**THE MANITOBA SECURITIES COMMISSION**
**MSC RULE 2009-3**
(Section 149.1, *The Securities Act*)

**NATIONAL INSTRUMENT 31-103**
**REGISTRATION REQUIREMENTS AND EXEMPTIONS**

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# NATIONAL INSTRUMENT 31-103
# REGISTRATION REQUIREMENTS AND EXEMPTIONS

## PART 1 – INTERPRETATION

**Definitions of terms used throughout this Instrument**
**1.1** In this Instrument

"**Canadian financial institution**" has the same meaning as in section 1.1 of NI 45-106;

"**connected issuer**" has the same meaning as in section 1.1 of National Instrument 33-105 *Underwriting Conflicts*;

"**debt security**" has the same meaning as in section 1.1 of NI 45-106;

"**eligible client**" means a client of a person or company if any of the following apply:

(a) the client is an individual and was a client of the person or company immediately before becoming resident in the local jurisdiction;

(b) the client is the spouse or a child of a client referred to in paragraph (a);

(c) except in Ontario, the client is a client of the person or company on September 27, 2009 pursuant to the person or company's reliance on an exemption from the registration requirement under Part 5 of Multilateral Instrument 11-101 Principal Regulator Sy*stem* on that date;

"**exempt market dealer**" means a person or company registered in the category of exempt market dealer;

"**IIROC**" means the Investment Industry Regulatory Organization of Canada;

"**investment dealer**" means a person or company registered in the category of investment dealer;

"**managed account**" means an account of a client for which a person or company makes the investment decisions if that person or company has discretion to trade in securities for the account without requiring the client's express consent to a transaction;

"**marketplace**" has the same meaning as in section 1.1 of National Instrument 21-101 *Marketplace Operation*;

"**MFDA**" means the Mutual Fund Dealers Association of Canada;

"**mutual fund dealer**" means a person or company registered in the category of mutual fund dealer;

"**NI 45-106**" means National Instrument 45-106 *Prospectus and Registration Exemptions*;

"**permitted client**" means any of the following:

(a) a Canadian financial institution or a Schedule III bank;

(b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada);

(c) a subsidiary of any person or company referred to in paragraph (a) or (b), if the person or company owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of the subsidiary;

(d) a person or company registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than as a scholarship plan dealer or a restricted dealer;

(e) a pension fund that is regulated by either the federal Office of the Superintendent of Financial Institutions or a pension commission or similar regulatory authority of a jurisdiction of Canada or a wholly-owned subsidiary of such a pension fund;

(f) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (e);

(g) the Government of Canada or a jurisdiction of Canada, or any Crown corporation, agency or wholly-owned entity of the Government of Canada or a jurisdiction of Canada;

(h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;

(i) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;

(j) a trust company or trust corporation registered or authorized to carry on business under the Trust and Loan Companies Act (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a managed account managed by the trust company or trust corporation, as the case may be;

(k) a person or company acting on behalf of a managed account managed by the person or company, if the person or company is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction;

(l) an investment fund if one or both of the following apply:

(i) the fund is managed by a person or company registered as an investment fund manager under the securities legislation of a jurisdiction of Canada;

(ii) the fund is advised by a person or company authorized to act as an adviser under the securities legislation of a jurisdiction of Canada;

(m) in respect of a dealer, a registered charity under the *Income Tax Act* (Canada) that obtains advice on the securities to be traded from an eligibility adviser, as defined in section 1.1 of NI 45-106, or an adviser registered under the securities legislation of the jurisdiction of the registered charity;

(n) in respect of an adviser, a registered charity under the Income Tax Act (Canada) that is advised by an eligibility adviser, as defined in section 1.1 of NI 45-106, or an adviser registered under the securities legislation of the jurisdiction of the registered charity;

(o) an individual who beneficially owns financial assets, as defined in section 1.1 of NI 45-106, having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds $5 million;

(p) a person or company that is entirely owned by an individual or individuals referred to in paragraph (o), who holds the beneficial ownership interest in the person or company directly or through a trust, the trustee of which is a trust company or trust corporation registered or authorized to carry on business under the Trust and Loan Companies Act (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction;

(q) a person or company, other than an individual or an investment fund, that has net assets of at least $25 million as shown on its most recently prepared financial statements;

(r) a person or company that distributes securities of its own issue in Canada only to persons or companies referred to in paragraphs (a) to (q);

"**portfolio manager**" means a person or company registered in the category of portfolio manager;

"**principal jurisdiction**" means

(a) for a person or company other than an individual, the jurisdiction of Canada in which the person or company's head office is located, and

(b) for an individual, the jurisdiction of Canada in which the individual's working office is located;

"**registered firm**" means a registered dealer, a registered adviser, or a registered investment fund manager;

"**registered individual**" means an individual who is registered

(a) in a category that authorizes the individual to act as a dealer or an adviser on behalf of a registered firm,

(b) as ultimate designated person, or

(c) as chief compliance officer;

"**related issuer**" has the same meaning as in section 1.1 of National Instrument 33-105 Underwriting Conflicts;

"**restricted dealer**" means a person or company registered in the category of restricted dealer;

"**restricted portfolio manager**" means a person or company registered in the category of restricted portfolio manager;

"**Schedule III bank**" means an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

"**scholarship plan dealer**" means a person or company registered in the category of scholarship plan dealer;

"**sponsoring firm**" means the registered firm on whose behalf an individual acts as a dealer, an underwriter, an adviser, a chief compliance officer or an ultimate designated person;

"**subsidiary**" has the same meaning as in section 1.1 of NI 45-106;

"**working office**" means the office of the sponsoring firm where an individual does most of his or her business.

**Interpretation of "securities" in Alberta, British Columbia, New Brunswick and Saskatchewan**
**1.2** In Alberta, British Columbia, New Brunswick and Saskatchewan, a reference to "securities" in this Instrument includes "exchange contracts", unless the context otherwise requires.

**Information may be given to the principal regulator**
**1.3(1)** In this section, "principal regulator" means

(a) for a registered firm whose head office is in a jurisdiction of Canada, the securities regulatory authority or regulator of that jurisdiction, and

(b) for a registered firm whose head office is not in Canada, the securities regulatory authority or regulator of,

(i) if the firm has not completed its first financial year since being registered, the jurisdiction of Canada in which the firm expects most of its clients to be resident at the end of its current financial year, and

(ii) in all other circumstances, the jurisdiction of Canada in which most of the firm's clients were resident at the end of its most recently completed financial year.

**1.3(2)** Except under the following sections, for the purpose of a requirement in this Instrument to notify the regulator or the securities regulatory authority, the person or company may notify the regulator or the securities regulatory authority by notifying the person or company's principal regulator:

(a) section 8.18 [international dealer];

(b) section 8.26 [international adviser];

(c) section 11.9 [registrant acquiring a registered firm's securities or assets];

(d) section 11.10 [registered firm whose securities are acquired].

**1.3(3)** For the purpose of a requirement in this Instrument to deliver or submit a document to the regulator or the securities regulatory authority, the person or company may deliver or submit the document by delivering or submitting it to the person or company's principal regulator.

## PART 2 – CATEGORIES OF REGISTRATION FOR INDIVIDUALS

**Individual categories**
**2.1(1)** The following are the categories of registration for an individual who is required, under securities legislation, to be registered to act on behalf of a registered firm:

(a) dealing representative;

(b) advising representative;

(c) associate advising representative;

(d) ultimate designated person;

(e) chief compliance officer.

**2.1(2)** An individual registered in the category of

(a) dealing representative may act as a dealer or an underwriter in respect of a security that the individual's sponsoring firm is permitted to trade or underwrite,

(b) advising representative may act as an adviser in respect of a security that the individual's sponsoring firm is permitted to advise on,

(c) associate advising representative may act as an adviser in respect of a security that the individual's sponsoring firm is permitted to advise on if the advice has been approved under subsection 4.2(1) [*associate advising representatives – pre-approval of advice*],

(d) ultimate designated person must perform the functions set out in section 5.1 [*responsibilities of the ultimate designated person*], and

(e) chief compliance officer must perform the functions set out in section 5.2 [*responsibilities of the chief compliance officer*].

**2.1(3)** Subsection (1) does not apply in Ontario.

Note: In Ontario, the same categories of registration for individuals as in subsection 2.1(1) are set out under section 25 of the Securities Act (Ontario).

**Client mobility exemption – individuals**

**2.2(1)** The registration requirement does not apply to an individual if all of the following apply:

(a) the individual is registered as a dealing, advising or associate advising representative in the individual's principal jurisdiction;

(b) the individual's sponsoring firm is registered in the firm's principal jurisdiction;

(c) the individual does not act as a dealer, underwriter or adviser in the local jurisdiction other than as he or she is permitted to in his or her principal jurisdiction according to the individual's registration in that jurisdiction;

(d) the individual does not act as a dealer, underwriter or adviser in the local jurisdiction other than for 5 or fewer eligible clients;

(e) the individual complies with Part 13 [*dealing with clients – individuals and firms*];

(f) the individual deals fairly, honestly and in good faith in the course of his or her dealings with an eligible client;

(g) before first acting as a dealer or adviser for an eligible client, the individual's sponsoring firm has disclosed to the client that the individual, and if the firm is relying on section 8.30 [*client mobility exemption – firms*], the firm,

(i) is exempt from registration in the local jurisdiction, and

(ii) is not subject to requirements otherwise applicable under local securities legislation.

**2.2(2)** If an individual relies on the exemption in this section, the individual's sponsoring firm must submit a completed Form 31-103F3 *Use of Mobility Exemption* to the securities regulatory authority of the local jurisdiction as soon as possible after the individual first relies on this section.

**Individuals acting for investment fund managers**
**2.3** The investment fund manager registration requirement does not apply to an individual acting on behalf of a registered investment fund manager.

## PART 3 – REGISTRATION REQUIREMENTS – INDIVIDUALS

*Division 1 General proficiency requirements*

**Definitions**
**3.1** In this Part

"**Branch Manager Proficiency Exam**" means the examination prepared and administered by the RESP Dealers Association of Canada and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"**Canadian Investment Funds Exam**" means the examination prepared and administered by the Investment Funds Institute of Canada and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"**Canadian Investment Manager designation**" means the designation earned through the Canadian investment manager program prepared and administered by CSI Global Education Inc. and so named on the day this Instrument comes into force, and every program that preceded that program, or succeeded that program, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned program;

"**Canadian Securities Course Exam**" means the examination prepared and administered by CSI Global Education Inc. and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"**CFA Charter**" means the charter earned through the Chartered Financial Analyst program prepared and administered by the CFA Institute and so named on the day this Instrument comes into force, and every program that preceded that program, or succeeded that program, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned program;

"**Exempt Market Products Exam**" means the examination prepared and administered by the IFSE Institute and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"**Investment Funds in Canada Course Exam**" means the examination prepared and administered by CSI Global Education Inc. and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"**Mutual Fund Dealers Compliance Exam**" means the examination prepared and administered by the IFSE Institute and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"**New Entrants Course Exam**" means the examination prepared and administered by CSI Global Education Inc. and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"**PDO Exam**" means

(a) the Officers', Partners' and Directors' Exam prepared and administered by the Investment Funds Institute of Canada and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination, or

(b) the Partners, Directors and Senior Officers Course Exam prepared and administered by CSI Global Education Inc. and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"**Sales Representative Proficiency Exam**" means the examination prepared and administered by the RESP Dealers Association of Canada and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;

"**Series 7 Exam**" means the examination prepared and administered by the Financial Industry Regulatory Authority in the United States of America and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination.

**U.S. equivalency**

**3.2** In this Part, an individual is not required to have passed the Canadian Securities Course Exam if the individual has passed the Series 7 Exam and the New Entrants Course Exam.

**Time limits on examination requirements**

**3.3(1)** For the purposes of this Part, an individual is deemed to have not passed an examination, and is deemed to have not successfully completed a program, unless the individual passed the examination or successfully completed the program within 36 months before the date the individual applied for registration.

**3.3(2)** Subsection (1) does not apply if the individual passed the examination or successfully completed the program more than 36 months before the date the individual applied for registration and one or both of the following apply:

(a) for any 12 months during the 36-month period before the date the individual applied for registration in a category, the individual was registered in the same category in a jurisdiction of Canada;

(b) the individual gained 12 months of relevant securities industry experience during the 36-month period before the date the individual applied for registration.

**3.3(3)** In Québec, the examinations provided for in subsections (4) and (6) of section 45 of Policy Q-9 *Dealers, Advisers and Representatives*, as it read on September 27, 2009, are deemed to be relevant examinations for purposes of subsection (2).

*Division 2 Education and experience requirements*

**Proficiency – initial and ongoing**
**3.4(1)** An individual must not perform an activity that requires registration unless the individual has the education, training and experience that a reasonable person would consider necessary to perform the activity competently.

**3.4(2)** A chief compliance officer must not perform an activity set out in section 5.2 [*responsibilities of the chief compliance officer*] unless the individual has the education, training and experience that a reasonable person would consider necessary to perform the activity competently.

**Mutual fund dealer – dealing representative**
**3.5** A dealing representative of a mutual fund dealer must not act as a dealer on behalf of the mutual fund dealer unless one or both of the following apply:

(a) the representative has passed the Canadian Investment Funds Exam, the Canadian Securities Course Exam or the Investment Funds in Canada Course Exam;

(b) the representative has met the requirements of section 3.11 [*portfolio manager – advising representative*].

**Mutual fund dealer – chief compliance officer**
**3.6** A mutual fund dealer must not designate an individual as its chief compliance officer under subsection 11.3(1) [*designating a chief compliance officer*] unless any of the following apply:

(a) the individual has passed

(i) the Canadian Investment Funds Exam, the Canadian Securities Course Exam or the Investment Funds in Canada Course Exam, and

(ii) the PDO Exam or the Mutual Fund Dealers Compliance Exam;

(b) the individual has met the requirements of section 3.13 [*portfolio manager – chief compliance officer*]

**Scholarship plan dealer – dealing representative**
**3.7** A dealing representative of a scholarship plan dealer must not act as a dealer on behalf of the scholarship plan dealer unless the representative has passed the Sales Representative Proficiency Exam.

**Scholarship plan dealer – chief compliance officer**
**3.8** A scholarship plan dealer must not designate an individual as its chief compliance officer under subsection 11.3(1) [*designating a chief compliance officer*] unless the individual has passed all of the following:

(a) the Sales Representative Proficiency Exam;

(b) the Branch Manager Proficiency Exam;

(c) the PDO Exam.

**Exempt market dealer – dealing representative**
**3.9** A dealing representative of an exempt market dealer must not act as a dealer on behalf of the exempt market dealer unless any of the following apply:

(a) the individual has passed the Canadian Securities Course Exam;

(b) the individual has passed the Exempt Market Products Exam;

(c) the individual satisfies the conditions set out in section 3.11 [*portfolio manager – advising representative*].

**Exempt market dealer – chief compliance officer**
**3.10** An exempt market dealer must not designate an individual as its chief compliance officer under subsection 11.3(1) [*designating a chief compliance officer*] unless any of the following apply:

(a) the individual has passed the PDO Exam and any of the following:

(i) the Canadian Securities Course Exam;

(ii) the Exempt Market Products Exam;

(b) the individual has met the requirements of section 3.13 [*portfolio manager – chief compliance officer*].

**Portfolio manager – advising representative**
**3.11** An advising representative of a portfolio manager must not act as an adviser on behalf of the portfolio manager unless any of the following apply:

(a) the representative has earned a CFA Charter and has 12 months of relevant investment management experience in the 36-month period before applying for registration;

(b) the representative has received the Canadian Investment Manager designation and has 48 months of relevant investment management experience, 12 months of which was in the 36-month period before applying for registration.

**Portfolio manager – associate advising representative**
**3.12** An associate advising representative of a portfolio manager must not act as an adviser on behalf of the portfolio manager unless any of the following apply:

(a) the representative has completed Level 1 of the Chartered Financial Analyst program and has 24 months of relevant investment management experience;

(b) the representative has received the Canadian Investment Manager designation and has 24 months of relevant investment management experience.

**Portfolio manager – chief compliance officer**
**3.13** A portfolio manager must not designate an individual as its chief compliance officer under subsection 11.3(1) [*designating a chief compliance officer*] unless any of the following apply:

(a) the individual has

(i) earned a CFA Charter or a professional designation as a lawyer, Chartered Accountant, Certified General Accountant or Certified Management Accountant in a jurisdiction of Canada, a notary in Québec, or the equivalent in a foreign jurisdiction,

(ii) passed the Canadian Securities Course Exam and the PDO Exam, and

(iii) either

A) gained 36 months of relevant securities experience while working at an investment dealer, a registered adviser or an investment fund manager, or

B) provided professional services in the securities industry for 36 months and worked at a registered dealer, a registered adviser or an investment fund manager for 12 months;

(b) the individual has passed the Canadian Securities Course Exam and the PDO Exam and any of the following apply:

(i) the individual has worked at an investment dealer or a registered adviser for 5 years, including for 36 months in a compliance capacity;

(ii) the individual has worked for 5 years at a Canadian financial institution in a compliance capacity relating to portfolio management and worked at a registered dealer or a registered adviser for 12 months;

(c) the individual has passed the PDO Exam and has met the requirements of section 3.11 [*portfolio manager – advising representative*].

**Investment fund manager – chief compliance officer**

**3.14** An investment fund manager must not designate an individual as its chief compliance officer under subsection 11.3(1) [*designating a chief compliance officer*] unless any of the following apply:

(a) the individual has

(i) earned a CFA Charter or a professional designation as a lawyer, Chartered Accountant, Certified General Accountant or Certified Management Accountant in a jurisdiction of Canada, a notary in Québec, or the equivalent in a foreign jurisdiction,

(ii) passed the Canadian Securities Course Exam and the PDO Exam, and

(iii) either

A) gained 36 months of relevant securities experience while working at a registered dealer, a registered adviser or an investment fund manager, or

B) provided professional services in the securities industry for 36 months and worked in a relevant capacity at an investment fund manager for 12 months;

(b) the individual has

(i) passed the Canadian Investment Funds Exam, the Canadian Securities Course Exam, or the Investment Funds in Canada Course Exam,

(ii) passed the PDO Exam, and

(iii) gained 5 years of relevant securities experience while working at a registered dealer, registered adviser or an investment fund manager, including 36 months in a compliance capacity.

(c) the individual has met the requirements of section 3.13 [*portfolio manager – chief compliance officer*].

*Division 3 Membership in a self-regulatory organization*

**Who must be approved by an SRO before registration**
**3.15(1)** A dealing representative of an investment dealer must be an "approved person" as defined under the rules of IIROC.

**3.15(2)** Except in Québec, a dealing representative of a mutual fund dealer must be an "approved person" as defined under the rules of the MFDA.

**Exemptions from certain requirements for SRO-approved persons**
**3.16(1)** The following sections do not apply to a registered individual who is a dealing representative of a member of IIROC:

(a) subsection 13.2(3) [*know your client*];

(b) section 13.3 [*suitability*];

(c) section 13.13 [*disclosure when recommending the use of borrowed money*].

**3.16(2)** The following sections do not apply to a registered individual who is a dealing representative of a member of the MFDA:

(a) section 13.3 [*suitability*];

(b) section 13.13 [*disclosure when recommending the use of borrowed money*].

**3.16(3)** In Québec, the requirements listed in subsection (2) do not apply to a registered individual who is a dealing representative of a mutual fund dealer if the registered individual complies with the applicable regulations on mutual fund dealers in Québec.

## PART 4 – RESTRICTIONS ON REGISTERED INDIVIDUALS

**Restriction on acting for another registered firm**
**4.1** An individual registered as a dealing, advising or associate advising representative of a registered firm must not act as an officer, partner or director of another registered firm that is not an affiliate of the first-mentioned registered firm.

**Associate advising representatives – pre-approval of advice**
**4.2(1)** An associate advising representative of a registered adviser must not advise on securities unless, before giving the advice, the advice has been approved by an individual designated by the registered firm under subsection (2).

**4.2(2)** A registered adviser must designate, for an associate advising representative, an advising representative to review the advice of the associate advising representative.

**4.2(3)** No later than the 7th day following the date of a designation under subsection (2), a registered adviser must provide the regulator with the names of the advising representative and the associate advising representative who are the subject of the designation.

## PART 5 – ULTIMATE DESIGNATED PERSON AND CHIEF COMPLIANCE OFFICER

**Responsibilities of the ultimate designated person**

**5.1** The ultimate designated person of a registered firm must do all of the following:

(a) supervise the activities of the firm that are directed towards ensuring compliance with securities legislation by the firm and each individual acting on the firm's behalf;

(b) promote compliance by the firm, and individuals acting on its behalf, with securities legislation.

**Responsibilities of the chief compliance officer**

**5.2** The chief compliance officer of a registered firm must do all of the following:

(a) establish and maintain policies and procedures for assessing compliance by the firm, and individuals acting on its behalf, with securities legislation;

(b) monitor and assess compliance by the firm, and individuals acting on its behalf, with securities legislation;

(c) report to the ultimate designated person of the firm as soon as possible if the chief compliance officer becomes aware of any circumstances indicating that the firm, or any individual acting on its behalf, may be in non-compliance with securities legislation and any of the following apply:

(i) the non-compliance creates, in the opinion of a reasonable person, a risk of harm to a client;

(ii) the non-compliance creates, in the opinion of a reasonable person, a risk of harm to the capital markets;

(iii) the non-compliance is part of a pattern of non-compliance;

(d) submit an annual report to the firm's board of directors, or individuals acting in a similar capacity for the firm, for the purpose of assessing compliance by the firm, and individuals acting on its behalf, with securities legislation.

## PART 6 – SUSPENSION AND REVOCATION OF REGISTRATION – INDIVIDUALS

**If individual ceases to have authority to act for firm**

**6.1** If a registered individual ceases to have authority to act as a registered individual on behalf of his or her sponsoring firm because of the end of, or a change in, the individual's employment, partnership, or agency relationship with the firm, the individual's registration with the firm is suspended until reinstated or revoked under securities legislation.

**If IIROC approval is revoked or suspended**

**6.2** If IIROC revokes or suspends a registered individual's approval in respect of an investment dealer, the individual's registration as a dealing representative of the investment dealer is suspended until reinstated or revoked under securities legislation.

**If MFDA approval is revoked or suspended**

**6.3** Except in Québec, if the MFDA revokes or suspends a registered individual's approval in respect of a mutual fund dealer, the individual's registration as a dealing representative of the mutual fund dealer is suspended until reinstated or revoked under securities legislation.

**If sponsoring firm is suspended**
**6.4** If a registered firm's registration in a category is suspended, the registration of each registered dealing, advising or associate advising representative acting on behalf of the firm in that category is suspended until reinstated or revoked under securities legislation.

**Dealing and advising activities suspended**
**6.5** If an individual's registration in a category is suspended, the individual must not act as a dealer, an underwriter or an adviser, as the case may be, under that category.

**Revocation of a suspended registration – individual**
**6.6** If a registration of an individual has been suspended under this Part and it has not been reinstated, the registration is revoked on the 2nd anniversary of the suspension.

**Exception for individuals involved in a hearing**
**6.7** Despite section 6.6, if a hearing concerning a suspended registrant is commenced under securities legislation or a proceeding concerning the registrant is commenced under the rules of an SRO, the registrant's registration remains suspended.

**Application of Part 6 in Ontario**
**6.8** Other than section 6.5 [*dealing and advising activities suspended*], this Part does not apply in Ontario.

Note: In Ontario, measures governing suspension in section 29 of the *Securities Act* (Ontario) are similar to those in Parts 6 and 10.

## PART 7 – CATEGORIES OF REGISTRATION FOR FIRMS

**Dealer categories**
**7.1(1)** The following are the categories of registration for a person or company that is required, under securities legislation, to be registered as a dealer:

(a) investment dealer;

(b) mutual fund dealer;

(c) scholarship plan dealer;

(d) exempt market dealer;

(e) restricted dealer.

**7.1(2)** A person or company registered in the category of

(a) investment dealer may act as a dealer or an underwriter in respect of any security,

(b) mutual fund dealer may act as a dealer in respect of any security of

(i) a mutual fund, or

(ii) except in Québec, an investment fund that is a labour-sponsored investment fund corporation or labour-sponsored venture capital corporation under legislation of a jurisdiction of Canada,

(c) scholarship plan dealer may act as a dealer in respect of a security of a scholarship plan, an educational plan or an educational trust,

(d) exempt market dealer may

(i) act as a dealer by trading a security that is distributed under an exemption from the prospectus requirement, whether or not a prospectus was filed in respect of the distribution,

(ii) act as a dealer by trading a security that, if the trade were a distribution, would be exempt from the prospectus requirement,

(iii) receive an order from a client to sell a security that was acquired by the client in a circumstance described in subparagraph (i) or (ii), and may act or solicit in furtherance of receiving such an order, and

(iv) act as an underwriter in respect of a distribution of securities that is made under an exemption from the prospectus requirement;

(e) restricted dealer may act as a dealer or an underwriter in accordance with the terms, conditions, restrictions or requirements applied to its registration.

**7.1(3)** Despite paragraph (2)(b), in British Columbia a mutual fund dealer may also act as a dealer in respect of securities of any of the following:

(a) scholarship plans;

(b) educational plans;

(c) educational trusts.

**7.1(4)** Subsection (1) does not apply in Ontario.

Note: In Ontario, the same categories of registration for firms acting as dealers as in subsection 7.1(1) are set out under subsection 26(2) of the *Securities Act* (Ontario).

**Adviser categories**

**7.2(1)** The following are the categories of registration for a person or company that is required, under securities legislation, to be registered as an adviser:

(a) portfolio manager;

(b) restricted portfolio manager.

**7.2(2)** A person or company registered in the category of

(a) portfolio manager may act as an adviser in respect of any security, and

(b) restricted portfolio manager may act as an adviser in respect of any security in accordance with the terms, conditions, restrictions or requirements applied to its registration.

**7.2(3)** Subsection (1) does not apply in Ontario.

Note: In Ontario, the same categories of registration for firms acting as advisers as in subsection 7.2(1) are set out under subsection 26(6) of the *Securities Act* (Ontario).

**Investment fund manager category**
**7.3** The category of registration for a person or company that is required, under securities legislation, to be registered as an investment fund manager is "investment fund manager".

## PART 8 – EXEMPTIONS FROM THE REQUIREMENT TO REGISTER

### *Division 1 Exemptions from dealer and underwriter registration*

**Interpretation of "trade" in Québec**
**8.1** In this Part, in Québec, "trade" refers to any of the following activities:

(a) the activities described in the definition of "dealer" in section 5 of the *Securities Act* (R.S.Q., c. V-1.1), including the following activities:

(i) the sale or disposition of a security by onerous title, whether the terms of payment are on margin, installment or otherwise, but does not include a transfer or the giving in guarantee of securities in connection with a debt or the purchase of a security, except as provided in paragraph (b);

(ii) participation as a trader in any transaction in a security through the facilities of an exchange or a quotation and trade reporting system;

(iii) the receipt by a registrant of an order to buy or sell a security;

(b) a transfer or the giving in guarantee of securities of an issuer from the holdings of a control person in connection with a debt.

**Definition of "securities" in Alberta, British Columbia, New Brunswick and Saskatchewan**
**8.2** Despite section 1.2, in Alberta, British Columbia, New Brunswick and Saskatchewan, a reference to "securities" in this Division excludes "exchange contracts".

**Interpretation – exemption from underwriter registration requirement**
**8.3** In this Division, an exemption from the dealer registration requirement is an exemption from the underwriter registration requirement.

**Person or company not in the business of trading in British Columbia, Manitoba and New Brunswick**
**8.4(1)** In British Columbia and New Brunswick, a person or company is exempt from the dealer registration requirement if the person or company

(a) is not engaged in the business of trading in securities or exchange contracts as a principal or agent, and

(b) does not hold himself, herself or itself out as engaging in the business of trading in securities or exchange contracts as a principal or agent.

**8.4(2)** In Manitoba, a person or company is exempt from the dealer registration requirement if the person or company

(a) is not engaged in the business of trading in securities as a principal or agent, and

(b) does not hold himself, herself or itself out as engaging in the business of trading in securities as a principal or agent.

**Trades through or to a registered dealer**

**8.5** The dealer registration requirement does not apply to a person or company in respect of a trade by the person or company if one of the following applies:

(a) the trade is made solely through an agent who is a registered dealer, if the dealer is registered in a category that permits the trade;

(b) the trade is made to a registered dealer who is purchasing as principal, if the dealer is registered in a category that permits the trade.

**Adviser – non-prospectus qualified investment fund**

**8.6(1)** The dealer registration requirement does not apply to a registered adviser, or an adviser that is exempt from registration under section 8.26 [*international adviser*], in respect of a trade in a security of a non-prospectus qualified investment fund if both of the following apply:

(a) the adviser acts as the fund's adviser and investment fund manager;

(b) the trade is to a managed account of a client of the adviser.

**8.6(2)** The exemption in subsection (1) is not available if the managed account or non-prospectus qualified investment fund was created or is used primarily for the purpose of qualifying for the exemption.

**8.6(3)** An adviser that relies on subsection (1) must provide written notice to the regulator that it is relying on the exemption within 7 days of its first use of the exemption.

**Investment fund reinvestment**

**8.7(1)** Subject to subsections (2), (3), (4) and (5), the dealer registration requirement does not apply to an investment fund, or the investment fund manager of the fund, in respect of a trade in a security with a security holder of the investment fund if the trade is permitted by a plan of the investment fund and is in a security of the investment fund's own issue and if any of the following apply:

(a) a dividend or distribution out of earnings, surplus, capital or other sources payable in respect of the investment fund's securities is applied to the purchase of the security that is of the same class or series as the securities to which the dividends or distributions are attributable;

(b) the security holder makes an optional cash payment to purchase the security of the investment fund and both of the following apply:

(i) the security is of the same class or series of securities described in paragraph (a) that trade on a marketplace;

(ii) the aggregate number of securities issued under the optional cash payment does not exceed, in the financial year of the investment fund during which the trade takes place, 2 per cent of the issued and outstanding securities of the class to which the plan relates as at the beginning of the financial year.

**8.7(2)** The exemption in subsection (1) is not available unless the plan that permits the trade is available to every security holder in Canada to which the dividend or distribution is available.

**8.7(3)** The exemption in subsection (1) is not available if a sales charge is payable on a trade described in the subsection.

**8.7(4)** At the time of the trade, if the investment fund is a reporting issuer and in continuous distribution, the investment fund must have set out in the prospectus under which the distribution is made

(a) details of any deferred or contingent sales charge or redemption fee that is payable at the time of the redemption of the security, and

(b) any right that the security holder has to elect to receive cash instead of securities on the payment of a dividend or making of a distribution by the investment fund and instructions on how the right can be exercised.

**8.7(5)** At the time of the trade, if the investment fund is a reporting issuer and is not in continuous distribution, the investment fund must provide the information required by subsection (4) in its prospectus, annual information form or a material change report.

**Additional investment in investment funds**

**8.8** The dealer registration requirement does not apply to an investment fund, or the investment fund manager of the fund, in respect of a trade in a security of the investment fund's own issue with a security holder of the investment fund if all of the following apply:

(a) the security holder initially acquired securities of the investment fund as principal for an acquisition cost of not less than $150,000 paid in cash at the time of the acquisition;

(b) the trade is in respect of a security of the same class or series as the securities initially acquired, as described in paragraph (a);

(c) the security holder, as at the date of the trade, holds securities of the investment fund and one or both of the following apply:

(i) the acquisition cost of the securities being held was not less than $150,000;

(ii) the net asset value of the securities being held is not less than $150,000.

**Additional investment in investment funds if initial purchase before September 14, 2005**

**8.9** The dealer registration requirement does not apply in respect of a trade by an investment fund in a security of its own issue to a purchaser that initially acquired a security of the same class as principal before September 14, 2005 if all of the following apply:

(a) the security was initially acquired under any of the following provisions:

(i) in Alberta, sections 86(e) and 131(1)(d) of the *Securities Act* (Alberta) as they existed prior to their repeal by sections 9(a) and 13 of the *Securities Amendment Act* (Alberta), 2003 SA c.32 and sections 66.2 and 122.2 of the *Alberta Securities Commission Rules* (General);

(ii) in British Columbia, sections 45(2) (5) and (22), and 74(2) (4) and (19) of the *Securities Act* (British Columbia);

(iii) in Manitoba, sections 19(3) and 58(1)(a) of the *Securities Act* (Manitoba) and section 90 of the *Securities Regulation* MR 491/88R;

(iv) in New Brunswick, section 2.8 of Local Rule 45-501 *Prospectus and Registration Exemptions*;

(v) in Newfoundland and Labrador, sections 36(1)(e) and 73(1)(d) of the *Securities Act* (Newfoundland and Labrador);

(vi) in Nova Scotia, sections 41(1)(e) and 77(1)(d) of the *Securities Act* (Nova Scotia);

(vii) in Northwest Territories, section 3(c) and (z) of Blanket Order No. 1;

(viii) in Nunavut, section 3(c) and (z) of Blanket Order No. 1;

(ix) in Ontario, sections 35(1)5 and 72(1)(d) of the *Securities Act* (Ontario) and section 2.12 of Ontario Securities Commission Rule 45-501 *Exempt Distributions* that came into force on January 12, 2004;

(x) in Prince Edward Island, section 2(3)(d) of the former *Securities Act* (Prince Edward Island) and Prince Edward Island Local Rule 45-512 *Exempt Distributions - Exemption for Purchase of Mutual Fund Securities*;

(xi) in Québec, former sections 51 and 155.1(2) of the *Securities Act* (Québec);

(xii) in Saskatchewan, sections 39(1)(e) and 81(1)(d) of *The Securities Act, 1988* (Saskatchewan);

(b) the trade is for a security of the same class or series as the initial trade;

(c) the security holder, as at the date of the trade, holds securities of the investment fund that have one or both of the following characteristics:

(i) an acquisition cost of not less than the minimum amount prescribed by securities legislation referred to in paragraph (a) under which the initial trade was conducted;

(ii) a net asset value of not less than the minimum amount prescribed by securities legislation referred to in paragraph (a) under which the initial trade was conducted.

