

## AMENDMENT INSTRUMENT

### LOCAL RULE 31-501 REGISTRATION REQUIREMENTS

1. The table of contents of the Rule is amended
  - (a) by striking out "**PART 4: PROFICIENCY**" and substituting "**PART 4: PROFICIENCY AND EXPERIENCE**" ,
  - (b) by striking out "**PART 16: BREACH OF REQUIREMENTS OF OTHER JURISDICTIONS**" and substituting "**PART 16: ORDER SUSPENDING OR CANCELLING REGISTRATION**" ,
  - (c) by striking out "16.1 Breach of Requirements" and substituting "16.1 Order Suspending or Cancelling Registration" ,
  - (d) by striking out "**PART 17: EXEMPTIONS**" and substituting "**PART 17: DUTY TO REPORT**" ,
  - (e) by striking out "17.1 Exemptions" and substituting "17.1 Duty to Report" , and
  - (b) by adding the following after "17.1 Duty to Report":

#### **PART 18: EXEMPTIONS**

##### 18.1 Exemptions

2. Subsection 1.1(1) of the Rule is amended
  - (a) by striking out "it has" in the definitions of "connected issuer" , "principal regulator" and "related issuer" ,
  - (b) by repealing the definition of "non-registered individual" , and
  - (c) by adding the following definition:  
"permitted individual" has the same meaning as in section 1.1 of National Instrument 33-109 *Registration Information* .
3. Section 1.3 of the Rule is repealed and the following substituted:

#### **Filing Requirement**

1.3 A registered firm or a person applying for registration as a registered firm must file a completed Form 33-109F4 for each permitted individual of the firm.

4. Subsection 2.1(1) of the Rule is repealed and the following substituted:

**Application**

2.1(1) A person must apply for registration in accordance with the requirements of this Rule, National Instrument 33-109 *Registration Information Requirements* and National Instrument 31-102 *National Registration Database*.

5. Section 3.4 of the Rule is repealed and the following substituted:

**Individual categories – advisers**

3.4 Every individual employed by a registered adviser who engages in the business of advising others with respect to investing in or the buying or selling of securities must be registered in at least one of the following categories

- (a) representative (advising),
- (b) officer (advising),
- (c) partner (advising),
- (d) associate officer (advising),
- (e) associate partner (advising),
- (f) associate representative (advising),
- (g) compliance officer,
- (h) sole proprietor (advising) [securities adviser category only].

6. The title to Part 4 of the Rule is amended by adding “**AND EXPERIENCE**” after “**PROFICIENCY**”.

7. Subsection 4.1(5) of the Rule is repealed and the following substituted:

4.1(5) An individual shall not be designated under subsection 9.6(1) as a branch manager for an investment dealer unless the individual has

- (a) been registered as a salesperson, officer (trading), partner (trading) or compliance officer for a minimum of two years, and
- (b) successfully completed one of
  - (i) the Canadian Securities Course, and

(ii) one of

(A) the Partners, Directors and Senior Officers Qualifying Examination, or

(B) the Branch Managers Course and the Conduct and Practices Handbook Course.

8. Subsection 4.2(3) of the Rule is repealed and the following substituted:

4.2(3) An individual shall not be designated under subsection 9.6(1) as branch manager for a mutual fund dealer unless the individual has

(a) been registered as a salesperson, officer (trading), partner (trading) or compliance officer for a minimum of two years, and

(b) successfully completed

(i) one of

(A) the Canadian Securities Course,

(B) the Canadian Investment Funds Course, or

(C) the Investment Funds in Canada Course, and

(ii) one of

(A) the Branch Managers Course,

(B) the Mutual Funds Branch Managers Course,

(C) the Branch Compliance Officer Course,

(D) the Partners, Directors and Senior Officers Qualifying Examination, or

(E) the Mutual Fund Officers, Partners and Directors Course.

9. Subsection 4.2(4) of the Rule is repealed and the following substituted:

4.2(4) A mutual fund dealer shall not trade in the securities of a labour sponsored investment fund unless

(a) the dealer has exercised due diligence by conducting and documenting a reasonable investigation on the security,

(b) the documentation of the investigation under (a) is retained for a period of 5 years,

(c) the dealer has assessed the merits of the security to be traded,

(d) the trade is made through one of its registered salespersons, trading officers or trading partners who in addition to the requirements of subsections (1) and (2) has passed the Labour Sponsored Investment Funds Course, or the Canadian Securities Course, and

(e) the branch manager supervising the salesperson, trading officer or trading partner trading in labour sponsored investment funds has passed the Labour Sponsored Investment Funds Course, or the Canadian Securities Course.

