) 593-8283 Ontario Securities Commission Suite 1903, Box 55 20 Queen Street West Toronto, ON M5H 3S8 Attention: Compliance and Registrant Regulation Telephone: (416) 593-8314 e-mail: registration@osc.gov.on.ca</p>	<p>Prince Edward Island e-mail: ccis@gov.pe.ca fax: (902) 368-5283 Consumer and Corporate Services Division, Office of the Attorney General P.O. Box 2000, 95 Rochford Street Charlottetown, PE C1A 7N8 Attention: Superintendent of Securities</p>
<p>Québec e-mail: inscription@lautorite.qc.ca fax : (514) 873-3090 Autorité des marchés financiers Service de l'encadrement des intermédiaires 800 square Victoria, 22e étage C.P 246, Tour de la Bourse Montréal (Québec) H4Z 1G3</p>	<p>Saskatchewan e-mail: registrationsfsc@gov.sk.ca fax: (306) 787-5899 Saskatchewan Financial Services Commission Suite 601 1919 Saskatchewan Drive Regina, SK S4P 4H2 Attention: Registration</p>
<p>Yukon Territory e-mail: corporateaffairs@gov.yk.ca fax: (867) 393-6251 Department of Community Services Yukon Yukon Securities Office P.O. Box 2703 Whitehorse, YT Y1A 2C6 Attention: Superintendent of Securities</p>	

PART 2 - Investment Industry Regulatory Organization of Canada Contact Information

** registration of investment dealer firms and their representatives **

* registration of investment dealer representatives *

<p>** Alberta – IIROC **</p> <p>** Saskatchewan- IIROC ** e-mail: registration@iiroc.ca fax: (403) 265-4603 #2300, 355- 4th Avenue SW, Calgary, AB T2P 0J1 Attention: Registration department</p>	<p>**British Columbia – IIROC** e-mail: registration@iiroc.ca fax: 604-683-3491 1055 West Georgia Street <u>1.</u> Suite 2800 – Royal Centre Vancouver, BC V6E 3R5 Attention: Registration department</p>
<p>** Newfoundland and Labrador – IIROC **</p> <p><u>2.</u> * Ontario – IIROC *</p> <p>e-mail: registration@iiroc.ca fax: (416) 364-9177 <u>3.</u> Suite 1600, 121 King Street West Toronto, ON M5H 3T9 Attention: Registration department</p>	<p>* Québec – IIROC * e-mail: registration@iiroc.ca fax: (514) 878-0797 Organisme canadien de réglementation du commerce des valeurs mobilières 5 Place Ville Marie Bureau 1550 Montréal (Québec) H3B 2G2 Attention : Service des inscriptions</p>

Appendix C

Discretionary Exemption for Bulk Transfers of Locations and Individuals

(1) If a registered firm is acquiring a large number of business locations (for example, as a result of an amalgamation or asset purchase) from one or more other registered firms that are located in the same jurisdiction(s) and registered in the same categories as the acquiring firm, and if a significant number of individuals are associated on NRD with the locations, the regulator will consider granting an exemption from any or all of the following requirements:

- (a) to submit a notice regarding the termination of each employment, partner, or agency relationship under section 4.2 of the Rule;
- (b) to submit a registration application or a reinstatement notice for each individual seeking to be a registered individual under section 2.2 or 2.3 of the Rule;
- (c) to submit a Form 33-109F4 or Form 33-109F7 for each permitted individual under section 2.5 of the Rule;
- (d) to notify the regulator of a change to the business location information in Form 33-109F3 under section 3.2 of the Rule.

(2) The exemption application should be submitted by the registered firm that will acquire control of the business locations at the closing of the transaction and should be submitted well in advance of the date (**transfer date**) on which the business locations will be transferred. It would typically be sufficient if a firm submits the application at least 30 days before the transfer date. An application for this type of exemption should include the following information:

- (a) the name and NRD number of the registered firm that will acquire control of the business locations;
- (b) for each registered firm that is transferring control of the business locations:
 - (i) the name and NRD number of the registered firm,
 - (ii) the address and NRD number of each business location that is being transferred from the registered firm named in (b)(i) to the registered firm named in (a),
 - (iii) the date that the business locations and individuals will be transferred to the registered firm named in (a).

(3) If the exemption is granted, as soon as practicable after the transfer date, the regulator will instruct the NRD administrator to record on NRD the transfer of the business locations, registered individuals and permitted individuals.

(4) Bulk transfers involving firms that are registered in different categories or different jurisdictions may need to take additional steps. Firms involved in such a transaction should contact their principal regulator to discuss what steps are required for the firm to be eligible for a bulk transfer exemption as described above.

(5) A firm applying for this type of exemption in more than one jurisdiction should refer to National Policy 11-203 *Process for Exemption Applications in Multiple Jurisdictions* for guidance on the form of application and the information required. The firm may set out the information referred to in (2) as follows:

A) Registered firm that will acquire the business locations

Name:
Firm NRD number:

B) Registered firm transferring the business locations

Name:
Firm NRD number:

Business locations that will be transferred

Address of business location:
NRD number of business location:

Address of business location:
NRD number of business location:

(Repeat for each business location as necessary)

C) Date that business locations will be transferred:

