BLG
Borden Ladner Gervais

The Registration Rules Book

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January 2025

* Includes all amendments made to applicable instruments that came into force on September 13, 2023.

Borden Ladner Gervais

Introduction

This Borden Ladner Gervais LLP Registration Rules Book incorporates the most commonly used national and multilateral instruments and policies affecting registered financial services firms and individuals, and including amendments to National Instrument 31-103 and National Instrument 33-109 that came into force on September 13, 2023. It does not reflect other amendments that have been proposed but are not yet in force on the date of publication, and also does not include the rules established by self-regulatory organizations (SROs), such as the Canadian Investment Regulatory Organization (carrying on the regulatory functions of the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada).

Members of the Investment Management Group of Borden Ladner Gervais LLP (BLG) have prepared this collection of national and multilateral instruments and policies for your convenience.

About BLG's Investment Management Group and Securities Registrant Regulation and Compliance Services

With over 60 years' experience, the Investment Management Group at BLG understands the business, regulatory and administrative issues that affect Canadian and international participants in the Canadian investment management industry. The breadth and depth of BLG's Investment Management Group ensures that our clients get multi-dimensional legal services provided in a disciplined, cost-effective manner.

Our clients, both Canadian and international, include open and closed end investment fund complexes, providers of alternative investment, pooled, hedge and private equity/ venture/real estate products, providers of segregated funds and other insurance products, investment fund managers, portfolio managers and dealers, financial institutions, service providers, securities regulators, self-regulatory organizations and industry trade associations.

BLG's Securities Registrant Regulation and Compliance Services

Securities regulations and compliance expectations and standards are becoming increasingly complex on a global scale. Whether you are an investment fund manager, adviser (portfolio manager), or a dealer, it is critical that you receive legal advice and support from lawyers who not only understand the laws that affect your business, but who focus exclusively on registrants and have the depth of knowledge and experience to allow you to navigate the legal, regulatory and operational issues associated with your business.

BLG's Securities Registrant Regulation and Compliance team is the largest practice group of its kind in Canada and is dedicated to understanding and resolving the regulatory and other legal issues that may arise in your business. We can provide you with information and advice you need to fully understand the laws and regulations that affect the registrant community.

Our Securities Registrant Regulation and Compliance team provides a full range of legal services to registrants including:

- Assisting firms and their officers, employees and agents to attain and maintain registered status with Canadian securities regulators and, as applicable, as members of SROs
- Assisting firms and their officers, employees and agents to understand the various registration and reporting regimes associated with futures and options trading and management, as well as other derivative instruments
- Developing, designing, reviewing and assessing, compliance procedures and practices relating to regulatory and internal policy requirements, including those relating to derivative usage
- Building or strengthening compliance capability; conducting mock audits and investigations; identifying operational problems and devising appropriate, cost-effective solutions; and responding toregulatory developments
- Assisting registrants which are the subject of a regulatory compliance audit, including training executives and staff in appropriate responses to regulatory interviews

- Assisting with a diverse range of compliance and regulatory matters, such as conflicts of interest and their management, risk management, internal controls, anti-money laundering and anti-terrorist financing, portfolio security valuation, liquidity management, ESG disclosure and measurement, error correction, best execution, trade-matching and soft dollar usage
- Assisting registrants wishing to use new technologies in offering their services, whether this be trading, discount trading or digital advice platforms
- Working with registrants in understanding the rewards and challenges associated with the rise of cryptocurrencies and other digital assets, and the implications of blockchain technology
- Assisting firms involved in the operation of crypto asset trading platforms and exchanges to comply with their obligations under securities laws including to obtain registration as a restricted dealer and the related required regulatory relief
- Obtaining required regulatory relief from regulatory restrictions where necessary to allow you to operate your business
- Reviewing and drafting client documentation, such as investment management agreements, relationship disclosure, risk and conflicts of interest disclosure, new account opening forms, account agreements and account statements
- Reviewing and providing assistance and advice on marketing materials, including brochures, presentations and sales communications
- Reviewing and drafting offering documents and subscription agreements relating to investment funds and other product offerings in Canada, whether offered on an exempt basis under an offering memorandum or under a prospectus
- Providing training to representatives and employees of registrants on various securities law topics in order to assist registrants in meeting the training requirements of applicable laws
- Assisting with issues relating to becoming a member of Fundserv Inc.

We assist our registrant clients – both Canadian and international - with initial start-up, establishment of compliance and operational systems through to servicesand product offerings. We provide advice on structuring investment funds and offerings of investment funds, including hedge, private equity/venture, alternative funds and crypto asset investment funds, pursuant to private placements and public offerings to comply with Canadian securities laws.

We assist trade associations such as the Investment Funds Institute of Canada (IFIC), the Canadian ETF Association (CETFA), the Portfolio Management Association of Canada (PMAC), the Alternative Investment Management Association of Canada (AIMA Canada) and the Investment Industry Association of Canada (IIAC),along with other industry trade associations.

In providing services to our registrant clients, we work closely with our lawyers in other specialized areas, including securities litigation, banking, pensions, insurance and tax to provide a full service. We have excellent working relationships with the Canadian securities regulators and other government officials. We regularly and proactively provide regulatory updates and thought leadership to our clients and continuing legal education to the investment management and registrant community.

Members of our Investment Management Group are current and past directors of industry associations including the National Society of Compliance Professionals. We also participate in industry committees, including those organized by IFIC, CETFA, PMAC, IIAC and AIMA Canada.

BLG is pleased to be an affiliate member of IFIC, PMAC, CETFA and AIMA Canada.

We work closely with our colleagues at BLG Beyond AUM Law, a part of the suite of managed and advisory services known as BLG Beyond. BLG Beyond AUM Law provides fixed fee services related to registrant regulation, including annual compliance plan legal services.

Rankings and Recognitions

The Investment Management Group or its members are recognized as leading practitioners, including:

- Ranked in Band 1 for Investment Funds in the 2025 edition of *Chambers Canada – Canada's Leading Lawyer for Business*
- Canada Law Firm of the Year – Regulatory and Transactions – Americas Derivatives Awards – from 2014 to 2023
- Best ETF Regulatory and Compliance Adviser in Canada – ETF Express Canadian Awards 2024
- Top Listed in Ontario and in Canada in Mutual Funds and Private Funds Law in *The Best Lawyers in Canada® 2025*
- Recognized in the 2024 edition of the Lexpert®/*American Lawyer Guide to the Leading 500 Lawyers in Canada*
- Recognized in the 2024 edition of the *Canadian Legal Lexpert® Directory*
- Top Canadian Law Firm, 2014, 2015 and 2016 Canadian Hedge Fund Awards

Publications

For publications by BLG's Investment Management Group, visit
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More Information

For more information on BLG's Investment Management Group, visit
Investment Management | BLG

For more information on BLG Beyond AUM Law, visit
AUM Law - Practical Advice. Efficient Service. Fixed-Fee Plans. Singular Focus.