**Private investment club**

**8.10** The dealer registration requirement does not apply in respect of a trade in a security of an investment fund if all of the following apply:

(a) the fund has no more than 50 beneficial security holders;

(b) the fund does not seek and has never sought to borrow money from the public;

(c) the fund does not distribute and has never distributed its securities to the public;

(d) the fund does not pay or give any remuneration for investment management or administration advice in respect of trades in securities, except normal brokerage fees;

(e) the fund, for the purpose of financing its operations, requires security holders to make contributions in proportion to the value of the securities held by them.

**Private investment fund – loan and trust pools**

**8.11(1)** The dealer registration requirement does not apply in respect of a trade in a security of an investment fund if all of the following apply:

(a) the fund is administered by a trust company or trust corporation that is registered or authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(b) the fund has no promoter or investment fund manager other than the trust company or trust corporation referred to in paragraph (a);

(c) the fund commingles the money of different estates and trusts for the purpose of facilitating investment.

**8.11(2)** Despite subsection (1), a trust company or trust corporation registered under the laws of Prince Edward Island that is not registered under the *Trust and Loan Companies Act* (Canada) or under

comparable legislation in another jurisdiction of Canada is not a trust company or trust corporation for the purpose of paragraph (1)(a).

**Mortgages**

**8.12(1)** In this section, "syndicated mortgage" means a mortgage in which two or more persons or companies participate, directly or indirectly, as lenders in the debt obligation that is secured by the mortgage.

**8.12(2)** Subject to subsection (3), the dealer registration requirement does not apply in respect of a trade in a mortgage on real property in a jurisdiction of Canada by a person or company who is registered or licensed, or exempted from registration or licensing, under mortgage brokerage or mortgage dealer legislation of that jurisdiction.

**8.12(3)** In Alberta, British Columbia, Manitoba, Québec and Saskatchewan, subsection (2) does not apply in respect of a trade in a syndicated mortgage.

**8.12(4)** This section does not apply in Ontario.

Note: In Ontario a similar exemption from the dealer registration requirement is provided under subsection 35(4) of the *Securities Act* (Ontario).

**Personal property security legislation**

**8.13(1)** The dealer registration requirement does not apply in respect of a trade to a person or company, other than an individual in a security evidencing indebtedness secured by or under a security agreement, secured in accordance with personal property security legislation of a jurisdiction of Canada that provides for the granting of security in personal property.

**8.13(2)** This section does not apply in Ontario.

Note: In Ontario a similar exemption from the dealer registration requirement is provided under subsection 35(2) of the *Securities Act* (Ontario).

**Variable insurance contract**

**8.14(1)** In this section

"**contract**", "**group insurance**", "**insurance company**", "**life insurance**" and "**policy**" have the respective meanings assigned to them in the legislation referenced opposite the name of the local jurisdiction in Appendix A of NI 45-106;

"**variable insurance contract**" means a contract of life insurance under which the interest of the purchaser is valued for purposes of conversion or surrender by reference to the value of a proportionate interest in a specified portfolio of assets.

**8.14(2)** The dealer registration requirement does not apply in respect of a trade in a variable insurance contract by an insurance company if the variable insurance contract is

(a) a contract of group insurance,

(b) a whole life insurance contract providing for the payment at maturity of an amount not less than 75% of the premium paid up to age 75 years for a benefit payable at maturity,

(c) an arrangement for the investment of policy dividends and policy proceeds in a separate and distinct fund to which contributions are made only from policy dividends and policy proceeds, or

(c) a variable life annuity.

**Schedule III banks and cooperative associations – evidence of deposit**
**8.15(1)** The dealer registration requirement does not apply in respect of a trade in an evidence of deposit issued by a Schedule III bank or an association governed by the *Cooperative Credit Associations Act* (Canada).

**8.15(2)** This section does not apply in Ontario.

Note: In Ontario, subsection 8.15(1) is not required because the security described in the exemption is excluded from the definition of "security" in subsection 1(1) of the *Securities Act* (Ontario).

**Plan administrator**
**8.16(1)** In this section

"**consultant**" has the same meaning as in section 2.22 of NI 45-106;

"**control person**" has the same meaning as in section 1.1 of NI 45-106;

"**executive officer**" has the same meaning as in section 1.1 of NI 45-106;

"**permitted assign**" has the same meaning as in section 2.22 of NI 45-106;

"**plan**" means a plan or program established or maintained by an issuer providing for the acquisition of securities of the issuer by employees, executive officers, directors or consultants of the issuer or of a related entity of the issuer;

"**plan administrator**" means a trustee, custodian, or administrator, acting on behalf of, or for the benefit of, employees, executive officers, directors or consultants of an issuer or of a related entity of an issuer;

"**related entity**" has the same meaning as in section 2.22 of NI 45-106.

**8.16(2)** The dealer registration requirement does not apply in respect of a trade made pursuant to a plan of the issuer in a security of an issuer, or an option to acquire a security of the issuer, made by the issuer, a control person of the issuer, a related entity of the issuer, or a plan administrator of the issuer with any of the following:

(a) the issuer;

(b) a current or former employee, executive officer, director or consultant of the issuer or a related entity of the issuer;

(c) a permitted assign of a person or company referred to in paragraph (b).

**8.16(3)** The dealer registration requirement does not apply in respect of a trade in a security of an issuer, or an option to acquire a security of the issuer, made by a plan administrator of the issuer if

(a) the trade is pursuant to a plan of the issuer, and

(b) the conditions in section 2.14 of National Instrument 45-102 *Resale of Securities* are satisfied.

**Reinvestment plan**
**8.17(1)** Subject to subsections (3), (4) and (5), the dealer registration requirement does not apply in respect of the following trades by an issuer, or by a trustee, custodian or administrator acting for or on behalf of the issuer, to a security holder of the issuer if the trades are permitted by a plan of the issuer:

(a) a trade in a security of the issuer's own issue if a dividend or distribution out of earnings, surplus, capital or other sources payable in respect of the issuer's securities is applied to the purchase of the security;

(b) subject to subsection (2), a trade in a security of the issuer's own issue if the security holder makes an optional cash payment to purchase the security of the issuer that trades on a marketplace.

**8.17(2)** The aggregate number of securities issued under the optional cash payment referred to in subsection (1)(b) must not exceed, in any financial year of the issuer during which the trade takes place, 2% of the issued and outstanding securities of the class to which the plan relates as at the beginning of the financial year.

**8.17(3)** A plan that permits the trades described in subsection (1) must be available to every security holder in Canada to which the dividend or distribution out of earnings, surplus, capital or other sources is available.

**8.17(4)** This section is not available in respect of a trade in a security of an investment fund.

**8.17(5)** Subject to section 8.3.1 [*transition – reinvestment plan*] of NI 45-106, if the security traded under a plan described in subsection (1) is of a different class or series than the class or series of the security to which the dividend or distribution is attributable, the issuer or the trustee, custodian or administrator must have provided to each participant that is eligible to receive a security under the plan either a description of the material attributes and characteristics of the security traded under the plan or notice of a source from which the participant can obtain the information without charge.

**International dealer**

**8.18(1)** In this section, "foreign security" means

(a) a security issued by an issuer incorporated, formed or created under the laws of a foreign jurisdiction, or

(b) a security issued by a government of a foreign jurisdiction.

**8.18(2)** Subject to subsections (3) and (4), the dealer registration requirement does not apply in respect of the following:

(a) an activity, other than a sale of a security, that is reasonably necessary to facilitate a distribution of securities that are offered primarily in a foreign jurisdiction;

(b) a trade in a debt security with a permitted client during the security's distribution, if the debt security is offered primarily in a foreign jurisdiction and a prospectus has not been filed with a Canadian securities regulatory authority for the distribution;

(c) a trade in a debt security that is a foreign security with a permitted client, other than during the security's distribution;

(d) a trade in a foreign security with a permitted client, unless the trade is made during the security's distribution under a prospectus that has been filed with a Canadian securities regulatory authority;

(e) a trade in a foreign security with an investment dealer;

(f) a trade in any security with an investment dealer that is acting as principal.

**8.18(3)** The exemptions under subsection (2) are not available to a person or company unless all of the following apply:

(a) the head office or principal place of business of the person or company is in a foreign jurisdiction;

(b) the person or company is registered under the securities legislation of the foreign jurisdiction in which its head office or principal place of business is located in a category of registration that permits it to carry on the activities in that jurisdiction that registration as a dealer would permit it to carry on in the local jurisdiction;

(c) the person or company engages in the business of a dealer in the foreign jurisdiction in which its head office or principal place of business is located;

(d) the person or company is acting as principal or as agent for the issuer of the securities, for a permitted client, or for a person or company that is not a resident of Canada;

(e) the person or company has submitted to the securities regulatory authority a completed Form 31-103F2 *Submission to Jurisdiction and Appointment of Agent for Service*.

**8.18(4)** The exemptions under subsection (2) are not available to a person or company in respect of a trade with a permitted client unless one of the following applies:

(a) the permitted client is a person or company registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer;

(b) the person or company has notified the permitted client of all of the following:

(i) the person or company is not registered in Canada;

(ii) the person or company's jurisdiction of residence;

(iii) the name and address of the agent for service of process of the person or company in the local jurisdiction;

(iv) there may be difficulty enforcing legal rights against the person or company because it is resident outside Canada and all or substantially all of its assets may be situated outside of Canada.

**8.18(5)** A person or company relying on subsection (2) must notify the regulator 12 months after it first submits a Form 31-103F2 under paragraph (3)(e), and each year thereafter, if it continues to rely on subsection (2).

**8.18(6)** In Ontario, subsection (5) does not apply to a person or company that complies with the filing and fee payment requirements applicable to an unregistered exempt international firm under Ontario Securities Commission Rule 13-502 *Fees*.

**Self-directed registered education savings plan**
**8.19(1)** In this section

"**self-directed RESP**" means an educational savings plan registered under the *Income Tax Act* (Canada)

(a) that is structured so that contributions by a subscriber to the plan are deposited directly into an account in the name of the subscriber, and

(b) under which the subscriber maintains control and direction over the plan that enables the subscriber to direct how the assets of the plan are to be held, invested or reinvested subject to compliance with the *Income Tax Act* (Canada).

**8.19(2)** The dealer registration requirement does not apply in respect of a trade in a self-directed RESP to a subscriber if both of the following apply:

(a) the trade is made by any of the following:

(i) a dealing representative of a mutual fund dealer who is acting on behalf of the mutual fund dealer;

(ii) a Canadian financial institution;

(iii) in Ontario, a financial intermediary;

(b) the self-directed RESP restricts its investments in securities to securities in which the person or company who trades the self-directed RESP is permitted to trade.

**Exchange contract – Alberta, British Columbia, New Brunswick and Saskatchewan**

**8.20(1)** In Alberta, British Columbia and New Brunswick, the dealer registration requirement does not apply in respect of the following trades in exchange contracts:

(a) a trade by a person or company made

(i) solely through an agent who is a registered dealer, if the dealer is registered in a category that permits the trade, or

(ii) to a registered dealer who is purchasing as principal, if the dealer is registered in a category that permits the trade;

(b) subject to subsection (2), a trade resulting from an unsolicited order placed with an individual who is not a resident of, and does not carry on business in, the local jurisdiction.

**8.20(2)** An individual referred to in subsection (1)(b) must not do any of the following:

(a) advertise or engage in promotional activity that is directed to persons or companies in the local jurisdiction during the 6 months preceding the trade;

(b) pay any commission or finder's fee to any person or company in the local jurisdiction in connection with the trade.

**8.20(3)** In Saskatchewan, the dealer registration requirement does not apply in respect of either of the following:

(a) a trade in an exchange contract made solely through an agent who is a registered dealer, if the dealer is registered in a category that permits the trade;

(b) a trade in an exchange contract made to a registered dealer who is purchasing as principal, if the dealer is registered in a category that permits the trade.

**Specified debt**

**8.21(1)** In this section

"**approved credit rating**" has the same meaning as in National Instrument 81-102 *Mutual Funds*;

"**approved credit rating organization**" has the same meaning as in National Instrument 81-102 *Mutual Funds*;

"**permitted supranational agency**" means any of the following:

(a) the African Development Bank, established by the Agreement Establishing the African Development Bank which came into force on September 10, 1964, that Canada became a member of on December 30, 1982;

(b) the Asian Development Bank, established under a resolution adopted by the United Nations Economic and Social Commission for Asia and the Pacific in 1965;

(c) the Caribbean Development Bank, established by the Agreement Establishing the Caribbean Development Bank which came into force on January 26, 1970, as amended, that Canada is a founding member of;

(c) the European Bank for Reconstruction and Development, established by the Agreement Establishing the European Bank for Reconstruction and Development and approved by the *European Bank for Reconstruction and Development Agreement Act* (Canada), that Canada is a founding member of;

(d) the Inter-American Development Bank, established by the Agreement establishing the Inter-American Development Bank which became effective December 30, 1959, as amended from time to time, that Canada is a member of;

(e) the International Bank for Reconstruction and Development, established by the Agreement for an International Bank for Reconstruction and Development approved by the *Bretton Woods and Related Agreements Act* (Canada);

(f) the International Finance Corporation, established by Articles of Agreement approved by the *Bretton Woods and Related Agreements Act* (Canada).

**8.21(2)** The dealer registration requirement does not apply in respect of a trade in any of the following:

(a) a debt security issued by or guaranteed by the Government of Canada or the government of a jurisdiction of Canada;

(b) a debt security issued by or guaranteed by a government of a foreign jurisdiction if the debt security has an approved credit rating from an approved credit rating organization;

(c) a debt security issued by or guaranteed by a municipal corporation in Canada;

(d) a debt security secured by or payable out of rates or taxes levied under the law of a jurisdiction of Canada on property in the jurisdiction and collectible by or through the municipality in which the property is situated;

(e) a debt security issued by or guaranteed by a Canadian financial institution or a Schedule III bank, other than debt securities that are subordinate in right of payment to deposits held by the issuer or guarantor of those debt securities;

(f) a debt security issued by the Comité de gestion de la taxe scolaire de l’île de Montréal;

(g) a debt security issued by or guaranteed by a permitted supranational agency if the debt securities are payable in the currency of Canada or the United States of America.

**8.21(3)** Paragraphs (2)(a), (c) and (d) do not apply in Ontario.

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| Note: In Ontario, exemptions from the dealer registration requirement similar to those in paragraphs 8.21(a), (c) and (d) are provided under paragraph 2 of subsection 35(1) of the *Securities Act* (Ontario). |

**Small security holder selling and purchase arrangements**

**8.22(1)** In this section

"**exchange**" means

(a) TSX Inc.,

(b) TSX Venture Exchange Inc., or

(c) an exchange that

(i) has a policy that is substantially similar to the policy of the TSX Inc., and

(ii) is designated by the securities regulatory authority for the purpose of this section;

"**policy**" means,

(a) in the case of TSX Inc., sections 638 and 639 [*Odd lot selling and purchase arrangements*] of the TSX Company Manual, as amended from time to time,

(b) in the case of the TSX Venture Exchange Inc., Policy 5.7 Small Shareholder Selling and Purchase Arrangements, as amended from time to time, or

(c) in the case of an exchange referred to in paragraph (c) of the definition of "exchange", the rule, policy or other similar instrument of the exchange on small shareholder selling and purchase arrangements.

**8.22(2)** The dealer registration requirement does not apply in respect of a trade by an issuer or its agent, in securities of the issuer that are listed on an exchange, if all of the following apply:

(a) the trade is an act in furtherance of participation by the holders of the securities in an arrangement that is in accordance with the policy of that exchange;

(b) the issuer and its agent do not provide advice to a security holder about the security holder's participation in the arrangement referred to in paragraph (a), other than a description of the arrangement's operation, procedures for participation in the arrangement, or both;

(c) the trade is made in accordance with the policy of that exchange, without resort to an exemption from, or variation of, the significant subject matter of the policy;

(d) at the time of the trade after giving effect to a purchase under the arrangement, the market value of the maximum number of securities that a security holder is permitted to hold in order to be eligible to participate in the arrangement is not more than $25 000.

**8.22(3)** For the purposes of subsection (2)(c), an exemption from, or variation of, the maximum number of securities that a security holder is permitted to hold under a policy in order to be eligible to participate in the arrangement provided for in the policy is not an exemption from, or variation of, the significant subject matter of the policy.

*Division 2 Exemptions from adviser registration*

**Dealer without discretionary authority**

**8.23** The adviser registration requirement does not apply to a registered dealer, or a dealing representative acting on behalf of the dealer, that provides advice to a client if the advice is

(a) in connection with a trade in a security that the dealer and the representative are permitted to make under his, her or its registration,

(b) provided by the representative, and

(c) not in respect of a managed account of the client.

**IIROC members with discretionary authority**

**8.24** The adviser registration requirement does not apply to a registered dealer, or a dealing representative acting on behalf of the dealer, that acts as an adviser in respect of a client's managed account if the registered dealer is a member of IIROC and the advising activities are conducted in accordance with the rules of IIROC.

**Advising generally**

**8.25(1)** For the purposes of subsections (3) and (4), "financial or other interest" includes the following:

(a) ownership, beneficial or otherwise, in the security or in another security issued by the same issuer;

(b) an option in respect of the security or another security issued by the same issuer;

(c) a commission or other compensation received, or expected to be received, from any person or company in connection with the trade in the security;

(d) a financial arrangement regarding the security with any person or company;

(e) a financial arrangement with any underwriter or other person or company who has any interest in the security.

