

NOTICE OF ADOPTION

NEW BRUNSWICK SECURITIES COMMISSION BLANKET ORDER 31-518

*IN THE MATTER OF
REGISTRATION EXEMPTION ENABLING A CORPORATION
TO RECEIVE DIRECTED SALES COMMISSIONS OR FEES
FROM A MEMBER OF THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA)*

Introduction

On 14 February 2011, the New Brunswick Securities Commission (Commission) approved Blanket Order 31-518 *In the Matter of Registration Exemptions Enabling a Corporation to Receive Directed Sales Commissions or Fees from a Member of the Mutual Fund Dealers Association of Canada* (BO 31-518).

Background

Effective 26 March 2010, MFDA Rule 2.4.1 allows Approved Persons of MFDA Members to have remuneration from their firm paid directly to an unregistered corporation subject to certain conditions, including "that such arrangements are not prohibited or otherwise limited by the relevant securities legislation or securities regulatory authorities."

Local Rule 31-502 *Supplementary Registration Requirements* (LR 31-502) permits a registered individual's commissions or fees to be received by a corporation subject to certain terms and conditions. LR 31-502 also permits a family member of a registered individual to be a director, officer or shareholder of the corporation. By an exemption from the registration requirements of the *Securities Act*, S.N.B. 2004, c. S-5.5, BO 31-508 effectively extends the list of permitted shareholders to a family trust as it is defined in that order.

Current Developments

On 20 December 2010, a working group of provincial/territorial government officials published for comment a consultation paper: *Possible Options for the Incorporation of Individual Sales Representatives of Registered Dealers and Advisers*. Several options were presented, including two legislative proposals, one developed by the Alberta Securities Commission (ASC) and the other by Advocis, the Financial Advisors Association of Canada, both of which are designed to allow personal incorporation. A third option would be to allow a broader range of registered individuals to redirect their remuneration to a non-registered corporation.

The ASC proposal would establish a permit regime for the incorporation of sales representatives modeled on the professional corporation permit system used by the legal, accounting, medical and dental professions in Alberta. The Advocis proposal would establish broad parameters and specific conditions for incorporation that are largely based on regulatory requirements found in the life insurance sector. The third option would allow the Investment Industry Regulatory Organization of Canada (IIROC) to modify its rules and allow individual sales representatives to redirect their commissions to non-registered corporations.

The consultation paper is intended to stimulate policy discussion. No government or securities regulator has approved any of these options. The comment period ended on 25 February 2011 and the Commission continues to closely monitor this matter.

Questions

If you have any questions, please refer them to:

Jason Alcorn
Legal Counsel
New Brunswick Securities Commission
Tel: 506-643-7857
Fax: 506-658-3059
Email: jason.alcorn@nbsc-cvmnb.ca