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Notice

This publication includes amendments to National Instrument 31-103 and National Instrument 33-109 that came into force on September 13, 2023.

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National Instrument 31-102
National Registration Database

NATIONAL INSTRUMENT 31-102
NATIONAL REGISTRATION DATABASE

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NATIONAL INSTRUMENT 31-102
NATIONAL REGISTRATION DATABASE

PART 1 – DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Instrument

"authorized firm representative" or "AFR" means, for a firm filer, an individual with his or her own NRD user ID and who is authorized by the firm filer to submit information in NRD format for that firm filer and individual filers with respect to whom the firm filer is the sponsoring firm;

"chief AFR" means, for a firm filer, an individual who is an AFR and has accepted an appointment as a chief AFR by the firm filer;

"firm filer" means a person or company that is required under securities legislation to make an NRD submission in accordance with this Instrument and that is registered as, or has applied for registration as, a dealer, adviser, or investment fund manager;

"individual filer" means an individual that is required under securities legislation to make an NRD submission in accordance with this Instrument;

"NI 33-109" means National Instrument 33-109 *Registration Information*;

"National Registration Database" or "NRD" means the online electronic database of registration information regarding NRD filers and includes the computer system providing for the transmission, receipt, review, and dissemination of that registration information by electronic means;

"NRD account" means an account with a member of the Canadian Payments Association from which fees may be paid with respect to NRD by electronic pre-authorized debit;

"NRD administrator" means Alberta Securities Commission or a successor appointed by the securities regulatory authority to operate NRD;

"NRD filer" means an individual filer or a firm filer;

"NRD format" means the electronic format for submitting information through the NRD website;

"NRD number" means the unique number first generated by NRD to identify an NRD filer or a business location;

"NRD submission" means information that is submitted under securities legislation or securities directions in NRD format, or the act of submitting information under securities legislation or securities directions in NRD format, as the context requires;

"NRD website" means the website operated by the NRD administrator for the NRD submissions.

1.2 Interpretation

Terms defined in NI 33-109 and used in this Instrument have the respective meanings ascribed to those terms in NI 33-109.

PART 2 – INFORMATION TO BE SUBMITTED IN NRD FORMAT

2.1 Registration Information

A person or company that is required to submit any of the following to the securities regulatory authority or regulator must make the submission in NRD format:

1. Form 33-109F1;
2. Form 33-109F2;
3. Form 33-109F3;
4. Form 33-109F4;
5. Form 33-109F5 to report a change to any information previously submitted in respect of Form 33-109F4;
6. Form 33-109F7.

PART 3 – MAKING NRD SUBMISSIONS

3.1 NRD Submissions

(1) An NRD filer that is required under securities legislation to submit information in NRD format must make that NRD submission

(a) through the NRD website,

(b) using the NRD number of the NRD filer or business location, and

(c) in accordance with this Instrument.

(2) A requirement in securities legislation relating to the format in which a document or other information to be submitted must be printed, or specifying the number of copies of a document that must be submitted, does not apply to an NRD submission required to be made in accordance with this Instrument.

(3) An NRD filer making an NRD submission must make the NRD submission through an AFR.

3.2 Ongoing Firm Filer Requirements

A firm filer must

(a) be enrolled with the NRD administrator to use NRD;

(b) have one and no more than one chief AFR enrolled with the NRD administrator;

(c) maintain one and no more than one NRD account;

(d) notify the NRD administrator of the appointment of a chief AFR within 7 days of the appointment;

(e) notify the NRD administrator of any change in the name of the firm's chief AFR within 7 days of the change;

(f) submit any change in the name of an AFR, other than the firm's chief AFR, in NRD format within 7 days of the change; and

(g) submit any change in the phone number, fax number or e-mail address of the chief AFR in NRD format within 7 days of the change.

PART 4 – PAYMENT OF FEES THROUGH NRD

4.1 Payment of Submission Fees

(1) If a fee is required with respect to an NRD submission, a firm filer must pay the required fee by electronic preauthorized debit through NRD.

(2) A payment under subsection (1) must be made from the firm filer's NRD account.

4.2 Payment of Annual Registration Fees

(1) If an NRD filer is required to pay an annual registration fee, the NRD filer must pay the required fee by electronic pre-authorized debit through NRD.

(2) A payment under subsection (1) must be made from the NRD filer's NRD account.

4.3 Payment of NRD User Fees - Annual

(1) If a firm filer is required to pay an annual NRD user fee, the firm filer must pay the required fee by electronic pre-authorized debit through NRD.

(2) A payment under subsection (1) must be made from the firm filer's NRD account.

4.4 Payment of Late Filing Fees

(1) If a firm filer is required to pay late filing fees because of an activity that creates or relates to an NRD submission, the firm filer must pay the required fee by electronic pre-authorized debit through NRD.

(2) A payment under subsection (1) must be made from the firm filer's NRD account.

4.5 Exemption for Registrants not Resident in Canada

Sections 3.2(c), 4.1, 4.2, 4.3 and 4.4 do not apply to a registered firm that

(a) has no business office in a jurisdiction of Canada,

(b) does not have an account with a member of the Canadian Payments Association,

(c) is not an affiliate of a registered firm resident in a jurisdiction of Canada,

(d) pays the fees referred to in sections 4.1, 4.2 and 4.4 within 14 days of the date the payment is due,

(e) pays the following fees within 14 days of the date the payment is due by submitting a cheque, payable to the Ontario Securities Commission in Canadian currency, to CSA Service Desk, Attn: NRD Administrator, 12 Millennium Blvd., Suite 210, Moncton, NB, E1C 0M3:

(i) NRD user fees required in respect of an NRD submission;

(ii) annual NRD user fees, and

(f) pays any fee referred to in sections 4.1, 4.2 and 4.4, other than an NRD user fee, by submitting a cheque in Canadian funds to the securities regulatory authority or regulator in the local jurisdiction within 14 days of the date the payment is due.

PART 5 – TEMPORARY HARDSHIP EXEMPTION

5.1 Temporary Hardship Exemption

(1) If unanticipated technical difficulties prevent an NRD filer from making an NRD submission within the time required under securities legislation, the NRD filer is exempt from the requirement to make the submission within the required time period, if the NRD filer makes the submission other than through the NRD website or in NRD format no later than 7 days after the day on which the information was required to be submitted.

(2) If unanticipated technical difficulties prevent an individual filer from submitting an application in NRD format, the individual filer may submit the application other than through the NRD website.

(3) For the purpose of subsections (1) and (2), the NRD filer may make a notification or application other than through the NRD website by submitting it to the principal regulator.

(4) Despite subsection (3), for the purpose of an application submitted under (2) which includes Ontario, the individual filer may make the application by submitting it to

(a) the principal regulator, if the principal jurisdiction is Ontario, or

(b) the principal regulator and the regulator in Ontario.