**8.25(2)** The adviser registration requirement does not apply to a person or company that acts as an adviser if the advice the person or company provides does not purport to be tailored to the needs of the person or company receiving the advice.

**8.25(3)** If a person or company that is exempt under subsection (2) recommends buying, selling or holding a specified security, a class of securities or the securities of a class of issuers in which any of the following has a financial or other interest, the person or company must disclose the interest concurrently with providing the advice:

(a) the person or company;

(b) any partner, director or officer of the person or company;

(c) any other person or company that would be an insider of the first-mentioned person or company if the first-mentioned person or company were a reporting issuer.

**8.25(4)** If the financial or other interest of the person or company includes an interest in an option described in paragraph (b) of the definition of "financial or other interest" in subsection (1), the disclosure required by subsection (3) must include a description of the terms of the option.

**8.25(5)** This section does not apply in Ontario.

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| Note: In Ontario, measures similar to those in section 7.24 are in section 34 of the *Securities Act* (Ontario). |

**International adviser**

**8.26(1)** Despite section 1.2, in Alberta, British Columbia, New Brunswick and Saskatchewan, a reference to "securities" in this section excludes "exchange contracts".

**8.26(2)** In this section

"**aggregate consolidated gross revenue**" does not include the gross revenue of an affiliate of the adviser if the affiliate is registered in a jurisdiction of Canada;

"**foreign security**" means

(a) a security issued by an issuer incorporated, formed or created under the laws of a foreign jurisdiction, and

(b) a security issued by a government of a foreign jurisdiction;

"**permitted client**" has the meaning given to the term in section 1.1 [*definitions*] except that it excludes a person or company registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer.

**8.26(3)** The adviser registration requirement does not apply to a person or company in respect of its acting as an adviser to a permitted client if the adviser does not advise in Canada on securities of Canadian issuers, unless providing that advice is incidental to its providing advice on a foreign security.

**8.26(4)** The exemption under subsection (3) is not available unless all of the following apply:

(a) the adviser's head office or principal place of business is in a foreign jurisdiction;

(b) the adviser is registered, or operates under an exemption from registration, under the securities legislation of the foreign jurisdiction in which its head office or principal place of business is located, in a category of registration that permits it to carry on the activities in that jurisdiction that registration as an adviser would permit it to carry on in the local jurisdiction;

(c) the adviser engages in the business of an adviser in the foreign jurisdiction in which its head office or principal place of business is located;

(d) during its most recently completed financial year, not more than 10% of the aggregate consolidated gross revenue of the adviser, its affiliates and its affiliated partnerships was derived from the portfolio management activities of the adviser, its affiliates and its affiliated partnerships in Canada;

(e) before advising a client, the adviser notifies the client of all of the following:

(i) the adviser is not registered in Canada;

(ii) the jurisdiction of residence of the adviser;

(iii) the name and address of the adviser's agent for service of process in the local jurisdiction;

(iv) that there may be difficulty enforcing legal rights against the adviser because it is resident outside Canada and all or substantially all of its assets may be situated outside of Canada;

(f) the adviser has submitted to the securities regulatory authority a completed Form 31-103F2 *Submission to Jurisdiction and Appointment of Agent for Service*.

**8.26(5)** A person or company relying on subsection (3) must notify the regulator 12 months after it first submits a Form 31-103F2 under paragraph (4)(f), and each year thereafter, if it continues to rely on subsection (3).

**8.26(6)** In Ontario, subsection (5) does not apply to a person or company that complies with the filing and fee payment requirements applicable to an unregistered exempt international firm under Ontario Securities Commission Rule 13-502 *Fees*.

*Division 3 Exemptions from investment fund manager registration*

**Private investment club**
**8.27** The investment fund manager registration requirement does not apply to a person or company in respect of its acting as an investment fund manager for an investment fund if all of the following apply:

(a) the fund has no more than 50 beneficial security holders;

(b) the fund does not seek and has never sought to borrow money from the public;

(c) the fund does not distribute and has never distributed its securities to the public;

(d) the fund does not pay or give any remuneration for investment management or administration advice in respect of trades in securities, except normal brokerage fees;

(e) the fund, for the purpose of financing its operations, requires security holders to make contributions in proportion to the value of the securities held by them.

**Capital accumulation plan exemption**
**8.28(1)** In this section, "capital accumulation plan" means a tax assisted investment or savings plan, including a defined contribution registered pension plan, a group registered retirement savings plan, a group registered education savings plan, or a deferred profit-sharing plan, established by a plan sponsor that permits a member to make investment decisions among two or more investment options offered within the plan, and in Quebec and Manitoba, includes a simplified pension plan.

**8.28(2)** The investment fund manager registration requirement does not apply to a person or company that acts as an investment fund manager for an investment fund if the person or company is only required to be registered as an investment fund manager because the investment fund is an investment option in a capital accumulation plan.

**Private investment fund – loan and trust pools**
**8.29(1)** The investment fund manager registration requirement does not apply to a trust company or trust corporation that administers an investment fund if all of the following apply:

(a) the trust company or trust corporation is registered or authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(b) the fund has no promoter or investment fund manager other than the trust company or trust corporation;

(c) the fund commingles the money of different estates and trusts for the purpose of facilitating investment.

**8.29(2)** The exemption in subsection (1) is not available to a trust company or trust corporation registered under the laws of Prince Edward Island unless it is also registered under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in another jurisdiction of Canada.

*Division 4 Mobility exemption – firms*

**Client mobility exemption – firms**
**8.30** The dealer registration requirement and the adviser registration requirement do not apply to a person or company if all of the following apply:

(a) the person or company is registered as a dealer or adviser in its principal jurisdiction;

(b) the person or company does not act as a dealer, underwriter or adviser in the local jurisdiction other than as it is permitted to in its principal jurisdiction according to its registration;

(c) the person or company does not act as a dealer, underwriter or adviser in the local jurisdiction other than in respect of 10 or fewer eligible clients;

(d) the person or company complies with Parts 13 [*dealing with clients – individuals and firms*] and 14 [*handling client accounts – firms*];

(e) the person or company deals fairly, honestly and in good faith in the course of its dealings with an eligible client.

## PART 9 – MEMBERSHIP IN A SELF-REGULATORY ORGANIZATION

**IIROC membership for investment dealers**
**9.1** An investment dealer must not act as a dealer unless the investment dealer is a "Dealer Member", as defined under the rules of IIROC.

**MFDA membership for mutual fund dealers**
**9.2** Except in Québec, a mutual fund dealer must not act as a dealer unless the mutual fund dealer is a "member", as defined under the rules of the MFDA.

**Exemptions from certain requirements for SRO members**
**9.3(1)** An investment dealer that is a member of IIROC is exempt from the following requirements to the extent the provisions apply to the activities of an investment dealer:

(a) section 12.1 [*capital requirements*];

(b) section 12.2 [*notifying the regulator of a subordination agreement*];

(c) section 12.3 [*insurance – dealer*];

(d) section 12.6 [*global bonding or insurance*];
(e) section 12.7 [*notifying the regulator of a change, claim or cancellation*];

(f) section 12.10 [*annual financial statements*];

(g) section 12.11 [*interim financial information*];

(h) section 12.12 [*delivering financial information – dealer*];

(i) subsection 13.2(3) [*know your client*];

(j) section 13.3 [*suitability*];

(k) section 13.12 [*restriction on lending to clients*];

(l) section 13.13 [*disclosure when recommending the use of borrowed money*];

(m) subsection 14.2(2) [*relationship disclosure information*];

(n) section 14.6 [*holding client assets in trust*];

(o) section 14.8 [*securities subject to a safekeeping agreement*];

(p) section 14.9 [*securities not subject to a safekeeping agreement*];

(q) section 14.12 [*content and delivery of trade confirmation*].

**9.3(2)** Despite subsection (1), if a registered firm is a member of IIROC and is registered as an investment fund manager, the firm is not exempt from the following requirements:

(a) section 12.1 [*capital requirements*];

(b) section 12.2 [*notifying the regulator of a subordination agreement*];

(c) section 12.7 [*notifying the regulator of a change, claim or cancellation*];

(d) section 12.10 [*annual financial statements*];

(e) section 12.11 [*interim financial information*].

**9.3(3)** A registered firm that is a member of the MFDA is exempt from each requirement listed in subsection (1) that applies to a mutual fund dealer other than the following:

(a) subsection 13.2(3) [*know your client*];

(b) section 13.12 [*restriction on lending to clients*].

**9.3(4)** Despite subsection (3), if a registered firm is a member of the MFDA and is registered as an investment fund manager, the firm is not exempt from the following requirements:

(a) section 12.1 [*capital requirements*];

(b) section 12.2 [*notifying the regulator of a subordination agreement*];

(c) section 12.7 [*notifying the regulator of a change, claim or cancellation*];
(d) section 12.10 [*annual financial statements*];

(e) section 12.11 [*interim financial information*].

**9.3(5)** Subsection (3) does not apply in Québec.

**9.3(6)** In Québec, the requirements listed in subsection (1), other than subsection 13.2(3) [*know your client*] and section 13.12 [*restriction on lending to clients*] do not apply to a mutual fund dealer if the registrant complies with the applicable regulations on mutual fund dealer in Québec.

## PART 10 – SUSPENSION AND REVOCATION OF REGISTRATION – FIRMS

### *Division 1 When a firm's registration is suspended*

**Failure to pay fees**
**10.1(1)** In this section, "annual fees" means

(a) in Alberta, the fees required under section 2.1 of the Schedule - Fees in Alta. Reg. 115/95 – Securities Regulation,

(b) in British Columbia, the annual fees required under section 22 of the Securities Regulation, B.C. Reg. 196/97,

(c) in Manitoba, the fees required under paragraph 1.(2)(a) of the *Manitoba Fee Regulation*, M.R 491\88R,

(d) in New Brunswick, the fees required under section 2.2 (c) of Local Rule 11-501 *Fees*,

(e) in Newfoundland and Labrador, the fees required under section 143 of the *Securities Act*,

(f) in Nova Scotia, the fees required under Part XIV of the Regulations,

(g) in Northwest Territories, the fees required under sections 1(c) and 1(e) of the Securities Fee regulations, R-066-2008;

(h) in Nunavut, the fees required under section 1(a) of the Schedule to R-003-2003 to the Securities Fee regulation, R.R.N.W.T. 1990, c.20,

(i) in Prince Edward Island, the fees required under section 175 of the *Securities Act* R.S.P.E.I., Cap. S-3.1,

(j) in Québec, the fees required under section 271.5 of the Québec Securities Regulation,

(k) in Saskatchewan, the annual registration fees required to be paid by a registrant under section 176 of The Securities Regulations (Saskatchewan), and

(l) in Yukon, the fees required under O.I.C. 2009\66, pursuant to section 168 of the Securities Act.

**10.1(2)** If a registered firm has not paid the annual fees by the 30th day after the date the annual fees were due, the registration of the firm is suspended until reinstated or revoked under securities legislation.

**If IIROC membership is revoked or suspended**
**10.2** If IIROC revokes or suspends a registered firm's membership, the firm's registration in the category of investment dealer is suspended until reinstated or revoked under securities legislation.

**If MFDA membership is revoked or suspended**
**10.3** Except in Québec, if the MFDA revokes or suspends a registered firm's membership, the firm's registration in the category of mutual fund dealer is suspended until reinstated or revoked under securities legislation.

**Activities not permitted while a firm's registration is suspended**
**10.4** If a registered firm's registration in a category is suspended, the firm must not act as a dealer, an underwriter, an adviser, or an investment fund manager, as the case may be, under that category.

*Division 2 Revoking a firm's registration*

**Revocation of a suspended registration – firm**
**10.5** If a registration has been suspended under this Part and it has not been reinstated, the registration is revoked on the 2nd anniversary of the suspension.

**Exception for firms involved in a hearing**
**10.6** Despite section 10.5, if a hearing concerning a suspended registrant is commenced under securities legislation or under the rules of an SRO, the registrant's registration remains suspended.

**Application of Part 10 in Ontario**
**10.7** Other than section 10.4 [*activities not permitted while a firm's registration is suspended*], this Part does not apply in Ontario.

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| Note: In Ontario, measures governing suspension in section 29 of the *Securities Act* (Ontario) are similar to those in Parts 6 and 10. |

## PART 11 – INTERNAL CONTROLS AND SYSTEMS

*Division 1 Compliance*

**Compliance system**
**11.1** A registered firm must establish, maintain and apply policies and procedures that establish a system of controls and supervision sufficient to

(a) provide reasonable assurance that the firm and each individual acting on its behalf complies with securities legislation, and

(b) manage the risks associated with its business in accordance with prudent business practices.

**Designating an ultimate designated person**
**11.2(1)** A registered firm must designate an individual who is registered under securities legislation in the category of ultimate designated person to perform the functions described in section 5.1 [*responsibilities of the ultimate designated person*].

**11.2(2)** A registered firm must not designate an individual to act as the firm's ultimate designated person unless the individual is one of the following:

(a) the chief executive officer or sole proprietor of the registered firm;

(b) an officer in charge of a division of the registered firm, if the activity that requires the firm to register occurs only within the division;

(c) an individual acting in a capacity similar to that of an officer described in paragraph (a) or (b).

**11.2(3)** If an individual who is registered as a registered firm's ultimate designated person ceases to meet any of the conditions listed in subsection (2), the registered firm must designate another individual to act as its ultimate designated person.

**Designating a chief compliance officer**
**11.3(1)** A registered firm must designate an individual who is registered under securities legislation in the category of chief compliance officer to perform the functions described in section 5.2 [*responsibilities of the chief compliance officer*].

**11.3(2)** A registered firm must not designate an individual to act as the firm's chief compliance officer unless the individual has satisfied the applicable conditions in Part 3 [*registration requirements – individuals*] and the individual is one of the following:

(a) an officer or partner of the registered firm;

(b) the sole proprietor of the registered firm.

**11.3(3)** If an individual who is registered as a registered firm's chief compliance officer ceases to meet any of the conditions listed in subsection (2), the registered firm must designate another individual to act as its chief compliance officer.

**Providing access to board**
**11.4** A registered firm must permit its ultimate designated person and its chief compliance officer to directly access the firm's board of directors, or individuals acting in a similar capacity for the firm, at such times as the ultimate designated person or the chief compliance officer may consider necessary or advisable in view of his or her responsibilities.

*Division 2 Books and records*

**General requirements for records**
**11.5(1)** A registered firm must maintain records to

(a) accurately record its business activities, financial affairs, and client transactions, and

(b) demonstrate the extent of the firm's compliance with applicable requirements of securities legislation.

**11.5(2)** The records required under subsection (1) include, but are not limited to, records that do the following:

(a) permit timely creation and audit of financial statements and other financial information required to be filed or delivered to the securities regulatory authority;

(b) permit determination of the registered firm's capital position;

(c) demonstrate compliance with the registered firm's capital and insurance requirements;

(d) demonstrate compliance with internal control procedures;

(e) demonstrate compliance with the firm's policies and procedures;

(f) permit the identification and segregation of client cash, securities, and other property;

(g) identify all transactions conducted on behalf of the registered firm and each of its clients, including the parties to the transaction and the terms of the purchase or sale;

(h) provide an audit trail for

(i) client instructions and orders, and

(ii) each trade transmitted or executed for a client or by the registered firm on its own behalf;

(i) permit the generation of account activity reports for clients;

(j) provide securities pricing as may be required by securities legislation;

(k) document the opening of client accounts, including any agreements with clients;

(l) demonstrate compliance with sections 13.2 [*know your client*] and 13.3 [*suitability*];

(m) demonstrate compliance with complaint-handling requirements;

(n) document correspondence with clients;

(o) document compliance and supervision actions taken by the firm.

**Form, accessibility and retention of records**

**11.6(1)** A registered firm must keep a record that it is required to keep under securities legislation

(a) for 7 years from the date the record is created,

(b) in a safe location and in a durable form, and

(c) in a manner that permits it to be provided to the regulator or the securities regulatory authority in a reasonable period of time.

**11.6(2)** A record required to be provided to the regulator or the securities regulatory authority must be provided in a format that is capable of being read by the regulator or the securities regulatory authority.

**11.6(3)** Paragraph (1)(c) does not apply in Ontario.

| |
|---|
| Note: In Ontario, how quickly a registered firm is require to provide information to the regulator is addressed in subsection 19(3) of the *Securities Act* (Ontario). |

*Division 3 Certain business transactions*

**Tied settling of securities transactions**

**11.7** A registered firm must not require a person or company to settle that person's or company's transaction with the registered firm through that person's or company's account at a Canadian financial institution as a condition, or on terms that would appear to a reasonable person to be a condition, of supplying a product or service, unless this method of settlement would be, to a reasonable person, necessary to provide the specific product or service that the person or company has requested.

**Tied selling**

**11.8** A dealer, adviser or investment fund manager must not require another person or company

(a) to buy, sell or hold a security as a condition, or on terms that would appear to a reasonable person to be a condition, of supplying or continuing to supply a product or service, or

(b) to buy, sell or use a product or service as a condition, or on terms that would appear to a reasonable person to be a condition, of buying or selling a security.