10. Subsection 4.2(5) of the Rule is repealed and the following substituted:

4.2(5) A mutual fund dealer shall not trade in exempt securities unless

(a) the dealer has exercised due diligence by conducting and documenting a reasonable investigation on the security,

(b) the documentation of the investigation under (a) is retained for a period of 5 years,

(c) the dealer has assessed the risks and merits of the security to be traded,

(d) the registered salesperson, trading officer or trading partner who proposes to trade an exempt security ensures that the proposed purchaser of the security understands

(i) the main attributes of the security and the risks involved,

(ii) what the market for the security is expected to be,

(iii) the liquidity of the security,

(iv) if an offering memorandum is used, that the offering memorandum is not a prospectus,

(v) any resale restrictions that apply to the security,

(vi) the dollar amount of the compensation that the salesperson will receive from the trade and its percentage of the total purchase price, and

(vii) the protections, rights and remedies provided by the Act including statutory rights of action for rescission and damages.

(e) the trade is executed by a registered salesperson, trading officer, or trading partner who has passed the Canadian Securities Course,

(f) the trade is recorded on the books and records of the dealer,

(g) the branch manager supervising the salesperson trading in exempt securities has successfully completed the Canadian Securities Course, and

(h) where the exempt security is a Hedge Fund, the registered salesperson, trading officer or trading partner executing the trade has successfully completed the Hedge Funds Course.

11. Subsection 4.3(3) of the Rule is amended

(a) by repealing paragraph (a) and substituting the following:

(a) been registered as a salesperson, officer (trading), partner (trading) or compliance officer for a minimum of two years, and , and

(b) in paragraph (b) by adding "the Sales Representative Proficiency Course and" after "successfully completed".

12. Subsection 4.4(1) of the Rule is amended

(a) by adding "(advising)" after "registration as a representative",

(b) in paragraph (c) by striking out "a junior officer (advising)", and substituting "an associate officer (advising), an associate partner (advising) or an associate representative (advising)", and

(c) in paragraph (d) by striking out "a junior officer", and substituting "an associate officer (advising), an associate partner (advising) or an associate representative (advising)".

13. Subsection 4.4(2) of the Rule is amended by striking out "a junior officer (advising)", and substituting "an associate officer (advising), an associate partner (advising) or an associate representative (advising)".

14. Subsection 4.4(3) of the Rule is amended by striking out "a junior officer (advising)", and substituting "an associate officer (advising), an associate partner (advising) or an associate representative (advising)".

15. Subsections 4.4(3), 4.4(4), 4.4(5) and 4.4(6) of the Rule are amended by adding "(advising)" after "registered as a representative".

16. Section 4.6 of the Rule is repealed and the following substituted:

## Alternative Proficiencies and Experience – General

- 4.6 Despite the requirements of this Part, the Executive Director may
- (a) accept alternative proficiencies for any category of registration,
  - (b) accept alternative experience for any category of registration, or
  - (c) grant registration to any applicant to whom registration has been granted by their principal regulator, under National Instrument 31-101 *National Registration System*.
17. Subsection 6.4(1) of the Rule and section 6.5 of the Rule are amended by striking out "*Financial Statements*".
18. Section 6.7 of the Rule is amended by striking out "10" and substituting "5".
19. Subsection 7.2(2) of the Rule is amended by striking out "*bonding or insurance – other dealers*".
20. Subsections 7.3(1) and 7.3(2) of the Rule are amended by striking out "*bonding or insurance – advise*".
21. Sections 7.4, 7.5 and 8.7 of the Rule are amended by striking out "registrant" and substituting "registered firm".
22. Subsection 8.2(2) of the Rule and paragraph 8.3(1)(c) of the Rule are amended by striking out "*Certified Resolution*".
23. Subsection 9.4(2) of the Rule is repealed and the following substituted:
- 9.4(2) The compliance officer designated and registered under subsection (1) is responsible for
- (a) discharging the obligations of the registered firm under the Act,
  - (b) approving the opening of each new account,
  - (c) supervising trades made for or with each client or supervising advice given to each client,
  - (d) supervising the branch manager's conduct of the activities specified in section 9.6, and
  - (e) in the case of a scholarship plan dealer, conducting an on-site review of each New Brunswick branch office at least once every year.