(5) If an NRD filer makes a submission other than through the NRD website under this section, the NRD filer must include the following legend in capital letters at the top of the first page of the submission:

IN ACCORDANCE WITH SECTION 5.1 OF NATIONAL INSTRUMENT 31-102 *NATIONAL REGISTRATION DATABASE* (NRD), THIS [SPECIFY DOCUMENT] IS BEING SUBMITTED

OTHER THAN THROUGH THE NRD WEB SITE UNDER A TEMPORARY HARDSHIP EXEMPTION.

(6) If an NRD filer makes a submission other than through the NRD website under this section, the NRD filer must resubmit the information in NRD format as soon as practicable and in any event within 14 days after the unanticipated technical difficulties have been resolved.

PART 6 – EXEMPTION

6.1 Exemption

(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.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(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 7 – [REPEALED]

COMPANION POLICY 31-102CP
NATIONAL REGISTRATION DATABASE

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COMPANION POLICY 31-102CP
NATIONAL REGISTRATION DATABASE

PART 1 – PURPOSE

The purpose of NI 31-102 is to establish requirements for the electronic submission of registration information through NRD. References in this policy to "we" mean the securities regulatory authority and regulator.

PART 2 – PRODUCTION OF NRD FILINGS

The securities legislation of several jurisdictions contains a requirement to produce or make available an original or certified copy of information filed under the securities legislation. We consider that it may satisfy such a requirement in the case of information filed in NRD format by providing a printed copy or other output of the information in readable form that contains or is accompanied by a certification by the securities regulatory authority or regulator that the printed copy or output is a copy of the information filed in NRD format.

PART 3 – DATE OF FILING

We think that information filed in NRD format is, for purposes of securities legislation, filed on the day that the transmission of the information to NRD is completed.

PART 4 – OFFICIAL COPY OF NRD FILINGS

For purposes of securities legislation, securities directions or any other related purpose, we think that the official record of any information filed in NRD format by an NRD filer is the electronic information stored in NRD.

PART 5 – AUTHORIZED FIRM REPRESENTATIVE AS AGENT

We think that when making an NRD submission an AFR is an agent of the firm or individual to whom the filing relates.

PART 6 – ONGOING FIRM FILER REQUIREMENTS

We expect that firm filers will follow the processes set out in the NRD User Guide to:

(a) enrol with the NRD administrator;

(b) keep their enrolment information current; and

(c) keep their NRD account information current

PART 7 – COMMODITY FUTURES ACT SUBMISSIONS

In Ontario and Manitoba, if a person or company is required to make a submission under both NI 31-102 and OSC Rule 31-509 (*Commodity Futures Act*), or in Manitoba, MSC Rule 2000-1 (*Commodity Futures Act*), with respect to the same information, the securities regulatory authority is of the view that a single filing on a form required under either rule satisfies both requirements.

National Instrument 31-103
Registration Requirements, Exemptions and Ongoing Registrant Obligations

NATIONAL INSTRUMENT 31-103
REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS

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NATIONAL INSTRUMENT 31-103
REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS

PART 1 – INTERPRETATION

1.1 Definitions of terms used throughout this Instrument

In this Instrument

"book cost" means the total amount paid to purchase a security, including any transaction charges related to the purchase, adjusted for reinvested distributions, returns of capital and corporate reorganizations;

"Canadian custodian" means any of the following:

(a) a bank listed in Schedule I, II or III of the *Bank Act* (Canada);

(b) a trust company that is incorporated under the laws of Canada or a jurisdiction of Canada and licensed or registered under the laws of Canada or a jurisdiction of Canada, and that has equity, as reported in its most recent audited financial statements, of not less than $10,000,000;

(c) a company that is incorporated under the laws of Canada or a jurisdiction of Canada, and that is an affiliate of a bank or trust company referred to in paragraph (a) or (b), if either of the following applies:

(i) the company has equity, as reported in its most recent audited financial statements, of not less than $10,000,000;

(ii) the bank or trust company has assumed responsibility for all of the custodial obligations of the company for the cash and securities the company holds for a client or investment fund;

(d) an investment dealer that is a member of IIROC and that is permitted under the rules of IIROC, as amended from time to time, to hold the cash and securities of a client or investment fund;

"Canadian financial institution" [Repealed];

"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 National Instrument 45-106 *Prospectus Exemptions*;

"designated rating" has the same meaning as in National Instrument 81-102 *Investment Funds*;

"designated rating organization" has the same meaning as in National Instrument 44-101 *Short Form Prospectus Distributions*;

"DRO affiliate" means an affiliate of a designated rating organization that issues credit ratings in a foreign jurisdiction and that has been designated as such under the terms of the designated rating organization's designation;

"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 System* on that date;

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

"financial exploitation" means the use or control of, or deprivation or the use or control of, a financial asset of an individual by a person or company through undue influence, unlawful conduct or another wrongful act;

"foreign custodian" means any of the following:

(a) an entity that

(i) is incorporated or organized under the laws of a country, or a political subdivision of a country, other than Canada,

(ii) is regulated as a banking institution or trust company by the government, or an agency of the government, of the country under the laws of which it is incorporated or organized, or a political subdivision of that country, and

(iii) has equity, as reported in its most recent audited financial statements, of not less than the equivalent of $100,000,000;

(b) an affiliate of an entity referred to in paragraph (a), (b) or (c) of the definition of "Canadian custodian", or paragraph (a) of this definition, if either of the following applies:

(i) the affiliate has equity, as reported in its most recent audited financial statements, of not less than the equivalent of $100,000,000;

(ii) the entity referred to in paragraph (a), (b) or (c) of the definition of

"Canadian custodian", or paragraph (a) of this definition, has assumed responsibility for all of the custodial obligations of the affiliate for the cash and securities the affiliate holds for a client or investment fund;

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

"IIROC provision" means a by-law, rule, regulation or policy of IIROC named in Appendix G, as amended from time to time;

"interim period" means a period commencing on the first day of the financial year and ending 9, 6 or 3 months before the end of the financial year;

"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;

"MFDA provision" means a by-law, rule, regulation or policy of the MFDA named in Appendix H, as amended from time to time;

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

"operating charge" means any amount charged to a client by a registered firm in respect of the operation, transfer or termination of a client's account and includes any federal, provincial or territorial sales taxes paid on that amount;

"original cost" means the total amount paid to purchase a security, including any transaction charges related to the purchase;

"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, investment dealer, mutual fund dealer or exempt market 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 National Instrument 45-106 *Prospectus Exemptions*, 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 National Instrument 45-106 *Prospectus Exemptions*, 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 National Instrument 45-106 *Prospectus Exemptions*, 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;

“principal regulator” has the same meaning as in section 4A.1 of Multilateral Instrument 11-102 *Passport System*;

“qualified custodian” means a Canadian custodian or a foreign custodian;

“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 firm registered in a jurisdiction of Canada on whose behalf an individual acts as a dealer, an underwriter, an adviser, a chief compliance officer or an ultimate designated person;

“sub-adviser” means an adviser to

(a) a registered adviser, or

(b) a registered dealer acting as a portfolio manager as permitted by section 8.24 [*IIROC members with discretionary authority*];