**Registrant acquiring a registered firm's securities or assets**

**11.9(1)** A registrant must give the regulator written notice in accordance with subsection (2) if it proposes to acquire any of the following:

(a) beneficial ownership of, or direct or indirect control or direction over, a security of a registered firm;

(b) beneficial ownership of, or direct or indirect control or direction over, a security of a person or company of which a registered firm is a subsidiary;

(c) all or a substantial part of the assets of a registered firm.

**11.9(2)** The notice required under subsection (1) must be delivered to the regulator at least 30 days before the proposed acquisition and must include all relevant facts regarding the acquisition sufficient to enable the regulator to determine if the acquisition is

(a) likely to give rise to a conflict of interest,

(b) likely to hinder the registered firm in complying with securities legislation,

(c) inconsistent with an adequate level of investor protection, or

(d) otherwise prejudicial to the public interest.

**11.9(3)** Subsection (1) does not apply to the following:

(a) a proposed acquisition in connection with an amalgamation, merger, arrangement, reorganization or treasury issue if the beneficial ownership of, or direct or indirect control or direction over, the person or company whose security is to be acquired will not change;

(b) a registrant who, alone or in combination with any other person or company, proposes to acquire securities that, together with the securities already beneficially owned, or over which direct or indirect control or direction is already exercised, do not exceed more than 10% of any class or series of securities that are listed and posted for trading on an exchange.

**11.9(4)** Except in Ontario and British Columbia, if, within 30 days of the regulator's receipt of a notice under subsection (1), the regulator notifies the registrant making the acquisition that the regulator objects to the acquisition, the acquisition must not occur until the regulator approves it.

**11.9(5)** In Ontario, if, within 30 days of the regulator's receipt of a notice under subsection (1)(a) or (c), the regulator notifies the registrant making the acquisition that the regulator objects to the acquisition, the acquisition must not occur until the regulator approves it.

**11.9(6)** Following receipt of a notice of objection under subsection (4) or (5), the person or company who submitted the notice to the regulator may request an opportunity to be heard on the matter.

**Registered firm whose securities are acquired**

**11.10(1)** A registered firm must give the regulator written notice in accordance with subsection (2) if it knows or has reason to believe that any person or company, alone or in combination with any other person or company, is about to acquire, or has acquired, beneficial ownership of, or direct or indirect control or direction over, 10% or more of any class or series of voting securities of any of the following:

(a) the registered firm;

(b) a person or company of which the registered firm is a subsidiary.

**11.10(2)** The notice required under subsection (1) must,

(a) be delivered to the regulator as soon as possible,

(b) include the name of each person or company involved in the acquisition, and

(c) after the registered firm has applied reasonable efforts to gather all relevant facts, include facts regarding the acquisition sufficient to enable the regulator to determine if the acquisition is

(i) likely to give rise to a conflict of interest,

(ii) likely to hinder the registered firm in complying with securities legislation,

(iii) inconsistent with an adequate level of investor protection, or

(iv) otherwise prejudicial to the public interest.

**11.10(3)** This section does not apply to an amalgamation, merger, arrangement, reorganization or treasury issue in which the beneficial ownership of a registered firm does not change.

**11.10(4)** This section does not apply if notice of the transaction was provided under section 11.9 [*registrant acquiring a registered firm's securities or assets*].

**11.10(5)** Except in British Columbia and Ontario, if, within 30 days of the regulator's receipt of a notice under subsection (1), the regulator notifies the person or company making the acquisition that the regulator objects to the acquisition, the acquisition must not occur until the regulator approves it.

**11.10(6)** In Ontario, if, within 30 days of the regulator's receipt of a notice under subsection (1)(a), the regulator notifies the person or company making the acquisition that the regulator objects to the acquisition, the acquisition must not occur until the regulator approves it.

**11.10(7)** Following receipt of a notice of objection under subsection (5) or (6), the person or company proposing to make the acquisition may request an opportunity to be heard on the matter.

## PART 12 – FINANCIAL CONDITION

### *Division 1 Working capital*

**Capital requirements**

**12.1(1)** If, at any time, the excess working capital of a registered firm, as calculated using Form 31-103F1 *Calculation of Excess Working Capital*, is less than zero, the registered firm must notify the regulator as soon as possible.

**12.1(2)** A registered firm must ensure that its excess working capital, as calculated using Form 31-103F1 *Calculation of Excess Working Capital*, is not less than zero for 2 consecutive days.

**12.1(3)** For the purpose of completing Form 31-103F1 *Calculation of Excess Working Capital*, the minimum capital is

(a) $25,000, for a registered adviser that is not also a registered dealer or a registered investment fund manager,

(b) $50,000, for a registered dealer that is not also a registered investment fund manager, and

(c) $100,000, for a registered investment fund manager.

**12.1(4)** Paragraph (3)(c) does not apply to a registered investment fund manager that is exempt from the dealer registration requirement under section 8.6 [*adviser – non-prospectus qualified investment fund*] in respect of all investment funds for which it acts as adviser.

**Notifying the regulator of a subordination agreement**
**12.2** If a registered firm has executed a subordination agreement, the effect of which is to exclude an amount from its long-term related party debt as calculated on Form 31-103F1 *Calculation of Excess Working Capital*, the firm must notify the regulator 5 days before it

(a) repays the loan or any part of the loan, or

(b) terminates the agreement.

*Division 2 Insurance*

**Insurance – dealer**
**12.3(1)** A registered dealer must maintain bonding or insurance

(a) that contains the clauses set out in Appendix A [*bonding and insurance clauses*], and

(b) that provides for a double aggregate limit or a full reinstatement of coverage.

**12.3(2)** A registered dealer must maintain bonding or insurance in respect of each clause set out in Appendix A and in the highest of the following amounts for each clause:

(a) $50,000 per employee, agent and dealing representative or $200,000, whichever is less;

(b) one per cent of the total client assets that the dealer holds or has access to, as calculated using the dealer's most recent financial records, or $25,000,000, whichever is less;

(c) one per cent of the dealer's total assets, as calculated using the dealer's most recent financial records, or $25,000,000, whichever is less;

(d) the amount determined to be appropriate by a resolution of the dealer's board of directors, or individuals acting in a similar capacity for the firm.

**12.3(3)** In Québec, this section does not apply to a scholarship plan dealer or a mutual fund dealer registered only in Québec.

**Insurance – adviser**
**12.4(1)** A registered adviser must maintain bonding or insurance

(a) that contains the clauses set out in Appendix A [*bonding and insurance clauses*], and

(b) that provides for a double aggregate limit or a full reinstatement of coverage.

**12.4(2)** A registered adviser that does not hold or have access to client assets must maintain bonding or insurance in respect of each clause set out in Appendix A and in the amount of $50,000 for each clause.

**12.4(3)** A registered adviser that holds or has access to client assets must maintain bonding or insurance in respect of each clause set out in Appendix A and in the highest of the following amounts for each clause:

(a) one per cent of assets under management that the adviser holds or has access to, as calculated using the adviser's most recent financial records, or $25,000,000, whichever is less;

(b) one per cent of the adviser's total assets, as calculated using the adviser's most recent financial records, or $25,000,000, whichever is less;

(c) $200,000;

(d) the amount determined to be appropriate by a resolution of the adviser's board of directors or individuals acting in a similar capacity for the firm.

**Insurance – investment fund manager**

**12.5(1)** A registered investment fund manager must maintain bonding or insurance

(a) that contains the clauses set out in Appendix A [*bonding and insurance clauses*], and

(b) that provides for a double aggregate limit or a full reinstatement of coverage.

**12.5(2)** A registered investment fund manager must maintain bonding or insurance in respect of each clause set out in Appendix A and in the highest of the following amounts for each clause:

(a) one per cent of assets under management, as calculated using the investment fund manager's most recent financial records, or $25,000,000, whichever is less;

(b) one per cent of the investment fund manager's total assets, as calculated using the investment fund manager's most recent financial records, or $25,000,000, whichever is less;

(c) $200,000;

(d) the amount determined to be appropriate by a resolution of the investment fund manager's board of directors or individuals acting in a similar capacity for the firm.

**Global bonding or insurance**

**12.6** A registered firm may not maintain bonding or insurance under this Division that benefits, or names as an insured, another person or company unless the bond provides, without regard to the claims, experience or any other factor referable to that other person or company, the following:

(a) the registered firm has the right to claim directly against the insurer in respect of losses, and any payment or satisfaction of those losses must be made directly to the registered firm;

(b) the individual or aggregate limits under the policy may only be affected by claims made by or on behalf of

(i) the registered firm, or

(ii) a subsidiary of the registered firm whose financial results are consolidated with those of the registered firm.

**Notifying the regulator of a change, claim or cancellation**
**12.7** A registered firm must, as soon as possible, notify the regulator in writing of any change in, claim made under, or cancellation of any insurance policy required under this Division.

*Division 3 Audits*

**Direction by a regulator to conduct an audit or review**
**12.8** A registered firm must direct its auditor in writing to conduct any audit or review required by the regulator during its registration and must submit a copy of the direction to the regulator

(a) with its application for registration, and

(b) no later than the 7th day after the registered firm changes its auditor.

**Co-operating with the auditor**
**12.9** A registrant must not withhold, destroy or conceal any information or documents or otherwise fail to cooperate with a reasonable request made by an auditor of the registered firm in the course of an audit.

*Division 4 Financial reporting*

**Annual financial statements**
**12.10(1)** The annual financial statements delivered to the regulator under this Division must include the following:

(a) an income statement, a statement of retained earnings and a cash flow statement, each prepared for the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;

(b) a balance sheet, signed by at least one director of the registered firm, as at the end of the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;

(c) notes to the financial statements.

**12.10(2)** The annual financial statements delivered to the regulator under this Division must be audited.

**12.10(3)** The annual financial statements delivered to the regulator under this Division must be prepared in accordance with National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, except that the statements must be prepared on a non-consolidated basis.

**Interim financial information**
**12.11(1)** The interim financial information delivered to the regulator under this Division may be limited to the following:

(a) an income statement for the interim period and for the same period of the immediately preceding financial year, if any;

(b) a balance sheet, signed by at least one director of the registered firm, as at the end of the interim period and for the same period of the immediately preceding financial year, if any.

**12.11(2)** The interim financial information delivered to the regulator under this Division must be prepared using the same accounting principles that the registered firm uses to prepare its annual financial statements.

**Delivering financial information – dealer**

**12.12(1)** A registered dealer must deliver the following to the regulator no later than the 90th day after the end of its financial year:

(a) its annual financial statements for the financial year;

(b) a completed Form 31-103F1 *Calculation of Excess Working Capital*, showing the calculation of the dealer's excess working capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any.

**12.12(2)** A registered dealer must deliver the following to the regulator no later than the 30th day after the end of the first, second and third quarter of its financial year:

(a) its interim financial information for the quarter;

(b) a completed Form 31-103F1 *Calculation of Excess Working Capital*, showing the calculation of the dealer's excess working capital as at the end of the quarter and as at the end of the immediately preceding quarter, if any.

**12.12(3)** Subsection (2) does not apply to an exempt market dealer.

**Delivering financial information – adviser**

**12.13** A registered adviser must deliver the following to the regulator no later than the 90th day after the end of its financial year:

(a) its annual financial statements for the financial year;

(b) a completed Form 31-103F1 *Calculation of Excess Working Capital*, showing the calculation of the adviser's excess working capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any.

**Delivering financial information – investment fund manager**

**12.14(1)** A registered investment fund manager must deliver the following to the regulator no later than the 90th day after the end of its financial year:

(a) its annual financial statements for the financial year;

(b) a completed Form 31-103F1 *Calculation of Excess Working Capital*, showing the calculation of the investment fund manager's excess working capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any;

(c) a description of any net asset value adjustment made in respect of an investment fund managed by the investment fund manager during the financial year.

**12.14(2)** A registered investment fund manager must deliver the following to the regulator no later than the 30th day after the end of the first, second and third quarter of its financial year:

(a) its interim financial information for the quarter;

(b) a completed Form 31-103F1 *Calculation of Excess Working Capital*, showing the calculation of the investment fund manager's excess working capital as at the end of the quarter and as at the end of the immediately preceding quarter, if any;

(c) a description of any net asset value adjustment made in respect of an investment fund managed by the investment fund manager during the quarter.

**12.14(3)** A description of a net asset value adjustment referred to in this section must include the following:

(a) the name of the fund;

(b) assets under administration of the fund;

(c) the cause of the adjustment;

(d) the dollar amount of the adjustment;

(e) the effect of the adjustment on net asset value per unit or share and any corrections made to purchase and sale transactions affecting either the investment fund or security holders of the investment fund.

## PART 13 – DEALING WITH CLIENTS – INDIVIDUALS AND FIRMS

### *Division 1 Know your client and suitability*

**Investment fund managers exempt from this Division**
**13.1** This Division does not apply to an investment fund manager.

**Know your client**
**13.2(1)** For the purpose of paragraph 2(b) in Ontario, Nova Scotia and New Brunswick, "insider" has the meaning ascribed to that term in the *Securities Act* except that "reporting issuer", as it appears in the definition of "insider", is to be read as "reporting issuer or any other issuer whose securities are publicly traded".

**13.2(2)** A registrant must take reasonable steps to

(a) establish the identity of a client and, if the registrant has cause for concern, make reasonable inquiries as to the reputation of the client,

(b) establish whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded,

(c) ensure that it has sufficient information regarding all of the following to enable it to meet its obligations under section 13.3 or, if applicable, the suitability requirement imposed by an SRO:

(i) the client’s investment needs and objectives;

(ii) the client’s financial circumstances;

(iii) the client’s risk tolerance, and

(d) establish the creditworthiness of the client if the registered firm is financing the client’s acquisition of a security.

**13.2(3)** For the purpose of establishing the identity of a client that is a corporation, partnership or trust under paragraph (2)(a), the registrant must establish the following:

(a) the nature of the client's business;

(b) the identity of any individual who,

(i) in the case of a corporation, is a beneficial owner of, or exercises direct or indirect control or direction over, more than 10% of the voting rights attached to the outstanding voting securities of the corporation, or

(ii) in the case of a partnership or trust, exercises control over the affairs of the partnership or trust.

**13.2(4)** A registrant must take reasonable steps to keep the information required under this section current.

**13.2(5)** This section does not apply if the client is a registered firm, a Canadian financial institution or a Schedule III bank.

**13.2(6)** Paragraph (2)(c) does not apply to a registrant in respect of a permitted client if

(a) the permitted client has waived, in writing, the requirements under subsections 13.3(1) and (2), and

(b) the registrant does not act as an adviser in respect of a managed account of the permitted client.

**Suitability**

**13.3(1)** A registrant must take reasonable steps to ensure that, before it makes a recommendation to or accepts an instruction from a client to buy or sell a security, or makes a purchase or sale of a security for a client's managed account, the purchase or sale is suitable for the client.

**13.3(2)** If a client instructs a registrant to buy, sell or hold a security and in the registrant's reasonable opinion following the instruction would not be suitable for the client, the registrant must inform the client of the registrant's opinion and must not buy or sell the security unless the client instructs the registrant to proceed nonetheless.

**13.3(3)** This section does not apply if the client is a registered firm, a Canadian financial institution or a Schedule III bank.

**13.3(4)** This section does not apply to a registrant in respect of a permitted client if

(a) the permitted client has waived, in writing, the requirements under this section, and

(b) the registrant does not act as an adviser in respect of a managed account of the permitted client.

*Division 2 Conflicts of interest*

**Identifying and responding to conflicts of interest**

**13.4(1)** A registered firm must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that the registered firm in its reasonable opinion would expect to arise, between the firm, including each individual acting on the firm's behalf, and a client.

**13.4(2)** A registered firm must respond to an existing or potential conflict of interest identified under subsection (1).

**13.4(3)** If a reasonable investor would expect to be informed of a conflict of interest identified under subsection (1), the registered firm must disclose, in a timely manner, the nature and extent of the conflict of interest to the client whose interest conflicts with the interest identified.

**13.4(4)** This section does not apply to an investment fund manager in respect of an investment fund that is subject to National Instrument 81-107 *Independent Review Committee for Investment Funds*.

**Restrictions on certain managed account transactions**

**13.5(1)** In this section, "responsible person" means, for a registered adviser,

(a) the adviser,

(b) a partner, director or officer of the adviser, and

(c) each of the following who has access to, or participates in formulating, an investment decision made on behalf of a client of the adviser or advice to be given to a client of the adviser:

(i) an employee or agent of the adviser;

(ii) an affiliate of the adviser;

(iii) a partner, director, officer, employee or agent of an affiliate of the adviser.

**13.5(2)** A registered adviser must not knowingly cause an investment portfolio managed by it, including an investment fund for which it acts as an adviser, to do any of the following:

(a) purchase a security of an issuer in which a responsible person or an associate of a responsible person is a partner, officer or director unless

(i) this fact is disclosed to the client, and

(ii) the written consent of the client to the purchase is obtained before the purchase;

(b) purchase or sell a security from or to the investment portfolio of any of the following:

(i) a responsible person;

(ii) an associate of a responsible person;

(iii) an investment fund for which a responsible person acts as an adviser;

(c) provide a guarantee or loan to a responsible person or an associate of a responsible person.

