

IN THE MATTER OF THE *SECURITIES ACT*, S.N.B. 2004, c. S-5.5 (the *Act*)

AND

IN THE MATTER OF

EXTENSION OF INTERIM RELIEF FOR MEMBERS OF THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA FROM THE REQUIREMENT IN SECTION 14.2(1) OF NATIONAL INSTRUMENT 31-103 *REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS* IN RESPECT OF THE PROVISION OF RELATIONSHIP DISCLOSURE INFORMATION TO EXISTING CLIENTS

Blanket Order 31-526

Subsection 208(1) of the *Act*

Interpretation

Unless otherwise defined in this decision or the context otherwise requires, terms used in this decision that are defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) or National Instrument 14-101 *Definitions* have the same meaning.

Background

1. Under section 14.2(1) [*relationship disclosure information*] of NI 31-103, a registered firm must deliver to a client all information that a reasonable investor would consider important about the client's relationship with the registrant.
2. Under section 16.14 of NI 31-103, section 14.2 of NI 31-103 did not apply until 28 September 2010 to persons or companies that were registered on 28 September 2009.
3. On 10 September 2010, the New Brunswick Securities Commission issued Commission Blanket Order 31-513 *In the Matter of Transitional Relief from the Requirement to Provide Relationship Disclosure Information Prescribed by Section 14.2(1) of NI 31-103 for IIROC Member Firms*, providing temporary relief from the application of section 14.2(1) of NI 31-103 until 28 September 2011 to Investment Industry Regulatory Organization of Canada (IIROC) members. The temporary relief was provided in anticipation of the finalization of the IIROC relationship disclosure information proposal (**RDI Proposal**).
4. On 28 September 2011, the New Brunswick Securities Commission issued Commission Blanket Order 31-522 *In the Matter of Transitional Relief from the Requirement to Provide Relationship Disclosure Information Prescribed by Section 14.2(1) of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations for IIROC Member Firms*, providing further temporary relief from the application of section 14.2(1) of NI 31-103 until 31 December 2013 to IIROC members (the **RDI [Decision/Order]**). It was anticipated that the IIROC RDI Proposal would be finalized and new IIROC

member rules reflecting the IIROC RDI Proposal would be approved before the end of 2011 with provisions for their implementation in phases over a two-year transition period.

5. On 26 March 2012, the IIROC announced in IIROC Notice 12-0107 *Client Relationship Model – Implementation* the implementation of, among other things, new IIROC Dealer Member Rule 3500 – *Relationship disclosure* (the **IIROC RDI Rule**).
6. The IIROC RDI Rule sets out detailed requirements to assist registered firms who are IIROC members to comply with the general principle in section 14.2(1) of NI 31-103.
7. The implementation schedule for the IIROC RDI Rule provided that the provision of relationship disclosure information to: (i) new clients be given a one year transition period, with an effective implementation date of 26 March 2013, and (ii) existing clients be given a two year transition period, with an implementation date of 26 March 2014.
8. If a registered firm that is a member of IIROC is required to comply with section 14.2(1) of NI 31-103 on 31 December 2013, the date when the RDI [Decision/Order] expires, it will be required to prepare detailed relationship disclosure information for its existing clients and may incur significant costs changing its relationship disclosure communications with existing clients when the IIROC RDI Rule is implemented.
9. Since the IIROC RDI Rule will come into effect on 26 March 2014 in respect of the provision of relationship disclosure information to existing clients, the cost that IIROC members will incur by having to comply with section 14.2(1) of NI 31-103 on 31 December 2013 in the interim is not justified.

Decision

10. Section 14.2(1) of NI 31-103 does not apply to registered firms that are members of IIROC in respect of the provision of relationship disclosure information to their clients that were clients of the firm before 26 March 2013.
11. This decision comes into effect on 31 December 2013 and expires on 26 March 2014.

Dated at Saint John, New Brunswick, this 3rd day of October 2013.

“Original signed by”

Kenneth B. Savage, C.A.
Member

“Original signed by”

Michael D. Wennberg
Member