“subsidiary” has the same meaning as in section 1.1 of National Instrument 45-106 *Prospectus Exemptions*;

“successor credit rating organization” has the same meaning as in National Instrument 44-101 *Short Form Prospectus Distributions*;

“temporary hold” means a hold that is placed on the purchase or sale of a security on behalf of a client or on the withdrawal or transfer of cash or securities from a client’s account;

“total percentage return” means the cumulative realized and unrealized capital gains and losses of an investment, plus income from the investment, over a specified period of time, expressed as a percentage;

“trailing commission” means any payment related to a client’s ownership of a security that is part of a

continuing series of payments to a registered firm or registered individual by any party;

"transaction charge" means any amount charged to a client by a registered firm in respect of a purchase or sale of a security and includes any federal, provincial or territorial sales taxes paid on that amount;

"trusted contact person" means an individual identified by a client to a registrant whom the registrant may contact in accordance with the client's written consent;

"vulnerable client" means a client who might have an illness, impairment, disability or aging-process limitation that places the client at risk of financial exploitation;

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

1.2 Interpretation of "securities" in Alberta, British Columbia, New Brunswick, Nova Scotia and Saskatchewan

(1) Subject to sections 8.2, 8.26 and 14.5.1, in British Columbia, a reference to "securities" in this Instrument includes "exchange contracts", unless the context otherwise requires.

(2) Subject to sections 8.2, 8.26 and 14.5.1, in Alberta, New Brunswick, Nova Scotia and Saskatchewan, a reference to "securities" in this Instrument includes "derivatives", unless the context otherwise requires.

1.3 Information may be given to the principal regulator

(1) [*repealed*]

(2) For the purpose of a requirement in this Instrument to notify or to deliver or submit a document to the regulator or the securities regulatory authority the person or company may notify or deliver or submit the document to the person or company's principal regulator.

(3) [*repealed*]

(4) Despite subsection (2), for the purpose of the notice and delivery requirements in section 11.9 [*registrant acquiring a registered firm's securities or assets*], if the principal regulator of the registrant and the principal regulator of the firm identified in paragraph 11.9(1)(a) or 11.9(1)(b), if registered in any jurisdiction of Canada, are not the same, the registrant must deliver the written notice to the following:

(a) the registrant's principal regulator; and

(b) the principal regulator of the firm identified in paragraph 11.9(1)(a) or 11.9(1)(b) as applicable, if registered in any jurisdiction of Canada identified in paragraph 11.9(1)(a) or 11.9(1)(b).

(5) Subsection (2) does not apply to

(a) section 8.18 [*international dealer*], and

(b) section 8.26 [*international adviser*].

PART 2 – CATEGORIES OF REGISTRATION FOR INDIVIDUALS

2.1 Individual categories

(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) 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*].

(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).

2.2 Client mobility exemption - individuals

(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) 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.

2.3 Individuals acting for investment fund managers

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

3.1 Definitions

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 Course 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;

"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;

"Chief Compliance Officers Qualifying 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 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, 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.

3.2 U.S. equivalency

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.

3.3 Time limits on examination requirements

(1) For the purpose of this Part, an individual is deemed to have not passed an examination unless the individual passed the examination not more than 36 months before the date of his or her application for registration.

(2) Subsection (1) does not apply if the individual passed the examination more than 36 months before the date of his or her application and has met one of the following conditions:

(a) the individual was registered in the same category in any jurisdiction of Canada at any time during the 36-month period before the date of his or her application;

(b) the individual has gained 12 months of relevant securities industry experience during the 36-month period before the date of his or her application.

(3) For the purpose of paragraph (2)(a), an individual is not considered to have been registered during any period in which the individual's registration was suspended.

(4) Subsection (1) does not apply to the examination requirements in

(a) section 3.7 [*scholarship plan dealer – dealing representative*] if the individual was registered in a jurisdiction of Canada as a dealing representative of a scholarship plan dealer on and since September 28, 2009, and

(b) section 3.9 [*exempt market dealer – dealing representative*] if the individual was registered as a dealing representative of an exempt market dealer in Ontario or Newfoundland and Labrador on and since September 28, 2009.

Division 2 - Education and experience requirements

3.4 Proficiency – initial and ongoing

(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.

(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.

3.5 Mutual fund dealer – dealing representative

A dealing representative of a mutual fund dealer must not act as a dealer in respect of the securities listed in paragraph 7.1(2)(b) unless any of the following apply:

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

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

(c) the individual has earned a CFA Charter and has gained 12 months of relevant securities industry experience in the 36-month period before applying for registration;

(d) the individual is exempt from section 3.11 [*portfolio manager – advising representative*] because of subsection 16.10(1) [*proficiency for dealing and advising representatives*].

3.6 Mutual fund dealer – chief compliance officer

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

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

(ii) passed the PDO Exam, the Mutual Fund Dealers Compliance Exam or the Chief Compliance Officers Qualifying Exam, and

(iii) gained 12 months of relevant securities industry experience in the 36-month period before applying for registration;

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

(c) section 3.13 [*portfolio manager – chief compliance officer*] does not apply in respect of the individual because of subsection 16.9(2) [*registration of chief compliance officers*].

3.7 Scholarship plan dealer – dealing representative

A dealing representative of a scholarship plan dealer must not act as a dealer in respect of the securities listed in paragraph 7.1(2)(c) unless the individual has passed the Sales Representative Proficiency Exam.

3.8 Scholarship plan dealer – chief compliance officer

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

(a) passed the Sales Representative Proficiency Exam,

(b) passed the Branch Manager Proficiency Exam,

(c) passed the PDO Exam or the Chief Compliance Officers Qualifying Exam, and

(d) gained 12 months of relevant securities industry experience in the 36-month period before applying for registration.

3.9 Exempt market dealer – dealing representative

A dealing representative of an exempt market dealer must not perform an activity listed in paragraph 7.1(2)(d) 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 has earned a CFA Charter and has gained 12 months of relevant securities industry experience in the 36-month period before applying for registration;

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

(e) the individual is exempt from section 3.11 [*portfolio manager – advising representative*] because of subsection 16.10(1) [*proficiency for dealing and advising representatives*].

3.10 Exempt market dealer – chief compliance officer

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

(i) passed the Exempt Market Products Exam or the Canadian Securities Course Exam,

(ii) passed the PDO Exam or the Chief Compliance Officers Qualifying Exam, and

(iii) gained 12 months of relevant securities industry experience in the 36-month period before applying for registration;

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

(c) section 3.13 [*portfolio manager – chief compliance officer*] does not apply in respect of the individual because of subsection 16.9(2) [*registration of chief compliance officers*].

