

Local Policy 3.02

Notice

Dual Registration Of Mutual Fund And Life Insurance Salesmen

Date: March 1, 1990

Date: May 7, 1990.

The Commission has concluded that its dual licensing policy (Local Policy No. 3.02) first adopted in March, 1970 is no longer in step with the changed business structure and practices which have occurred over the years within the two industries and given its questionable present value, it should be repealed.

The absence of the dual licensing policy does not detract in any way from the dealer's responsibility to provide proper supervision and training to its salesmen on a continuous basis. Local Policy #3.04 remains in effect and the Commission will continue to hold dealers responsible for the activities of their salesmen pursuant to the overall regulatory scheme contemplated by The Securities Act.

Dealers are reminded that the securities activities of their salesmen are limited to the securities activities permitted under the dealers registration and that such transactions must be placed through the employing dealer.

Licensing for the life insurance activities of dealers and salesmen comes within the jurisdiction of The Insurance Act and the Superintendent of Insurance. Dealers and salesmen are cautioned that disciplinary problems arising under The Insurance Act could adversely affect their registrations under The Securities Act.

Explanatory Note

The Notice dated March 1, 1990 issued by the Commission repealing its Local Policy No. 3.02 which dealt with dual licensing of mutual fund and life insurance salesmen has resulted in a certain amount of confusion as to just what type of activities could now be carried on by securities registrants and by licensees under The Insurance Act.

From the point of view of The Securities Act, the question and the answer really flow from the treatment of the subject of full-time/part-time registrants generally.

The Securities Act in Manitoba does not require that registrants be full-time employees of the dealer involved. Nor has the Commission made full-time employment one of its requirements for registration. The eligibility of an applicant for registration is determined inter alia by examining and considering the "other" employment of the applicant and determining whether such "other" employment presents a conflict of interest or something sufficiently incompatible with the securities activity to make granting the registration an act contrary to the public interest. In other words, absent a problem with the type of "other" employment, if the applicant passed the

requisite exams and is not otherwise objectionable, the registration will issue. The range of activity permitted a salesman is tied directly to the range of trading of his employing dealer.

The result is that the Commission has registered, under The Securities Act, salesmen who are also farmers, teachers, pilots, business men and women and a variety of “other” occupations. The key considerations — honesty, integrity, acceptable education and proficiency requirements — continue to apply.

Local Policy No. 3.02, when it was in force, dealt with two rather narrow categories of activity — “mutual fund” salesmen on the one hand and “life insurance salesmen” on the other, and “Dual Licensing” was generally viewed in that context.

One should keep in mind that under The Securities Act there are certain dealers who hold unrestricted registrations which permit trading in its broadest forms. These are members of stock exchanges and other self-regulatory organizations who have comprehensive rules governing their conduct.

All other dealers in Manitoba hold registrations restricted to certain types of trading ranging from “distribution of mutual funds only” to “distributions of any new issue authorized for sale in Manitoba” to a restriction to a “specific issue on offering” of securities. The restrictions are determined on a case-by-case basis depending on the qualifications, capital, bonding, etc. of the dealer.

Not all of these securities dealers were eligible for dual licensing under The Insurance Act under the old Local Policy No. 3.02.

As mentioned at the outset, the repeal of that Policy has raised the question as to what securities activities may be engaged in by Insurance Act licensees and what insurance activities may be engaged in by Securities Act registrants.

The Commission's Notice of March 1, 1990 announcing the repeal of Local Policy No. 3.02 made the point that the licensing and regulation of activities under The Insurance Act are solely within the jurisdiction of the Superintendent of Insurance who is subject to the provisions of The Insurance Act. Any questions about licensing under that Act should be addressed to the Superintendent.

The administration of The Securities Act is solely within the jurisdiction of the Commission. As a general proposition, the Commission does not view the holding of a license under The Insurance Act to be an act which would disqualify an applicant for a securities salesman's registration. In other words, a securities salesman registrant is free to apply for and hold any license which the Superintendent of Insurance is prepared to grant that salesman.

The foregoing comments are obviously written in the context of “salesman” registration and licensing. Networking arrangements, etc. which fall with the “Principles of Regulation” adopted by the Securities Commissions in Canada will, of course, be governed by those principles.