**Disclosure when recommending related or connected securities**

**13.6** A registered firm must not make a recommendation in any medium of communication to buy, sell or hold a security issued by the registered firm, a security of a related issuer or, during the security's distribution, a security of a connected issuer of the registered firm, unless any of the following apply:

(a) the firm discloses, in the same medium of communication, the nature and extent of the relationship or connection between the firm and the issuer;

(b) the recommendation is in respect of a security of a mutual fund, a scholarship plan, an educational plan or an educational trust that is an affiliate of the registered firm and the names of the registered firm and the fund, plan or trust, as the case may be, are sufficiently similar to indicate that they are affiliated.

*Division 2 Referral arrangements*

**Definitions – referral arrangements**
**13.7** In this Division

"**client**" includes a prospective client;

"**referral arrangement**" means any arrangement in which a registrant agrees to pay or receive a referral fee;

"**referral fee**" means any form of compensation, direct or indirect, paid for the referral of a client to or from a registrant.

**Permitted referral arrangements**
**13.8** A registrant must not participate in a referral arrangement unless,

(a) before a client is referred by or to the registrant, the terms of the referral arrangement are set out in a written agreement between

(i) the registrant,

(ii) the person or company making or receiving the referral, and

(iii) if the registrant is a registered individual, the registered firm on whose behalf the registered individual acts,

(b) the registrant or, if the registrant acts on behalf of a registered firm, the registered firm, records all referral fees on its records, and

(c) the registrant ensures that the information prescribed by subsection 13.10(1) [*disclosing referral arrangements to clients*] is provided to the client in writing before the earlier of the opening of the client's account or any services are provided to the client by the person or company receiving the referral.

**Verifying the qualifications of the person or company receiving the referral**
**13.9** A registrant that refers a client to another person or company must take reasonable steps to satisfy himself, herself or itself that the person or company has the appropriate qualifications to provide the services, and if applicable, is registered to provide those services.

**Disclosing referral arrangements to clients**
**13.10(1)** The written disclosure of the referral arrangement required by subsection 13.8(c) [*permitted referral arrangements*] must include the following:

(a) the name of each party to the referral arrangement;

(b) the purpose and material terms of the referral arrangement, including the nature of the services to be provided by each party;

(c) any conflicts of interest resulting from the relationship between the parties to the referral arrangement and from any other element of the referral arrangement;

(d) the method of calculating the referral fee and, to the extent possible, the amount of the fee;

(e) the category of registration of each registrant that is a party to the agreement with a description of the activities that the registrant is authorized to engage in under that category and, giving consideration to the nature of the referral, the activities that the registrant is not permitted to engage in;

(f) if a referral is made to a registrant, a statement that all activity requiring registration resulting from the referral arrangement will be provided by the registrant receiving the referral;

(g) any other information that a reasonable client would consider important in evaluating the referral arrangement.

**13.10(2)** If there is a change to the information set out in subsection (1), the registrant must ensure that written disclosure of that change is provided to each client affected by the change as soon as possible and no later than the 30th day before the date on which a referral fee is next paid or received.

**Referral arrangements before this Instrument came into force**
**13.11(1)** This Division applies to a referral arrangement entered into before this Instrument came into force if a referral fee is paid under the referral arrangement after this Instrument comes into force.

**13.11(2)** Subsection (1) does not apply until 6 months after this Instrument comes into force.

*Division 2 Loans and margin*

**Restriction on lending to clients**
**13.12** A registrant must not lend money, extend credit or provide margin to a client.

**Disclosure when recommending the use of borrowed money**
**13.13(1)** If a registrant recommends that a client should use borrowed money to finance any part of a purchase of a security, the registrant must, before the purchase, provide the client with a written statement that is substantially similar to the following:

*"Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines."*

**13.13(2)** Subsection (1) does not apply if

(a) the registrant has provided the client with the statement described under subsection (1) no earlier than the 180th day before the date of the proposed purchase,

(b) the proposed purchase is on margin and the client's margin account is maintained at a registered firm that is a member of IIROC or the MFDA, or

(c) the client is a permitted client.

*Division 3 Complaints*

**Application of this Division**
**13.14(1)** This Division does not apply to an investment fund manager.

**13.14(2)** A registered firm in Québec is deemed to comply with this Division if it complies with sections 168.1.1 to 168.1.3 of the *Securities Act* (Québec).

**Handling complaints**
**13.15** A registered firm must document and, in a manner that a reasonable investor would consider fair and effective, respond to each complaint made to the registered firm about any product or service offered by the firm or a representative of the firm.

**Dispute resolution service**
**13.16(1)** A registered firm must ensure that independent dispute resolution or mediation services are made available, at the firm's expense, to a client to resolve a complaint made by the client about any trading or advising activity of the firm or one of its representatives.

**13.16(2)** If a person or company makes a complaint to a registered firm about any trading or advising activity of the firm or one of its representatives, the registered firm must as soon as possible inform the person or company of how to contact and use the dispute resolution or mediation services which are provided to the firm's clients.

## PART 14 – HANDLING CLIENT ACCOUNTS – FIRMS

### *Division 1 Exemption for investment fund managers*

**Investment fund managers exempt from Part 14**
**14.1** Other than section 14.6 [*holding client assets in trust*], this Part does not apply to an investment fund manager.

### *Division 2 Disclosure to clients*

**Relationship disclosure information**
**14.2(1)** 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.

**14.2(2)** The information required to be delivered under subsection (1) includes all of the following:

(a) a description of the nature or type of the client's account;

(b) a discussion that identifies the products or services the registered firm offers to a client;

(c) a description of the types of risks that a client should consider when making an investment decision;

(d) a description of the risks to a client of using borrowed money to finance a purchase of a security;

(e) a description of the conflicts of interest that the registered firm is required to disclose to a client under securities legislation;

(f) disclosure of all costs to a client for the operation of an account;

(g) a description of the costs a client will pay in making, holding and selling investments;

(h) a description of the compensation paid to the registered firm in relation to the different types of products that a client may purchase through the registered firm;

(i) a description of the content and frequency of reporting for each account or portfolio of a client;

(j) disclosure that independent dispute resolution or mediation services are available to a client, at the firm's expense, to mediate any dispute that might arise between the client and the firm about a product or service of the firm;

(k) a statement that the firm has an obligation to assess whether a purchase or sale of a security is suitable for a client prior to executing the transaction or at any other time;

(l) the information a registered firm must collect about the client under section 13.2 [*know your client*].

**14.2(3)** A registered firm must deliver to a client the information in subsection (1) before the firm first

(a) purchases or sells a security for the client, or

(b) advises the client to purchase, sell or hold a security.

**14.2(4)** If there is a significant change to the information delivered to a client under subsection (1), the registered firm must take reasonable steps to notify the client of the change in a timely manner and, if possible, before the firm next

(a) purchases or sells a security for the client, or

(b) advises the client to purchase, sell or hold a security.

**14.2(5)** This section does not apply if the client is a registered firm, a Canadian financial institution or a Schedule III bank.

**14.2(6)** This section does not apply to a registrant in respect of a permitted client if

(a) the permitted client has waived, in writing, the requirements under this section, and

(b) the registrant does not act as an adviser in respect of a managed account of the permitted client.

**Disclosure to clients about the fair allocation of investment opportunities**

**14.3** A registered adviser must deliver to a client a summary of the policies required under section 11.1 [*compliance system*] that provide reasonable assurance that the firm and each individual acting on its behalf complies with section 14.10 [*allocating investment opportunities fairly*] and that summary must be delivered

(a) when the adviser opens an account for the client, and

(b) if there is a significant change to the summary last delivered to the client, in a timely manner and, if possible, before the firm next

(i) purchases or sells a security for the client, or

(ii) advises the client to purchase, sell or hold a security.

**When the firm has a relationship with a financial institution**

**14.4(1)** If a registered firm opens a client account to trade in securities, in an office or branch of a Canadian financial institution or a Schedule III bank, the registered firm must give the client a written notice stating that it is a separate legal entity from the Canadian financial institution or Schedule III bank and, unless otherwise advised by the registrant, securities purchased from or through the registrant

(a) are not insured by a government deposit insurer,

(b) are not guaranteed by the Canadian financial institution or Schedule III bank, and

(c) may fluctuate in value.

**14.4(2)** A registered firm that is subject to subsection (1) must receive a written confirmation from the client that the client has read and understood the notice before the registered firm

(a) purchases or sells a security for the client, or

(b) advises the client to purchase, sell or hold a security.

**14.4(3)** This section does not apply to a registered firm if the client is a permitted client.

**Notice to clients by non-resident registrants**
**14.5** A registered firm whose head office is not located in the local jurisdiction must provide its clients in the local jurisdiction with a statement in writing disclosing the following:

(a) the non-resident status of the registrant;

(b) the registrant's jurisdiction of residence;

(c) the name and address of the agent for service of process of the registrant in the local jurisdiction;

(d) the nature of risks to clients that legal rights may not be enforceable in the local jurisdiction.

*Division 3 Client assets*

**Holding client assets in trust**
**14.6** A registered firm that holds client assets must hold the assets

(a) separate and apart from its own property,

(b) in trust for the client, and

(c) in the case of cash, in a designated trust account at a Canadian financial institution, a Schedule III bank, or a member of IIROC.

**Holding client assets – non-resident registrants**
**14.7(1)** A registered firm whose head office is not located in a jurisdiction of Canada must ensure that all client assets are held

(a) in the client’s name,

(b) on behalf of the client by a custodian or sub-custodian that

(i) meets the guidelines prescribed for acting as a sub-custodian of the portfolio securities of a mutual fund in Part 6 of National Instrument 81-102 *Mutual Funds*, and

(ii) is subject to the Bank for International Settlements’ framework for international convergence of capital measurement and capital standards, or

(c) on behalf of the client by a registered dealer that is a member of an SRO and that is a member of Canadian Investor Protection Fund or other comparable compensation fund or contingency trust fund.

**14.7(2)** Section 14.6 [*holding client assets in trust*] does not apply to a registered firm that is subject to subsection (1).

**Securities subject to a safekeeping agreement**
**14.8** A registered firm that holds unencumbered securities for a client under a written safekeeping agreement must

(a) segregate the securities from all other securities,

(b) identify the securities as being held in safekeeping for the client in

(i) the registrant's security position record,

(ii) the client's ledger, and

(iii) the client's statement of account, and

(c) release the securities only on an instruction from the client.

**Securities not subject to a safekeeping agreement**
**14.9(1)** A registered firm that holds unencumbered securities for a client other than under a written safekeeping agreement must

(a) segregate and identify the securities as being held in trust for the client, and

(b) describe the securities as being held in segregation on

(i) the registrant's security position record,

(ii) the client's ledger, and

(iii) the client's statement of account.

**14.9(2)** Securities described in subsection (1) may be segregated in bulk.

*Division 4 Client accounts*

**Allocating investment opportunities fairly**
**14.10** A registered adviser must ensure fairness in allocating investment opportunities among its clients.

**Selling or assigning client accounts**
**14.11** If a registered firm proposes to sell or assign a client's account in whole or in part to another registrant, the registered firm must, prior to the sale or assignment, give a written explanation of the proposal to the client and inform the client of the client's right to close the client's account.

*Division 5 Account activity reporting*

**Content and delivery of trade confirmation**

**14.12(1)** Subject to subsection (2), a registered dealer that has acted on behalf of a client in connection with a purchase or sale of a security must promptly deliver to the client a written confirmation of the transaction, setting out the following:

(a) the quantity and description of the security purchased or sold;

(b) the price per security paid or received by the client;

(c) the commission, sales charge, service charge and any other amount charged in respect of the transaction;

(d) whether the registered dealer acted as principal or agent;

(e) the date and the name of the marketplace, if any, on which the transaction took place, or if applicable, a statement that the transaction took place on more than one marketplace or over more than one day;

(f) the name of the dealing representative, if any, in the transaction;

(g) the settlement date of the transaction;

(h) if applicable, that the security is a security of the registrant, a security of a related issuer of the registrant or, if the transaction occurred during the security's distribution, a security of a connected issuer of the registered dealer.

**14.12(2)** If a transaction under subsection (1) involved more than one transaction or if the transaction took place on more than one marketplace the information referred to in subsection (1) may be set out in the aggregate if the confirmation also contains a statement that additional details concerning the transaction will be provided to the client upon request and without additional charge.

**14.12(3)** Paragraph (1)(h) does not apply if the security is a security of a mutual fund that is an affiliate of the registered dealer and the names of the dealer and the fund are sufficiently similar to indicate that they are affiliated.

**14.12(4)** For the purpose of paragraph (1)(f), a dealing representative may be identified by means of a code or symbol if the confirmation also contains a statement that the name of the dealing representative will be provided to the client on request of the client.

**Semi-annual confirmations for certain automatic plans**

**14.13** The requirement under section 14.12 [*content and delivery of trade confirmation*] to deliver a confirmation promptly does not apply to a registered dealer in respect of a transaction if all of the following apply:

(a) the client gave the dealer prior written notice that the transaction is made pursuant to the client's participation in an automatic payment plan, including a dividend reinvestment plan, or an automatic withdrawal plan in which a transaction is made at least monthly;

(b) the registered dealer delivered a confirmation as required under section 14.12 [*content and delivery of trade confirmation*] for the first transaction made under the plan after receiving the notice referred to in paragraph (a);

(c) the transaction is in a security of a mutual fund, scholarship plan, educational plan or educational trust;

(d) the registered dealer delivers the information required under section 14.12 [*content and delivery of trade confirmation*] for the transaction semi-annually to the client or, if the client consents, to a registered adviser acting for the client.

**Client statements**

**14.14(1)** A registered dealer must deliver a statement to a client at least once every 3 months.

**14.14(2)** Despite subsection (1), a registered dealer, other than a mutual fund dealer, must deliver a statement to a client at the end of a month if any of the following apply:

(a) the client has requested receiving statements on a monthly basis;

(b) during the month, a transaction was effected in the account other than a transaction made under an automatic withdrawal plan or an automatic payment plan, including a dividend reinvestment plan.

**14.14(3)** Except if the client has otherwise directed, a registered adviser must deliver a statement to a client at least once every 3 months.

**14.14(4)** A statement delivered under subsection (1), (2) or (3) must include all of the following information for each transaction made for the client during the period covered by the statement:

(a) the date of the transaction;

(b) whether the transaction was a purchase, sale or transfer;

(c) the name of the security purchased or sold;

(d) the number of securities purchased or sold;

(e) the price per security paid or received by the client;

(f) the total value of the transaction.

**14.14(5)** A statement delivered under subsection (1), (2) or (3) must include all of the following information about the client's account as at the end of the period for which the statement is made:

(a) the name and quantity of each security in the account;

(b) the market value of each security in the account;

(c) the total market value of each security position in the account;

(d) any cash balance in the account;

(e) the total market value of all cash and securities in the account.

**14.14(6)** Subsections (1) and (2) do not apply to a scholarship plan dealer if the dealer delivers to the client a statement at least once every 12 months that provides the information in subsections (4) and (5).

## PART 15 – GRANTING AN EXEMPTION

**Who can grant an exemption**

**15.1(1)** The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

**15.1(2)** Despite subsection (1), in Ontario only the regulator may grant such an exemption.

**15.1(3)** Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

## PART 16 – TRANSITION

**Change of registration categories – individuals**

**16.1** On the day this Instrument comes into force, an individual registered in a category referred to in

(a) column 1 of Appendix C [*new category names – individuals*], opposite the name of the local jurisdiction, is registered as a dealing representative,

(b) column 2 of Appendix C [*new category names – individuals*], opposite the name of the local jurisdiction, is registered as an advising representative, and

(c) column 3 of Appendix C [*new category names – individuals*], opposite the name of the local jurisdiction, is registered as an associate advising representative.

**Change of registration categories – firms**

**16.2** On the day this Instrument comes into force, a person or company registered in a category referred to in

(a) column 1 of Appendix D [*new category names – firms*], opposite the name of the local jurisdiction, is registered as an investment dealer,

(b) column 2 of Appendix D [*new category names – firms*], opposite the name of the local jurisdiction, is registered as a mutual fund dealer,

(c) column 3 of Appendix D *[new category names – firms*], opposite the name of the local jurisdiction, is registered as a scholarship plan dealer,

(d) column 4 of Appendix D [*new category names – firms*], opposite the name of the local jurisdiction, is registered as a restricted dealer,

(e) column 5 of Appendix D [*new category names – firms*], opposite the name of the local jurisdiction, is registered as a portfolio manager, and

(f) column 6 of Appendix D [*new category names – firms*], opposite the name of the local jurisdiction, is registered as a restricted portfolio manager.

**Change of registration categories – limited market dealers**

**16.3(1)** This section applies in Ontario and Newfoundland and Labrador.

**16.3(2)** On the day this Instrument comes into force, a person or company registered as a limited market dealer is registered as an exempt market dealer.

**16.3(3)** On the day this Instrument comes into force, an individual registered to trade on behalf of a limited market dealer is registered as a dealing representative of the dealer.

**16.3(4)** Sections 12.1 [*capital requirements*] and 12.2 [*notifying the regulator of a subordination agreement*] do not apply to a person or company registered as an exempt market dealer under subsection (2) until one year after this Instrument comes into force.

**16.3(5)** Sections 12.3 [*insurance – dealer*] and 12.7 [*notifying the regulator of a change, claim or cancellation*] do not apply to a person or company registered as an exempt market dealer under subsection (2) until 6 months after this Instrument comes into force.