3.11 Portfolio manager – advising representative

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

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

3.12 Portfolio manager – associate advising representative

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 individual has completed Level 1 of the Chartered Financial Analyst program and has gained 24 months of relevant investment management experience;

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

3.13 Portfolio manager – chief compliance officer

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 PDO Exam or the Chief Compliance Officers Qualifying Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course 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 also 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 either the PDO Exam or the Chief Compliance Officers Qualifying 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 also worked at a registered dealer or a registered adviser for 12 months;

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

3.14 Investment fund manager – chief compliance officer

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 PDO Exam or the Chief Compliance Officers Qualifying Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course 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 also worked in a relevant capacity at an investment fund manager for 12 months;

(b) the individual has

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

(ii) passed the PDO Exam or the Chief Compliance Officers Qualifying 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*];

(d) section 3.13 [*portfolio manager – chief compliance officer*] does not apply in respect of the individual because of subsection 16.9(2) [*registration of chief compliance officers*].

Division 3 - Membership in a Self-regulatory Organization

3.15 Who must be approved by an SRO before registration

(1) A dealing representative of an investment dealer that is a member of IIROC must be an "approved person" as defined under the rules of IIROC.

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

3.16 Exemptions from certain requirements for SRO-approved persons

(1) The following sections do not apply to a registered individual who is a dealing representative of an investment dealer that is a member of IIROC:

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

(b) section 13.3 [*suitability determination*];

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

(1.1) Subsection (1) only applies to a registered individual who is a dealing representative of an investment dealer that is a member of IIROC in respect of a requirement specified in any of paragraphs (1)(a) to (c) if the registered individual complies with the corresponding IIROC provisions that are in effect.

(2) The following sections do not apply to a registered individual who is a dealing representative of a mutual fund dealer that is a member of the MFDA:

(a) section 13.3 [*suitability determination*];

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

(2.1) Subsection (2) only applies to a registered individual who is a dealing representative of a mutual fund dealer that is a member of the MFDA in respect of a requirement specified in paragraph (2)(a) or (b) if the registered individual complies with the corresponding MFDA provisions that are in effect.

(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 to the extent equivalent requirements to those listed in subsection (2) are applicable to the registered individual under the regulations in Québec.

PART 4 – RESTRICTIONS ON REGISTERED INDIVIDUALS

4.1 Restrictions on acting for another registered firm

(1) A firm registered in any jurisdiction of Canada must not permit an individual to act as a dealing, advising or associate advising representative of the registered firm if either of the following apply:

(a) the individual acts as an officer, partner or director of another firm registered in any jurisdiction of Canada that is not an affiliate of the first-mentioned registered firm;

(b) the individual is registered as a dealing, advising or associate advising representative of another firm registered in any jurisdiction of Canada.

(2) Paragraph (1)(b) does not apply in respect of a representative whose registration as a dealing, advising or associate advising representative of more than one registered firm was granted before July 11, 2011.

4.2 Associate advising representatives – pre-approval of advice

(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).

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

(3) No later than 7 days following the date of a designation under subsection (2), a registered adviser must provide the regulator or, in Québec, the securities regulatory authority 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

5.1 Responsibilities of the ultimate designated person

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.

5.2 Responsibilities of the chief compliance officer

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

6.1 If individual ceases to have authority to act for firm

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.

6.2 If IIROC approval is revoked or suspended

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.

6.3 If MFDA approval is revoked or suspended

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.

6.4 If sponsoring firm is suspended

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.

6.5 Dealing and advising activities suspended

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.

6.6 Revocation of a suspended registration - individual

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.

6.7 Exception for individuals involved in a hearing or proceeding

Despite section 6.6, if a hearing or proceeding concerning a suspended individual is commenced under securities legislation or under the rules of an SRO, the individual's registration remains suspended.

6.8 Application of Part 6 in Ontario

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

7.1 Dealer categories

(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.

(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) 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,

(ii) act as a dealer by trading a security if all of the following apply:

(A) the trade is not a distribution;

(B) an exemption from the prospectus requirement would be available to the seller if the trade were a distribution;

(C) the class of security is not listed, quoted or traded on a marketplace, or

(iii) [*repealed*]

(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.

(3) [*repealed*]

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

(5) [*repealed*]

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).

7.2 Adviser categories

(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.

(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.

(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).

7.3 Investment fund manager category

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

8.0.1 General condition to dealer registration requirement exemptions

The exemptions in this Division are not available to a person or company if the person or company is registered in the local jurisdiction and if their category of registration permits the person or company to act as a dealer or trade in a security for which the exemption is provided.

8.1 Interpretation of "trade" in Québec

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.

8.2 Definition of "securities" in Alberta, British Columbia, New Brunswick, Nova Scotia and Saskatchewan

Despite section 1.2, in Alberta, British Columbia, New Brunswick, Nova Scotia and Saskatchewan, a reference to "securities" in this Division excludes "exchange contracts".

8.3 Interpretation – exemption from underwriter registration requirement

In this Division, an exemption from the dealer registration requirement is an exemption from the underwriter registration requirement.

8.4 Person or company not in the business of trading in British Columbia, Manitoba and New Brunswick

(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.

(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.

8.5 Trades through or to a registered dealer

The dealer registration requirement does not apply to a person or company in respect of a trade in a security if either of the following applies:

(a) the trade is made through a registered dealer, if the dealer is registered in a category that permits the trade unless, in furtherance of the trade, the person or company seeking the exemption solicits or contacts directly any purchaser or prospective purchaser in relation to 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.

8.5.1 Trades through a registered dealer by registered adviser

The dealer registration requirement does not apply to a registered adviser, or an advising representative or associate advising representative acting on behalf of the registered adviser, in respect of trading activities that are incidental to its providing advice to a client, if the trade is made through a dealer registered in a category that permits the trade or a dealer operating under an exemption from the dealer registration requirement.

8.6 Investment fund trades by adviser to managed account

(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 an investment fund if all of the following apply:

(a) the adviser or an affiliate of the adviser acts as the fund's adviser;

(a.1) the adviser or an affiliate of the adviser acts as the fund's investment fund manager;

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

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

(3) An adviser that relies on subsection (1) must provide written notice to the regulator or, in Québec, the securities regulatory authority that it is relying on the exemption within 10 days of its first use of the exemption.

8.7 Investment fund reinvestment

(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.

(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.

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

(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 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.

(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.

8.8 Additional investment in investment funds

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.

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

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, section 86(e) and paragraph 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, section 19(3) and paragraph 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, paragraphs 36(1)(e) and 73(1)(d) of the *Securities Act* (Newfoundland and Labrador);

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

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

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

(ix) in Ontario, section 35(1)5 and paragraph 72(1)(d) of the *Securities Act* (Ontario) as they existed prior to their repeal by sections 5 and 11 of the *Securities Act* (Ontario) S.O. 2009, c. 18, Sch. 26 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, paragraph 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 section 51 and subsection 155.1(2) of the *Securities Act* (Québec);

(xii) in Saskatchewan, paragraphs 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.

8.10 Private investment club

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.

8.11 Private investment fund – loan and trust pools

(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.

(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).

8.12 Mortgages

(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.

(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.

(3) Subsection (2) does not apply in respect of a trade in a syndicated mortgage.

