

## COMPANION POLICY 31-501CP

### *REGISTRATION REQUIREMENTS*

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#### **Part 1: Definitions**

##### **Definitions**

1.1 In this Companion Policy

**“Guaranteed Investment Certificate”** (“GIC”) means a deposit instrument commonly known as a GIC or term deposit and includes the following

- A) A deposit instrument issued by a bank and insured by Canadian Deposit Insurance Corporation (“CDIC”),
- B) A deposit instrument issued by a bank that would otherwise be eligible for CDIC Insurance but for the fact that the deposit is in excess of the CDIC insured limit, or
- C) A deposit instrument issued by a credit union, caisse populaire or trust company licensed or approved to operate in the Province of New Brunswick.

**“Rule”** means Local Rule 31-501 *Registration Requirements*.

## **Part 2: Sale of Deposit Notes and Exempt Securities**

### **Guaranteed Investment Certificates**

2.1(1) The *Securities Act* definition of a security excludes “an evidence of deposit issued by a bank listed in Schedule I, II or III of the *Bank Act* (Canada), by a credit union as defined in the *Credit Unions Act* or by a loan company or trust company licensed under the *Loan and Trust Companies Act*.” The Executive Director considers a GIC and some other deposit instruments to be an evidence of deposit and not a security.

2.1(2) No registration or prospectus is required to sell GICs. The Executive Director does not consider the sale of GICs by a registrant to be contrary to the public interest. A registrant is not required to notify the Executive Director of its intention to sell GICs.

### **Sale of Other Deposit Instruments**

2.2(1) Subsection 3.1(3) of the Rule limits the products that a registered mutual fund dealer is permitted to trade. These conditions are imposed to ensure that mutual fund salespersons are proficient to advise their clients on the suitability of the product. The Executive Director considers the existing proficiency requirements of this category of registration to be insufficient to advise clients on more complicated deposit instruments that do not meet the definition of a GIC, such as some principal protected notes. The Executive Director considers trading or sales activity by a mutual fund salesperson in these other deposit instruments to be contrary to the permitted activities of subsection 3.1(3) of the Rule.

2.2(2) The Executive Director will permit sales activity in these other deposit instruments so long as the mutual fund dealer and the individual registrant comply with the requirements of subsection 4.2(5) of the Rule as if it were an exempt security. The Executive Director does not require notification of this activity when it is conducted in compliance with subsection 4.2(5) of the Rule.

### **Scholarship Plan Dealers**

2.3(1) Subsection 3.1(4) of the Rule prohibits scholarship plan dealers and their individual registrants from trading in any security other than securities of a scholarship or educational plan or trust. This means that no such person shall engage in any activity that would be considered trading in an exempt security.

2.3(2) The Executive Director considers the sale of the deposit instruments described in subsection 2.2(1) and (2) by scholarship plan dealers and their individual registrants to be contrary to the public interest.

### **Part 3: Referral Arrangements**

3.1(1) The Executive Director considers that the following areas should be evaluated before any registrant enters into a referral arrangement with another registrant or other service provider

- (a) a signed, written agreement between the registered firm and the other party, covering the referral arrangement be in place,
- (b) a referral of a client should only be made upon written consent of the client,
- (c) a referral should only be made if it is in the best interest of the registrant's client,
- (d) a commission, fee or remuneration of any kind that the registrant earns from referring the client to another party should be disclosed in writing to the client, and
- (e) a referral arrangement must not lead the registrant to any acts that are in furtherance of a trade in a security for which the registrant is not registered to trade or advise.

3.1(2) The Executive Director considers the following activities to be in furtherance of a trade

- (i) accepting payment on behalf of the other party,
- (ii) completing or assisting in the completion of any enrolment or application forms,
- (iii) providing advice on the product or service being referred to,
- (iv) contacting the other party on behalf of the registrant's client after the referral is complete, or
- (v) providing an on-going service on behalf of the other party to the registrant's client.

3.1(3) The activities listed in paragraph 3.1(1)(e) are not an exhaustive list. The list is provided as general guidance. If a registrant has any doubt or concern in relation to its activity it should consult a qualified legal adviser.

#### **Part 4 Residential Sub Branches**

4.1(1) The Executive Director will permit registrants to maintain branch or sub branch offices in a residential location subject to the prescribed requirements of section 9.7 of the Rule. The registered dealer or adviser firm must confirm with each individual registrant that they understand that by designating a residential location as a premises of the dealer or adviser firm a Compliance Officer or Investigator, who represents the Commission may enter the premises without further consent of the occupier or an entry warrant.

4.1(2) The Executive Director considers it good business practice that any dealer or adviser firm considering designating a residential location as a branch or sub branch office, should obtain the express written consent of the individual registrant occupying the residence and any other adult person also occupying the residence. Such written consent should be maintained by the dealer or adviser firm and available for inspection by a Compliance Officer or Investigator, who represents the Commission.

4.1(3) When a dealer or adviser firm has submitted an application to open a branch or sub branch location it is considered to be confirmation that the dealer or adviser firm has confirmed that the requirements of section 9.7 of the Rule have been met.

#### **Part 5: Compliance Officer**

5.1 While the registered compliance officer may assign the administrative duties or functions prescribed for a compliance officer in subsection 9.4(2) of the Rule to another individual, the responsibility for the prescribed requirements remains with the registered compliance officer.

5.1(2) The individual to whom a compliance officer assigns any administrative duties or functions should be appropriately trained to conform to prudent business practice.