**Registration for investment fund managers active when this Instrument comes into force**
**16.4(1)** The requirement to register as an investment fund manager does not apply to a person or company that is acting as an investment fund manager on the day this Instrument comes into force

(a) until one year after this Instrument comes into force, or

(b) if the person or company applies for registration as an investment fund manager within one year after this Instrument comes into force, until the regulator has accepted or refused the registration.

**16.4(2)** Subsection (1) is repealed one year after this Instrument comes into force.

**16.4(3)** Section 12.5 [*insurance – investment fund manager*] does not apply to a registered dealer or registered adviser that is acting as an investment fund manager on the day this Instrument comes into force.

**16.4(4)** Subsection (3) is repealed one year after this Instrument comes into force.

**Temporary exemption for Canadian investment fund manager registered in its principal jurisdiction**
**16.5(1)** An investment fund manager is not required to register in the local jurisdiction if it is registered, or has applied for registration, in the jurisdiction of Canada in which its head office is located.

**16.5(2)** Subsection (1) is repealed 2 years after this Instrument comes into force .

**Temporary exemption for foreign investment fund managers**
**16.6(1)** The investment fund manager registration requirement does not apply to a person or company that is acting as an investment fund manager if its head office is in not in a jurisdiction of Canada.

**16.6(2)** Subsection (1) is repealed 2 years after this Instrument comes into force .

**Registration of exempt market dealers**
**16.7(1)** This section does not apply in Ontario and Newfoundland and Labrador.

**16.7(2)** In this section, "the exempt market" means those trading and underwriting activities listed in subparagraph 7.1(2)(d) [*dealer categories*].

**16.7(3)** The requirement to register as an exempt market dealer does not apply to a person or company that acts as a dealer in the exempt market on the day this Instrument comes into force

(a) until one year after this Instrument comes into force, or

(b) if the person or company applies for registration as an exempt market dealer within one year after this Instrument comes into force, until the regulator has accepted or refused the registration.

**16.7(4)** The requirement to register as a dealing representative of an exempt market dealer does not apply to an individual who acts as a dealer in the exempt market on the day this Instrument comes into force

(a) until one year after this Instrument comes into force, or

(b) if the individual applies to be registered as a dealing representative of an exempt market dealer within one year after this Instrument comes into force, until the regulator has accepted or refused the registration.

**Registration of ultimate designated persons**

**16.8** If a person or company is a registered firm on the day this Instrument comes into force, section 11.2 [*designating an ultimate designated person*] does not apply to the firm

(a) until 3 months after this Instrument comes into force, or

(b) if an individual applies to be registered as the ultimate designated person of the firm within 3 months after this Instrument comes into force, until the regulator has accepted or refused the registration.

**Registration of chief compliance officers**

**16.9(1)** If an individual applies to be registered as the chief compliance officer of a registered firm within 3 months after this Instrument comes into force and the individual was identified on the National Registration Database as the firm's compliance officer on the date this Instrument came into force, the following sections do not apply in respect of the individual so long as he or she remains registered as the firm's chief compliance officer:

(a) section 3.6 [*mutual fund dealer – chief compliance officer*], if the registered firm is a mutual fund dealer;

(b) section 3.8 [*scholarship plan dealer – chief compliance officer*], if the registered firm is a scholarship plan dealer;

(c) section 3.10 [*exempt market dealer – chief compliance officer*], if the registered firm is an exempt market dealer;

(d) section 3.13 [*portfolio manager – chief compliance officer*], if the registered firm is a portfolio manager.

**16.9(2)** If an individual applies to be registered as the chief compliance officer of a registered firm within 3 months after this Instrument comes into force and the individual was not identified on the National Registration Database as the firm's compliance officer on the date this Instrument came into force, the following sections do not apply in respect of the individual until one year after this Instrument comes into force:

(a) section 3.6 [*mutual fund dealer – chief compliance officer*], if the registered firm is a mutual fund dealer;

(b) section 3.8 [*scholarship plan dealer – chief compliance officer*], if the registered firm is a scholarship plan dealer;

(c) section 3.10 [*exempt market dealer – chief compliance officer*], if the registered firm is an exempt market dealer;

(d) section 3.13 [*portfolio manager – chief compliance officer*], if the registered firm is a portfolio manager.

**Proficiency for dealing and advising representatives**

**16.10(1)** Subject to subsections (2) and (3), if an individual is registered as a dealing or advising representative in a category referred to in a section of Division 2 of Part 3 [*education and experience requirements*] on the day this Instrument comes into force, that section does not apply to the individual so long as the individual remains registered in the category.

**16.10(2)** Section 3.7 [*scholarship plan dealer – dealing representative*] does not apply to an individual until one year after this Instrument comes into force if the individual is registered as a dealing representative of a scholarship plan dealer on the day this Instrument comes into force.

**16.10(3)** In Ontario and Newfoundland and Labrador, section 3.9 [*exempt market dealer – dealing representative*] does not apply to an individual until one year after this Instrument comes into force if the individual is registered as a dealing representative of an exempt market dealer on the day this Instrument comes into force.

**Capital requirements**

**16.11(1)** A person or company that is a registered firm on the day this Instrument comes into force is exempt from sections 12.1 [*capital requirements*] and 12.2 [*notifying the regulator of a subordination agreement*] if it complies with each provision listed in Appendix E [*non-harmonized capital requirements*] across from the name of the firm's principal jurisdiction.

**16.11(2)** Subsection (1) is repealed one year after this Instrument comes into force.

**Continuation of existing discretionary relief**

**16.12** A person or company that was entitled to rely on an exemption, waiver or approval granted to it by a regulator or securities regulatory authority relating to a requirement under securities legislation or securities directions existing immediately before this Instrument came into force is exempt from any substantially similar provision of this Instrument to the same extent and on the same conditions, if any, as contained in the exemption, waiver or approval.

**Insurance requirements**

**16.13(1)** A person or company that is a registered firm on the day this Instrument comes into force is exempt from sections 12.3 [*insurance – dealer*] to 12.7 [*notifying the regulator of a change, claim or cancellation*] if it complies with each provision listed in Appendix F [*non-harmonized insurance requirements*] across from the name of the firm's principal jurisdiction.

**16.13(2)** In Québec, subsection (1), does not apply to a registered firm that is a mutual fund dealer or a scholarship plan dealer on the day this Instrument comes into force.

**16.13(3)** Subsections (1) and (2) are repealed 6 months after this Instrument comes into force.

**Relationship disclosure information**

**16.14(1)** Section 14.2 [*relationship disclosure information*] does not apply to a person or company that is a registrant on the day this Instrument comes into force.

**16.14(2)** Subsection (1) is repealed one year after this Instrument comes into force.

**Referral arrangements**

**16.15(1)** Division 3 [*referral arrangements*] of Part 13 does not apply to a person or company that is a registrant on the day this Instrument comes into force.

**16.15(2)** Subsection (1) is repealed 6 months after this Instrument comes into force.

**Complaint handling**
**16.16(1)** In each jurisdiction of Canada except Québec, section 13.16 [*dispute resolution service*] does not apply to a person or company that is a registered firm on the day this Instrument comes into force.

**16.16(2)** Subsection (1) is repealed 2 years after this Instrument comes into force .

**Client statements – mutual fund dealers**
**16.17(1)** Section 14.14 [*client statements*] does not apply to a person or company that is a mutual fund dealer on the day this Instrument comes into force.

**16.17(2)** Subsection (1) is repealed 2 years after this Instrument comes into force .

**Transition to exemption – international dealers**
**16.18(1)** This section applies in Ontario and Newfoundland and Labrador.

**16.18(2)** If a person or company is registered in the category of international dealer on the day this Instrument comes into force, its registration in that category is revoked.

**16.18(3)** If a person or company is registered in the category of international dealer on the day this Instrument comes into force, paragraphs 8.18(3)(e) and 8.18(4)(b) [*international dealer*] do not apply to the person or company until one month after this Instrument comes into force.

**Transition to exemption – international advisers**
**16.19(1)** This section applies in Ontario.

**16.19(2)** If a person or company is registered in the category of international adviser on the day this Instrument comes into force, its registration in that category is revoked one year after this Instrument comes into force.

**16.19(3)** If the registration of a person or company is revoked under subsection (2), the registration of each individual registered to act as an adviser on behalf of the person or company is revoked.

**16.19(4)** If a person or company is registered in the category of international adviser on the day this Instrument comes into force, paragraphs (e) and (f) of subsection 8.26(4) [*international adviser*] do not apply to the person or company until one year after this Instrument comes into force.

**Transition to exemption – portfolio manager and investment counsel (foreign)**
**16.20(1)** This section applies in Alberta.

**16.20(2)** If a person or company is registered in the category of portfolio manager and investment counsel (foreign) on the day this Instrument comes into force, its registration in that category is revoked one year after this Instrument comes into force.

**16.20(3)** If the registration of a person or company is revoked under subsection (2), the registration of each individual registered to act as an adviser on behalf of the person or company is revoked.

**16.20(4)** If a person or company is registered in the category of portfolio manager and investment counsel (foreign) on the day this Instrument comes into force, paragraphs (e) and (f) of subsection 8.26(4) [*international adviser*] do not apply to the person or company until one year after this Instrument comes into force.

## PART 17 – WHEN THIS INSTRUMENT COMES INTO FORCE

**Effective date**

**17.1(1)** Except in Ontario, this Instrument comes into force on September 28, 2009.

**17.1(2)** In Ontario, this Instrument comes into force on the later of the following:

(a) September 28, 2009;

(b) the day on which sections 4, 5 and subsections 20(1) to (11) of Schedule 26 of the *Budget Measures Act, 2009* are proclaimed in force.

**Citation**

**17.2** This Instrument may be cited as MSC Rule 2009-3.

**FORM 31-103F1 CALCULATION OF EXCESS WORKING CAPITAL{** TC "Form 31-103F1 Calculation of Excess Working Capital" \f C \l "1" **}**

_____
Firm Name

Capital Calculation
(as at _____ with comparative figures as at _____)

| | **Component** | **Current period** | **Prior period** |
|---|---|---|---|
| 1. | Current assets | | |
| 2. | Less current assets not readily convertible into cash (e.g., prepaid expenses) | | |
| 3. | Adjusted current assets<br>Line 1 minus line 2 = | | |
| 4. | Current liabilities | | |
| 5. | Add 100% of long-term related party debt unless the firm and the lender have executed a subordination agreement in the form set out in Appendix B and the firm has delivered a copy of the agreement to the regulator | | |
| 6. | Adjusted current liabilities<br>Line 4 plus line 5 = | | |
| 7. | Adjusted working capital<br>Line 3 minus line 6 = | | |
| 8. | Less minimum capital | | |
| 9. | Less market risk | | |
| 10. | Less any deductible under the firm's bonding or insurance policy | | |
| 11. | Less Guarantees | | |
| 12. | Less unresolved differences | | |
| 13. | **Excess working capital** | | |

**Notes:**

This form must be prepared on an unconsolidated basis.

**Line 8. Minimum Capital** – The amount on this line must be not less than (a) $25,000 for an adviser, (b) $50,000 for a dealer, and (c) $100,000 for an investment fund manager.

**Line 9. Market Risk** – The amount on this line must be calculated according to the instructions set out in Schedule 1 to this Form.

**Line 11. Guarantees** – If the registered firm is guaranteeing the liability of another party, the total amount of the guarantee must be included in the capital calculation. If the amount of a guarantee is included in the firm's balance sheet as a current liability and is reflected in line 4, do not include the amount of the guarantee on line 11.

**Line 12. Unresolved differences** – Any unresolved differences that could result in a loss from either firm or client assets must be included in the capital calculation.

The examples below provide guidance as to how to calculate unresolved differences:

(i) If there is an unresolved difference relating to client securities, the amount to be reported on Line 12 will be equal to the market value of the client securities that are short, plus the applicable margin rate for those securities.

(ii) If there is an unresolved difference relating to the registrant's investments, the amount to be reported on Line 12 will be equal to the market value of the investments (securities) that are short.

(iii) If there is an unresolved difference relating to cash, the amount to be reported on Line 12 will be equal to the amount of the shortfall in cash.

**Management Certification**

**Registered Firm Name:** _____

We have examined the attached capital calculation and certify that the firm is in compliance with the capital requirements as at _____.

| Name and Title | Signature | Date |
|---|---|---|
| 1. _____ _____ | _____ | _____ |
| 2. _____ _____ | _____ | _____ |

**Schedule 1 of Form 31-103F1 Calculation of Excess Working Capital**
**(calculating line 9 [market risk])**

For each security whose value is included in line 1, Current Assets, multiply the market value of the security by the margin rate for that security set out below. Add up the resulting amounts for all of the securities you hold. The total is the "market risk" to be entered on line 9.

**(a) Bonds, Debentures, Treasury Bills and Notes**

(i) Bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada, of the United Kingdom, of the United States of America and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively), maturing (or called for redemption):

| | |
|---|---|
| within 1 year | 1% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365 |
| over 1 year to 3 years | 1 % of market value |
| over 3 years to 7 years | 2% of market value |
| over 7 years to 11 years | 4% of market value |
| over 11 years | 4% of market value |

(ii) Bonds, debentures, treasury bills and other securities of or guaranteed by any province of Canada and obligations of the International Bank for Reconstruction and Development, maturing (or called for redemption):

| | |
|---|---|
| within 1 year | 2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365 |
| over 1 year to 3 years | 3 % of market value |
| over 3 years to 7 years | 4% of market value |
| over 7 years to 11 years | 5% of market value |
| over 11 years | 5% of market value |

(iii) Bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or the United Kingdom maturing:

| | |
|---|---|
| within 1 year | 3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365 |
| over 1 year to 3 years | 5 % of market value |
| over 3 years to 7 years | 5% of market value |
| over 7 years to 11 years | 5% of market value |
| over 11 years | 5% of market value |

(iv) Other non-commercial bonds and debentures, (not in default):

10% of market value

(v)

(v) Commercial and corporate bonds, debentures and notes (not in default) and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the registered firm's name maturing:

| | |
|---|---|
| within 1 year | 3% of market value |
| over 1 year to 3 years | 6 % of market value |
| over 3 years to 7 years | 7% of market value |
| over 7 years to 11 years | 10% of market value |
| over 11 years | 10% of market value |

**(b) Bank Paper**

Deposit certificates, promissory notes or debentures issued by a Canadian chartered bank (and of Canadian chartered bank acceptances) maturing:

| | |
|---|---|
| within 1 year | 2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365 |
| over 1 year | apply rates for commercial and corporate bonds, debentures and notes |

**(c) Acceptable foreign bank paper**

Deposit certificates, promissory notes or debentures issued by a foreign bank, readily negotiable and transferable and maturing:

| | |
|---|---|
| within 1 year | 2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365 |
| over 1 year | apply rates for commercial and corporate bonds, debentures and notes |

"Acceptable Foreign Bank Paper" consists of deposit certificates or promissory notes issued by a bank other than a Canadian chartered bank with a net worth (i.e., capital plus reserves) of not less than $200,000,000.

**(d) Mutual Funds**

Where securities of mutual funds qualified by prospectus for sale in any province of Canada, the margin required is:

(i) 5% of the market value of the fund, where the fund is a money market mutual fund as defined in National Instrument 81-102; or

(ii) the margin rate determined on the same basis as for listed stocks multiplied by the market value of the fund.

**(e) Stocks**

(i) On securities (other than bonds and debentures) including rights and warrants listed on any exchange in Canada or the United States:

Long Positions – Margin Required

Securities selling at $2.00 or more – 50% of market value

Securities selling at $1.75 to $1.99 – 60% of market value

Securities selling at $1.50 to $1.74 – 80% of market value

Securities selling under $1.50 – 100% of market value

Short Positions – Credit Required

Securities selling at $2.00 or more – 150% of market value

Securities selling at $1.50 to $1.99 - $3.00 per share

Securities selling at $0.25 to $1.49 – 200% of market value

Securities selling at less than $0.25 – market value plus $0.25 per shares

(ii) For positions in securities (other than bonds and debentures but including warrants and rights), 50% of the market value if the security is a constituent security on a major broadly-based index of one of the following exchanges:

(a) American Stock Exchange
(b) Australian Stock Exchange Limited
(c) Bolsa de Valores de Sao Paulo
(d) Borsa Italiana
(e) Boston Stock Exchange
(f) Chicago Board of Options Exchange
(g) Chicago Board of Trade
(h) Chicago Mercantile Exchange
(i) Chicago Stock Exchange
(j) Euronext Amsterdam
(k) Euronext Brussels
(l) Euronext Paris S.A.
(m) Frankfurt Stock Exchange
(n) London International Financial Futures and Options Exchange
(o) London Stock Exchange
(p) Montreal Exchange
(q) New York Mercantile Exchange
(r) New York Stock Exchange
(s) New Zealand Exchange Limited
(t) Pacific Exchange
(u) Swiss Exchange
(v) The Stock Exchange of Hong Kong Limited
(w) Tokyo Stock Exchange
(x) Toronto Stock Exchange
(y) TSX Venture Exchange

**(f)** **For all other securities** – 100% of market value.

**FORM 31-103F2 SUBMISSION TO JURISDICTION AND APPOINTMENT OF AGENT FOR SERVICE{** TC "Form 31-103F2 Submission to Jurisdiction and Appointment of Agent for Service" \f C \l "1" **}**

***(sections 8.18 [international dealer] and 8.26 [international adviser])***

1. Name of person or company ("International Firm"):

2. Jurisdiction of incorporation of the International Firm:

3. Head office address of the International Firm:

4. Section of NI 31-103 the International Firm is relying on:

   ☐ Section 8.18 [*international dealer*]
   ☐ Section 8.26 [*international adviser*]
   ☐ Other

5. Name of agent for service of process (the "Agent for Service"):

6. Address for service of process on the Agent for Service:

7. The International Firm designates and appoints the Agent for Service at the address stated above as its agent upon whom may be served a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal or other proceeding (a "Proceeding") arising out of or relating to or concerning the International Firm's activities in the local jurisdiction and irrevocably waives any right to raise as a defense in any such proceeding any alleged lack of jurisdiction to bring such Proceeding.