8.13 Personal property security legislation

(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.

(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).

8.14 Variable insurance contract

(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 National Instrument 45-106 *Prospectus Exemptions*;

"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.

(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

(d) a variable life annuity.

8.15 Schedule III banks and cooperative associations – evidence of deposit

(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).

(2) This section does not apply in Ontario or Alberta.

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).

In Alberta, subsection 8.15(1) is not required because the exemption is provided under subsection 1(ggg)(v)(B) of the *Securities Act* (Alberta).

8.16 Plan administrator

(1) In this section

"consultant" has the same meaning as in section 2.22 of National Instrument 45-106 *Prospectus Exemptions*;

"executive officer" has the same meaning as in section 1.1 of National Instrument 45-106 *Prospectus Exemptions*;

"permitted assign" has the same meaning as in section 2.22 of National Instrument 45-106 *Prospectus Exemptions*;

"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 National Instrument 45-106 *Prospectus Exemptions*.

(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).

(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 of one of the following exemptions are satisfied:

(i) except in Alberta and Ontario, section 2.14 or 2.15 of National Instrument 45-102 *Resale of Securities*,

(ii) in Ontario, section 2.7 or 2.8 of Ontario Securities Commission Rule 72-503 *Distributions Outside Canada*,

(iii) in Alberta, section 10 or 11 of Alberta Securities Commission Rule 72-501 *Distributions to Purchasers Outside Alberta*.

In Alberta, Alberta Securities Commission Blanket Order 45-519 *Prospectus Exemptions for Resale Outside Canada* provides similar exemptions to the exemptions in section 2.14 and 2.15 of National Instrument 45-102 *Resale of Securities.*

8.17 Reinvestment plan

(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.

(2) The aggregate number of securities issued under the optional cash payment referred to in paragraph (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.

(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.

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

(5) Subject to section 8.4 [*transition – reinvestment plan*] of National Instrument 45-106 *Prospectus Exemptions*, 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.

8.18 International dealer

(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.

(2) Subject to subsections (3) and (4), the dealer registration requirement does not apply in respect of any 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, if the debt security

(i) is denominated in a currency other than the Canadian dollar, or

(ii) is or was originally 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 purchasing as principal.

(3) The exemption under subsection (2) is 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 trading as principal or agent for

(i) the issuer of the securities,

(ii) a permitted client, or

(iii) 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*.

(4) The exemption under subsection (2) is 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 the local jurisdiction to make the trade;

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

(iii) all or substantially all of the assets of the person or company may be situated outside of Canada;

(iv) there may be difficulty enforcing legal rights against the person or company because of the above;

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

(5) A person or company that relied on the exemption in subsection (2) during the 12-month period preceding December 1 of a year must notify the regulator or, in Québec, the securities regulatory authority of that fact by December 1 of that year.

(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*.

(7) The adviser registration requirement does not apply to a person or company that is exempt from the dealer registration requirement under this section if the person or company provides advice to a client and the advice is

(a) in connection with an activity or trade described under subsection (2), and

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

8.19 Self-directed registered education savings plan

(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).

(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 in respect of securities listed in paragraph 7.1(2)(b);

(ii) a Canadian financial institution;

(iii) *[repealed]*;

(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.

8.20 Exchange contract – Alberta, British Columbia, New Brunswick, Nova Scotia and Saskatchewan

(1) In Alberta, British Columbia, New Brunswick, Nova Scotia and Saskatchewan, the dealer registration requirement does not apply to a person or company in respect of a trade in an exchange contract by the person or company if one of the following applies:

(a) the trade is made through a registered dealer, if the dealer is registered in a category that permits the trade unless, in furtherance of the trade, the person or company seeking the exemption solicits or contacts directly any purchaser or prospective purchaser in relation to 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.

(2) [*repealed*]

(3) [*repealed*]

8.20.1 Exchange contract trades through or to a registered dealer - Alberta, British Columbia, New Brunswick, Nova Scotia and Saskatchewan

In Alberta, British Columbia, New Brunswick, Nova Scotia and Saskatchewan, the dealer registration requirement does not apply to a registered adviser, or an advising representative or associate advising representative acting on behalf of the registered adviser, in respect of trading activities related to exchange contracts that are incidental to its providing advice to a client, if the trade is made through a dealer registered in a category that permits the trade or a dealer operating under an exemption from the dealer registration requirement.

8.21 Specified debt

(1) In this section

"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;

(d) 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;

(e) 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;

(f) 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);

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

(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 a designated rating from a designated credit rating organization or its DRO affiliate;

(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.

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

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).

8.22 Small security holder selling and purchase arrangements

(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.

(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.

(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.

8.22.1 Short-term debt

(1) In this section "short-term debt instrument" means a negotiable promissory note or commercial paper maturing not more than one year from the date of issue.

(2) Except in Ontario, the dealer registration requirement does not apply to any of the following in respect of a trade in a short-term debt instrument with a permitted client:

(a) a bank listed in Schedule I, II or III to the *Bank Act* (Canada);

(b) an association to which the *Cooperative Credit Associations Act* (Canada) applies or a central cooperative credit society for which an order has been made under subsection 473 (1) of that Act;

(c) a loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative or credit union league or federation that is authorized by a statute of Canada or of a jurisdiction in Canada to carry on business in Canada or in any jurisdiction in Canada, as the case may be;

(d) the Business Development Bank of Canada;

(3) The exemption under subsection (2) is not available to a person or company if the short-term debt instrument is convertible or exchangeable into, or accompanied by a right to purchase, another security other than another short-term debt instrument.

Note: In Ontario, Note: an exemption from the dealer registration requirement similar to that in section 8.22.1 is provided under section 35.1 of the *Securities Act* (Ontario).

Division 2 - Exemptions from adviser registration

8.22.2 General condition to adviser registration requirement exemptions

The exemptions in this Division are not available to a person or company if the person or company is registered in the local jurisdiction in a category of registration that permits the person or company to act as an adviser in respect of the activities for which the exemption is provided.

8.23 Dealer without discretionary authority

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.

8.24 IIROC members with discretionary authority

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 an investment dealer that is a member of IIROC and the advising activities are conducted in accordance with the rules of IIROC.

8.25 Advising generally

(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.

(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.

(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.

(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.

(5) This section does not apply in Ontario.

Note: In Ontario, measures similar to those in section 8.25 are in section 34 of the *Securities Act* (Ontario).

8.26 International adviser

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

(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;

(3) The adviser registration requirement does not apply to a person or company if either of the following applies:

(a) the person or company provides advice on a foreign security to a permitted client that is not registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer;

(b) the person or company provides advice on a security that is not a foreign security and the advice is incidental to the advice referred to in paragraph (a).

(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 in a category of registration, 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, 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) as at the end of 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 the local jurisdiction to provide the advice described under subsection (3);

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

(iii) all or substantially all of the adviser's assets may be situated outside of Canada;

(iv) there may be difficulty enforcing legal rights against the adviser because of the above;

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

(f) the adviser has submitted to the securities regulatory authority a completed Form 31-103F2 *Submission to jurisdiction and appointment of agent for service*.