24. Subsection 9.4(3) of the Rule is repealed and the following substituted:
- 9.4(3) A compliance officer designated and registered under subsection (1) may assign supervisory and administrative functions to an individual who
- (a) meets the proficiency requirements under Part 4, as a trading or advising officer, and
  - (b) reports to the compliance officer.
25. Section 9.5 of the Rule is amended by striking out "*[Designation of compliance officer]*".
26. Subsection 9.6(1) of the Rule is amended
- (a) by striking out "located" after "branch office or sub-branch", and
  - (b) by adding "(advising)" after "representative".
27. Subsection 9.6(2) of the Rule is repealed and the following substituted:
- 9.6(2) The Branch manager is responsible for
- (a) approving every new account opened,
  - (b) supervising trades made for or with each client,
  - (c) supervising advice provided to each client, and
  - (d) in the case of a scholarship plan dealer, conducting an on-site review of each New Brunswick sub-branch at least once every year.
28. Subsection 9.6(3) of the Rule is amended by striking out "*[Registration of compliance officer]*".
29. Subsection 9.6(4) of the Rule is repealed and the following substituted:
- 9.6(4) A registered firm must designate, for each branch office, an alternative branch manager who has the proficiency and experience for a branch manager as set out for the firm's registration category in Part 4 and works from a branch or sub branch in New Brunswick.
30. The following subsection is added to the Rule:
- 9.6(5) Notwithstanding paragraph 9.6(4), an alternative branch manager does not need to be registered for a period of two years as required by paragraph 4.2(3)(a).

31. Subsections 9.10(1) and 9.10(2) of the Rule are amended by striking out "*[Know your client/suitability]*".
32. Section 9.11 of the Rule is amended by
  - (a) striking out "*[Individual categories – dealers]*",
  - (b) striking out "*[Individual categories – adviser]*", and
  - (c) striking out "*[Conflicts]*".
33. Section 10.1 of the Rule is amended by striking out "*[Investment dealer acting as portfolio manager]*".
34. Subsection 10.2(2) of the Rule is amended
  - (a) in paragraph (g) by striking out "*[Disclosure to Clients]*", and
  - (b) in paragraph (h) and subparagraph (h)(iv) by striking out "*[New accounts and supervision]*".
35. Subsection 15.1(1) of the Rule and section 15.2 of the Rule are amended by striking out "Multilateral" and substituting "National".
36. Section 15.4 of the Rule is amended
  - (a) by striking out "*[Record Keeping and Compliance Reviews]*",
  - (b) by striking out "*[Investigations]*", and
  - (c) by striking out "*[Suspension on lapse of registration or renewal of registration]*".
37. Part 16 of the Rule is repealed and the following substituted:

## **PART 16: ORDER SUSPENDING OR CANCELLING REGISTRATION**

### **Order Suspending or Cancelling Registration**

16.1(1) The suspension or cancellation of the registration of a registrant by a regulator or foreign jurisdiction may be considered by the Executive Director to affect the suitability and fitness for registration.

16.1(2) The surrender or lapse of the registration of a registrant in any Canadian or foreign jurisdiction may be considered by the Executive Director to affect the suitability and fitness for registration.



16.1(3) The suspension or cancellation of the membership of a registrant by a self-regulatory organization may be considered by the Executive Director to affect the suitability and fitness for registration.

16.1(4) The surrender or lapse of the membership of a registrant in a self-regulatory organization may be considered by the Executive Director to affect the suitability and fitness for registration.

16.1(5) Subject to subsection (6), the Executive Director may, following a hearing, make an order suspending or canceling the registration of a registrant if the Executive Director is of the opinion that the registrant's registration or membership has been suspended, cancelled, surrendered or lapsed under subsections (1), (2), (3) or (4).

16.1(6) Where the Executive Director is of the opinion that the length of time required to hold a hearing under subsection (5) could be prejudicial to the public interest, the Executive Director may, without a hearing, make a temporary order under subsection (5) to have effect for not longer than 15 days after the date the temporary order is made, unless a hearing is commenced within the 15 days, in which case the Executive Director may extend the temporary order until the hearing is concluded.

16.1(7) The Executive Director shall without delay give written notice of an order or temporary order made under this section to the registrant to whom the order or temporary order relates.

38. Part 17 of the Rule is repealed and the following substituted:

**PART 17: DUTY TO REPORT**

17.1 Every registrant has a duty to report to the Executive Director any breaches or apparent breaches of securities law of New Brunswick that come to the attention of the registrant.

39. The following Part is added to the Rule:

**PART 18: EXEMPTIONS**

18.1 The Executive Director may grant an exemption from this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

40. This Amendment Instrument comes into force on \_\_\_\_\_, 2006.