8. The International Firm irrevocably and unconditionally submits to the non-exclusive jurisdiction of the judicial, quasi-judicial and administrative tribunals of the local jurisdiction in any Proceeding arising out of or related to or concerning the International Firm's activities in the local jurisdiction.

9. Until 6 years after the International Firm ceases to rely on section 8.18 [*international dealer*] or section 8.26 [*international adviser*], the International Firm must submit to the securities regulatory authority

   a. a new Submission to Jurisdiction and Appointment of Agent for Service in this form no later than the 30th day before the date this Submission to Jurisdiction and Appointment of Agent for Service is terminated; and

   b. an amended Submission to Jurisdiction and Appointment of Agent for Service no later than the 30th day before any change in the name or above address of the Agent for Service.

10. This Submission to Jurisdiction and Appointment of Agent for Service is governed by and construed in accordance with the laws of the local jurisdiction.

Dated: _____

_____
(Signature of the International Firm or authorized signatory)

_____

(Name and Title of authorized signatory)

**Acceptance**

The undersigned accepts the appointment as Agent for Service of (Insert name of International Firm) under the terms and conditions of the foregoing Submission to Jurisdiction and Appointment of Agent for Service.

Dated: _____

_____

(Signature of Agent for Service or authorized signatory)

_____

(Name and Title of authorized signatory)

**FORM 31-103F3 USE OF MOBILITY EXEMPTION**

***(section 2.2 [client mobility exemption – individuals])***

This is to notify the securities regulatory authority that the individual named in paragraph 1 is relying on the exemption in section 2.2 [*client mobility exemption – individuals*] of National Instrument 31-103 *Registration Requirements and Exemptions.*

**1. Individual information**

Name of individual: _____

NRD number of individual: _____

The individual is relying on the client mobility exemption in each of the following jurisdictions of Canada:

_____

**2. Firm information**

Name of the individual's sponsoring firm:

_____

NRD number of firm: _____

Dated: _____

_____
(Signature of an authorized signatory of the individual's sponsoring firm)

_____
(Name and title of authorized signatory)

**APPENDIX A – BONDING AND INSURANCE CLAUSES{** TC "Appendix A - Bonding and Insurance Clauses" \f C \l "1" **}**

***(section 12.3 [insurance – dealer], section 12.4 [insurance – adviser] and section 12.5 [insurance – investment fund manager])***

| Clause | Name of Clause | Details |
|---|---|---|
| A | Fidelity | This clause insures against any loss through dishonest or fraudulent act of employees. |
| B | On Premises | This clause insures against any loss of money and securities or other property through robbery, burglary, theft, hold-up, or other fraudulent means, mysterious disappearance, damage or destruction while within any of the insured's offices, the offices of any banking institution or clearing house or within any recognized place of safe-deposit. |
| C | In Transit | This clause insures against any loss of money and securities or other property through robbery, burglary, theft, hold-up, misplacement, mysterious disappearance, damage or destruction, while in transit in the custody of any employee or any person acting as messenger except while in the mail or with a carrier for hire other than an armoured motor vehicle company. |
| D | Forgery or Alterations | This clause insures against any loss through forgery or alteration of any cheques, drafts, promissory notes or other written orders or directions to pay sums in money, excluding securities. |
| E | Securities | This clause insures against any loss through having purchased or acquired, sold or delivered, or extended any credit or acted upon securities or other written instruments which prove to have been forged, counterfeited, raised or altered, or lost or stolen, or through having guaranteed in writing or witnessed any signatures upon any transfers, assignments or other documents or written instruments. |

**APPENDIX B – SUBORDINATION AGREEMENT{** TC "Appendix B - Subordination Agreement" \f C \l "1" **}**

***(Line 5 of Form 31-103F1 Calculation of excess working capital)***

**SUBORDINATION AGREEMENT**

**THIS AGREEMENT** is made as of the ____ day of _____, 20___

**BETWEEN**:

*[insert name]*

(the "**Lender**")

**AND**

*[insert name]*

(the "**Registered Firm**", which term shall include all successors and assigns of the Registered Firm)

(collectively, the "**Parties**")

**This Agreement** is entered into by the Parties under National Instrument 31-103 *Registration Requirements and Exemptions* ("**NI 31-103**") in connection with a loan made on the ____day of _____, 20__ by the Lender to the Registered Firm in the amount of $ _____(the "**Loan**") for the purpose of allowing the Registered Firm to carry on its business.

**For good and valuable consideration,** the Parties agree as follows:

**1. Subordination**

The repayment of the loan and all amounts owned thereunder are subordinate to the claims of the other creditors of the Registered Firm.

**2. Dissolution, winding-up, liquidation, insolvency or bankruptcy of the Registered Firm**

In the event of the dissolution, winding-up, liquidation, insolvency or bankruptcy of the Registered Firm:

(a) the creditors of the Registered Firm shall be paid their existing claims in full in priority to the claims of the Lender;

(b) the Lender shall not be entitled to make any claim upon any property belonging or having belonged to the Registered Firm, including asserting the right to receive any payment in respect to the Loan before the existing claims of the other creditors of the Registered Firm have been settled.

**3. Terms and conditions of the Loan**

During the term of this Agreement:

(a) interest can be paid at the agreed upon rate and time, provided that the payment of such interest does not result in a capital deficiency under NI 31-103;

(b) any loan or advance or posting of security for a loan or advance by the Registered Firm to the Lender, shall be deemed to be a payment on account of the Loan.

**4. Notice to the Securities Regulatory Authority**

The Registered Firm must notify the Securities Regulatory Authority prior to the full or partial repayment of the loan. Further documentation may be requested by the Securities Regulatory Authority after receiving the notice from the Registered Firm.

**5. Termination of this Agreement**

This Agreement may only be terminated by the Lender once the notice required pursuant to Section 4 of this Agreement is received by the Securities Regulatory Authority.

The Parties have executed and delivered this Agreement as of the date set out above.

**[Registered Firm]**

_____
Authorized signatory

_____
Authorized signatory

**[Lender]**

_____
Authorized signatory

_____
Authorized signatory

**APPENDIX C – NEW CATEGORY NAMES – INDIVIDUALS{** TC "Appendix D - New Category Names Individuals" \f C \l "1" **}**
***(Section 16.1 [change of registration categories – individuals])***

| | **Column 1**<br>**[*dealing representative*]** | **Column 2**<br>**[*advising representative*]** | **Column 3**<br>**[*associate advising representative*]** |
|---|---|---|---|
| **Alberta** | Officer (Trading)<br>Salesperson<br>Partner (Trading) | Officer (Advising)<br>Advising Employee<br>Partner (Trading) | Junior Officer (Advising) |
| **British Columbia** | Salesperson<br>Trading Partner<br>Trading Director<br>Trading Officer | Advising Employee<br>Advising Partner<br>Advising Director<br>Advising Officer | -- |
| **Manitoba** | Salesperson<br>Branch Manager<br>Trading Partner<br>Trading Director<br>Trading Officer | Advising Employee<br>Advising Officer<br>Advising Director<br>Advising Partner | Associate Advising Officer<br>Associate Advising Director<br>Associate Advising Partner<br>Associate Advising Employee |
| **New Brunswick** | Salesperson<br>Officer (trading)<br>Partner (trading) | Representative (advising)<br>Officer (advising)<br>Partner (advising)<br>Sole proprietor (advising) | Associate officer (advising),<br>Associate partner (advising),<br>Associate representative (advising) |
| **Newfoundland and Labrador** | Sales Person<br>Officer (Trading)<br>Partner (Trading) | Officer (Advising)<br>Partner (Advising) | -- |
| **Nova Scotia** | Salesperson<br>Officer – trading<br>Partner- trading<br>Director - trading | Officer- advising<br>Officer – counseling<br>Partner- advising<br>Partner- counseling<br>Director- advising<br>Director- counseling | -- |
| **Ontario** | Salesperson<br>Officer (Trading)<br>Partner (Trading)<br>Sole Proprietor | Advising Representative<br>Officer (Advising)<br>Partner (Advising)<br>Sole Proprietor | -- |
| **Prince Edward Island** | Salesperson<br>Officer (Trading)<br>Partner (Trading) | Counselling Officer (Officer)<br>Counselling Officer (Partner)<br>Counselling Officer (Other) | -- |
| **Québec** | Representative,<br>Representative - Group Savings Plan (salesperson),<br>Representative - Scholarship Plan (salesperson) | Representative (Portfolio Manager),<br>Representative (Advising),<br>Representative – Options,<br>Representative – Futures | -- |

| | **Column 1**<br>**[*dealing representative*]** | **Column 2**<br>**[*advising representative*]** | **Column 3**<br>**[*associate advising representative*]** |
|---|---|---|---|
| **Saskatchewan** | Officer (Trading)<br>Partner (Trading)<br>Salesperson | Officer (Advising)<br>Partner (Advising)<br>Employee (Advising) | -- |
| **Northwest Territories** | Salesperson<br>Officer (Trading)<br>Partner (Trading) | Representative (Advising)<br>Officer (Advising)<br>Partner (Advising) | -- |
| **Nunavut** | Salesperson<br>Officer (Trading)<br>Partner (Trading) | Representative (Advising)<br>Officer (Advising)<br>Partner (Advising) | -- |
| **Yukon** | Salesperson<br>Officer (Trading)<br>Partner (Trading)<br>Sole proprietor (Trading) | Representative (Advising)<br>Officer (Advising)<br>Partner (Advising) | -- |

**APPENDIX D – NEW CATEGORY NAMES - FIRMS{** TC "Appendix C - New Category Names Firms" \f C \l "1" **}**

***(Section 16.2 [change of registration categories – firms])***

| | **Column 1 [*investment dealer*]** | **Column 2 *[mutual fund dealer*]** | **Column 3 [*scholarship plan dealer*]** | **Column 4 [*restricted dealer*]** | **Column 5 [*portfolio manager*]** | **Column 6 [*restricted portfolio manager*]** |
|---|---|---|---|---|---|---|
| **Alberta** | investment dealer | mutual fund dealer | scholarship plan dealer | dealer,<br><br>dealer (exchange contracts),<br><br>dealer (restricted) | investment counsel and/or portfolio manager | portfolio manager/ investment counsel (exchange contracts) |
| **British Columbia** | investment dealer | mutual fund dealer | scholarship plan dealer | exchange contracts dealer,<br><br>special limited dealer | investment counsel or portfolio manager | -- |
| **Manitoba** | investment dealer | mutual fund dealer | scholarship plan dealer | -- | investment counsel or portfolio manager | -- |
| **New Brunswick** | investment dealer | mutual fund dealer | scholarship plan dealer | -- | investment counsel and portfolio manager | -- |
| **Newfoundland and Labrador** | investment dealer | mutual fund dealer | scholarship plan dealer | -- | investment counsel or portfolio manager | -- |
| **Nova Scotia** | investment dealer | mutual fund dealer | scholarship plan dealer | -- | investment counsel or portfolio manager | -- |
| **Ontario** | investment dealer | mutual fund dealer | scholarship plan dealer | -- | investment counsel or portfolio manager | -- |
| **Prince Edward Island** | investment dealer | mutual fund dealer | scholarship plan dealer | -- | investment counsel or portfolio manager | -- |

| | **Column 1 [*investment dealer*]** | **Column 2 *[mutual fund dealer*]** | **Column 3 [*scholarship plan dealer*]** | **Column 4 [*restricted dealer*]** | **Column 5 [*portfolio manager*]** | **Column 6 [*restricted portfolio manager*]** |
|---|---|---|---|---|---|---|
| **Québec** | unrestricted practice dealer,<br><br>unrestricted practice dealer (introducing broker),<br><br>unrestricted practice dealer (International Financial Centre),<br><br>discount broker | firm in group savings-plan brokerage | scholarship plan dealer | Québec Business investment company (QBIC) De bt securities dealer restricted practice Dealer firm in investment contract brokerage unrestrict-ed practice dealer (Nasdaq) | unrestricted practice adviser,<br><br>unrestricted practice adviser (International Financial Centre) | restricted practice advisor |
| **Saskatchewan** | investment dealer | mutual fund dealer | scholarship plan dealer | -- | investment counsel or portfolio manager | -- |
| **Northwest Territories** | investment dealer | mutual fund dealer | scholarship plan dealer | -- | investment counsel or portfolio manager | -- |
| **Nunavut** | investment dealer | mutual fund dealer | scholarship plan dealer | -- | investment counsel or portfolio manager | -- |
| **Yukon** | broker | broker | scholarship plan dealer | -- | broker | -- |

**APPENDIX E – NON-HARMONIZED CAPITAL REQUIREMENTS{** TC "Appendix E - Non-Harmonized Capital Requirements" \f C \l "1" **}**

***(Section 12.1 [capital requirements])***

| | |
|---|---|
| **Alberta** | Sections 23 and 24 of the *Alberta Securities Commission Rules* (General) |
| **British Columbia** | Sections 19, 20, 24 and 25 of the *Securities Rules*.<br><br>Sections 2.1(i), 2.3(i), 9.4, 13.3, 15.4 and 16.3 of BC Policy 31-601 *Registration Requirements*. |
| **Manitoba** | None in the Act or Regulations – Handled through terms and conditions |
| **New Brunswick** | Sections 7.1, 7.2, 7.3, 7.4 and 7.5 of New Brunswick Local Rule 31-501 *Registration Requirements*, as those sections read immediately before revocation |
| **Newfoundland and Labrador** | Sections 84, 85, 95, 96, 97 and 99 of the Securities Regulations under the *Securities Act* (O.C. 96-286) |
| **Nova Scotia** | Section 23 of the *General Securities Rules*, as the section read immediately before revocation. |
| **Ontario** | Sections 96, 97, 107, 111 of the Ontario Regulation 1015 made under the *Securities Act*, as those sections read immediately before revocation |
| **Prince Edward Island** | Section 34 of the former Securities Act Regulations and incorporated by reference by Local Rule 31-501 (*Transitional Registration Requirements*) |
| **Québec** | Sections 207 to 209, 211 and 212 of the Québec *Securities Regulation* or sections 8 to 11 of the Regulation respecting the trust accounts of financial resources of securities firms as those sections read immediately before repeal |
| **Saskatchewan** | Sections 19 and 24 of *The Securities Regulations* (Saskatchewan) as those sections read immediately before revocation |
| **Northwest Territories** | None in the Act, Regulations, or local rules – Handled through terms and conditions |
| **Nunavut** | None in the Act, Regulations, or local rules – Handled through terms and conditions |
| **Yukon** | Local Rule 31-501 *Registration Requirements* |

**APPENDIX F – NON-HARMONIZED INSURANCE REQUIREMENTS{** TC "Appendix F - Non-Harmonized Insurance Requirements" \f C \l "1" **}**

***(Section 16.13 [insurance requirements])***

| | |
|---|---|
| **Alberta** | Sections 25 and 26 of the *Alberta Securities Commission Rules* (General) |
| **British Columbia** | Sections 21 and 22 of the *Securities Rules*<br><br>Sections 2.1(h), 2.3(h) and 2.5(h) of BC Policy 31-601 *Registration Requirements* |
| **Manitoba** | Subsection 7(4) of the *Securities Act* – general requirement at Director's discretion |
| **New Brunswick** | Sections 8.1, 8.2, 8.3 and 8.7 of New Brunswick Local Rule 31-501 *Registration Requirements*, as those sections read immediately before revocation |
| **Newfoundland and Labrador** | Sections 95, 96, and 97 of the Securities Regulations under the *Securities Act* (O.C. 96-286) |
| **Nova Scotia** | Section 24 of the *General Securities Rules*, as the section read immediately before revocation |
| **Ontario** | Sections 96, 97, 108, 109 of the Ontario Regulation 1015 made under the Securities Act, as those sections read immediately before revocation |
| **Prince Edward Island** | Section 35 of the former Securities Act Regulations and incorporated by reference by Local Rule 31-501 (*Transitional Registration Requirements*) |
| **Québec** | Section 213 and 214 of the Québec *Securities Regulation* as those sections read immediately before repeal |
| **Saskatchewan** | Section 33 of *The Securities Act*, 1988 (Saskatchewan), as that section read immediately before repeal<br><br>Sections 20, 21 and 22 of *The Securities Regulations* (Saskatchewan), as those sections read immediately before revocation |
| **Northwest Territories** | Section 4 of Local Rule 31-501 *Registration* |
| **Nunavut** | None in the Act, Regulations, or local rules – Handled through terms and conditions |
| **Yukon** | Local Rule 31-501 *Registration Requirements* |