(5) A person or company that relied on the exemption in subsection (3) during the 12-month period preceding December 1 of a year must notify the regulator, or, in Québec, the securities regulatory authority of that fact by December 1 of that year.

(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*.

8.26.1 International sub-adviser

(1) The adviser registration requirement does not apply to a sub-adviser if all of the following apply:

(a) the obligations and duties of the sub-adviser are set out in a written agreement with the registered adviser or registered dealer;

(b) the registered adviser or registered dealer has entered into a written agreement with its clients on whose behalf investment advice is or portfolio management services are to be provided, agreeing to be responsible for any loss that arises out of the failure of the sub-adviser

(i) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the registrant and each client of the registrant for whose benefit the advice is or portfolio management services are to be provided, or

(ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

(2) The exemption under subsection (1) is not available unless all of the following apply:

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

(b) the sub-adviser is registered in a category of registration, 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, 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 sub-adviser engages in the business of an adviser in the foreign jurisdiction in which its head office or principal place of business is located.

Division 3 - Exemptions from investment fund manager registration

8.26.2 General condition to investment fund manager registration requirement exemptions

The exemptions in this Division are not available to a person or company if the person or company is registered in the local jurisdiction as an investment fund manager.

8.27 Private investment club

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.

8.28 Capital accumulation plan

(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, that permits a plan member to make investment decisions among two or more investment options offered within the plan, and in Québec and Manitoba, includes a simplified pension plan;

"plan member" means a person that has assets in a capital accumulation plan;

"plan sponsor" means an employer, trustee, trade union or association or a combination of them that establishes a capital accumulation plan, and includes a plan service provider to the extent that the plan sponsor has delegated its responsibilities to the plan service provider; and

"plan service provider" means a person that provides services to a plan sponsor to design, establish, or operate a capital accumulation plan.

(2) The investment fund manager registration requirement does not apply to a plan sponsor or their plan service provider in respect of activities related to a capital accumulation plan.

8.29 Private investment fund – loan and trust pools

(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.

(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.

(3) This section does not apply in Ontario.

Note: In Ontario, subsection 35.1 of the *Securities Act* (Ontario) provides a general exemption from the registration requirement for trust companies, trust corporations and other specified financial institutions.

Division 4 - Mobility exemption - firms

8.30 Client mobility exemption - firms

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

9.1 IIROC membership for investment dealers

An investment dealer must not act as a dealer unless the investment dealer is a "dealer member", as defined under the rules of IIROC.

9.2 MFDA membership for mutual fund dealers

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.

9.3 Exemptions from certain requirements for IIROC members

(1) Unless it is also registered as an investment fund manager, an investment dealer that is a member of IIROC is exempt from the following requirements:

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

(b) section 12.2 [*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 determination*];

(j.1) section 13.3.1 [*waivers*];

(k) section 13.12 [*restriction on borrowing from, or lending to, clients*];

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

(l.1) section 13.15 [*handling complaints*];

(m) subsections 14.2(2) to (6) [*relationship disclosure information*];

(m.1) section 14.2.1 [*pre-trade disclosure of charges*];

(m.2) section 14.5.2 [*restriction on self-custody and qualified custodian requirement*];

(m.3) section 14.5.3 [*case and securities held by a qualified custodian*];

(n) section 14.6 [*client and investment fund assets held by a registered firm in trust*];

(n.1) section 14.6.1 [*custodial provisions relating to certain margin or security interests*];

(n.2) section 14.6.2 [*custodial provisions relating to short sales*];

(o) [*repealed*];

(p) [*replealed*];

(p.1) section 14.11.1 [*determining market value*];

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

(r) section 14.14 [*account statements*];

(s) section 14.14.1 [*additional statements*];

(t) section 14.14.2 [*security position cost information*];

(u) section 14.17 [*report on charges and other compensation*];

(v) section 14.18 [*investment performance report*];

(w) section 14.19 [*content of investment performance report*];

(x) section 14.20 [*delivery of report on charges and other compensation and investment performance report*].

(1.1) Subsection (1) only applies to a registered firm in respect of a requirement specified in any of paragraphs (1)(a) to (x) if the registered firm complies with the corresponding IIROC provisions that are in effect.

(2) If an investment dealer is a member of IIROC and is registered as an investment fund manager, the firm is exempt from the following requirements:

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

(b) section 12.6 [*global bonding or insurance*];

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

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

(e) section 13.3 [*suitability determination*];

(e.1) section 13.3 [*waivers*];

(f) section 13.12 [*restriction on borrowing from, or lending to, clients*];

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

(h) section 13.15 [*handling complaints*];

(i) subsections 14.2(2) to (6) [*relationship disclosure information*];

(i.1) section 14.2.1 [*pre-trade disclosure of charges*];

(i.2) section 14.5.2 [*restriction on self-custody and qualified custodian requirement*];

(i.3) section 14.5.3 [*cash and securities held by a qualified custodian*];

(j) section 14.6 [*client and investment fund assets held by a registered firm in trust*];

(j.1) section 14.6.1 [*custodial provisions relating to certain margin or security interests*];

(j.2) section 14.6.2 [*custodial provisions relating to short sales*];

(k) [*repealed*];

(l) [*repealed*];

(l.1) section 14.11.1 [*determining market value*];

(m) section 14.12 [*content and delivery of trade confirmation*];

(n) section 14.17 [*report on charges and other compensation*];

(o) section 14.18 [*investment performance report*];

(p) section 14.19 [*content of investment performance report*];

(q) section 14.20 [*delivery of report on charges and other compensation and investment performance report*].

(2.1) Subsection (2) only applies to a registered firm in respect of a requirement specified in any of paragraphs (2)(a) to (q) if the registered firm complies with the corresponding IIROC provisions that are in effect.

(3) [*repealed*]

(4) [*repealed*]

(5) [*repealed*]

(6) [*repealed*]

9.4 Exemptions from certain requirements for MFDA members

(1) Unless it is also registered as an exempt market dealer, a scholarship plan dealer or an investment fund manager, a mutual fund that is a member of the MFDA is exempt from the following requirements:

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

(b) section 12.2 [*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) section 13.3 [*suitability determination*];

(i.1) section 13.3.1 [*waivers*];

(j) section 13.12 [*restriction on borrowing from, or lending to, clients*];

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

(l) section 13.15 [*handling complaints*];

(m) sections 14.2(2), (3) and (5.1) [*relationship disclosure information*];

(m.1) section 14.2.1 [*pre-trade disclosure of charges*];

(m.2) section 14.5.2 [*restriction on self-custody and qualified custodian requirement*];

(m.3) section 14.5.3 [*case and securities held by a qualified custodian*];

(n) section 14.6 [*client and investment fund assets held by a registered firm in trust*];

(n.1) section 14.6.1 [*custodial provisions relating to certain margin or security interests*];

(n.2) section 14.6.2 [*custodial provisions relating to short sales*];

(o) [*repealed*];

(p) [*repealed*];

(p.1) section 14.11.1 [*determining market value*];

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

(r) section 14.14 [*account statements*];

(s) section 14.14.1 [*additional statements*];

(t) section 14.14.2 [*security position cost information*];

(u) section 14.17 [*report on charges and other compensation*];

(v) section 14.18 [*investment performance report*];

(w) section 14.19 [*content of investment performance report*];

(x) section 14.20 [*delivery of report on charges and other compensation and investment performance report*].

(1.1) Subsection (1) only applies to a registered firm in respect of a requirement specified in any of paragraphs (1)(a) to (x) if the registered firm

complies with the corresponding MFDA provisions that are in effect.

(1.2) Paragraphs (a) to (g), paragraphs (i) to (m) and paragraphs (p.1) to (x) of subsection (1) do not apply in Québec, to the extent equivalent requirements to those listed in these subparagraphs are applicable to the mutual fund dealer under the regulations in Québec.

(1.3) In Québec, paragraphs (g.2), (g.3), (h), (h.1) and (h.2) of subsection (2) only applies to a registered firm in respect of a requirement specified in any of these paragraphs if the registered firm complies with the corresponding MFDA provisions that are in effect.

(2) If a registered firm is a mutual fund dealer that is a member of the MFDA and is registered as an exempt market dealer, scholarship plan dealer or investment fund manager, the firm is exempt from the following requirements:

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

(b) section 12.6 [*global bonding or insurance*];

(c) section 13.3 [*suitability determination*];

(c.1) section 13.3.1 [*waivers*];

(d) section 13.12 [*restriction on borrowing from, or lending to, clients*];

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

(f) section 13.15 [*handling complaints*];

(g) sections 14.2(2), (3) and (5.1) [*relationship disclosure information*];

(g.1) section 14.2.1 [*pre-trade disclosure of charges*];

(g.2) section 14.5.2 [restriction on self-custody and qualified custodian requirement];

(g.3) section 14.5.3 [cash and securities held by a qualified custodian];

(h) section 14.6 [client and investment fund assets held by a registered firm in trust];

(h.1) section 14.6.1 [custodial provisions relating to certain margin or security interests];

(h.2) section 14.6.2 [custodial provisions relating to short sales];

(i) [repealed];

(j) [repealed];

(j.1) section 14.11.1 [*determining market value*];

(k) section 14.12 [*content and delivery of trade confirmation*];

(l) section 14.17 [*report on charges and other compensation*];

(m) section 14.18 [*investment performance report*];

(n) section 14.19 [*content of investment performance report*];

(o) section 14.20 [*delivery of report on charges and other compensation and investment performance report*].

(2.1) Subsection (2) only applies to a registered firm in respect of a requirement specified in any of paragraphs (2)(a) to (o) if the registered firm complies with the corresponding MFDA provisions that are in effect.

(3) [*repealed*]

(4) [*repealed*]

PART 10 – SUSPENSION AND REVOCATION OF REGISTRATION - FIRMS

Division 1 - When a firm's registration is suspended

10.1 Failure to pay fees

(1) In this section, "annual fees" means

(a) in Alberta, the fees required under section 5 of ASC Rule 13-501 Fees,

(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 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*.

(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.

10.2 If IIROC membership is revoked or suspended

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.

10.3 If MFDA membership is revoked or suspended

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.

10.4 Activities not permitted while a firm's registration is suspended

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

10.5 Revocation of a suspended registration – firm

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.

10.6 Exception for firms involved in a hearing or proceeding

Despite section 10.5, if a hearing or proceeding concerning a suspended registrant is commenced under securities legislation or under the rules of an SRO, the registrant's registration remains suspended.

10.7 Application of Part 10 in Ontario

Other than section 10.4 [*activities not permitted while a firm's registration is 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 11 – INTERNAL CONTROLS AND SYSTEMS

Division 1 - Compliance

11.1 Compliance system and training

(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.

(2) A registered firm must provide training to its registered individuals on compliance with securities legislation including, without limitation, the obligations under sections 13.2, 13.2.1, 13.3, 13.4 and 13.4.1.

11.2 Designating an ultimate designated person

(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*].

(2) A registered firm must designate an individual under subsection (1) who is one of the following:

(a) the chief executive officer of the registered firm or, if the firm does not have a chief executive officer, an individual acting in a capacity similar to a chief executive officer;

(b) the sole proprietor of the registered firm;

(c) the officer in charge of a division of the registered firm, if the activity that requires the firm to register occurs only within the division and the firm has significant other business activities.

(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.

11.3 Designating a chief compliance officer

(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*.

(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.

(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.

11.4 Providing access to the board of directors

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

11.5 General requirements for records

(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.

(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], 13.2.01 [*know your client – trusted contact person*], 13.2.1 [*know your product*] and 13.3 [*suitability determination*];

(m) demonstrate compliance with complaint-handling requirements;

(n) document correspondence with clients;

(o) document compliance, training and supervision actions taken by the firm;

(p) demonstrate compliance with Part 13, Division 2 [*conflicts of interest*];

(q) document

(i) the firm's sales practices, compensation arrangements and incentive practices, and

(ii) other compensation arrangements and incentive practices from which the firm or its registered individuals, or any affiliate or associate of that firm, benefit;

(r) demonstrate compliance with section 13.18 [*misleading communications*];

(s) demonstrate compliance with section 13.19 [*conditions for temporary hold*].

11.6 Form, accessibility and retention of records

(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, in Québec, the securities regulatory authority in a reasonable period of time.

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

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

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

Division 3 - Certain business transactions

11.7 Tied settling of securities transactions

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.

11.8 Tied selling

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.

11.9 Registrant acquiring a registered firm's securities or assets

(1) A registrant must give the regulator or, in Québec, the securities regulatory authority written notice in accordance with subsection (2) if it proposes to acquire any of the following:

(a) for the first time, direct or indirect ownership, beneficial or otherwise, of 10% or more of the voting securities or other securities convertible into voting securities of

(i) a firm registered in any jurisdiction of Canada or any foreign jurisdiction, or

(ii) a person or company of which a firm registered in any jurisdiction of Canada or any foreign jurisdiction is a subsidiary;

(b) all or a substantial part of the assets of a firm registered in any jurisdiction of Canada or any foreign jurisdiction.

(2) The notice required under subsection (1) must be delivered to the regulator or, in Québec, the securities regulatory authority at least 30 days before the proposed acquisition and must include all relevant facts regarding the acquisition sufficient to enable the regulator or the securities regulatory authority 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.

(3) [*repealed*]

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

(5) In Ontario, if, within 30 days of the receipt of a notice under subparagraph (1)(a)(i) or paragraph (1)(b), 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.

(6) Following receipt of a notice of objection under subsection (4) or (5), the person or company who submitted the notice under subsection (1) may request an opportunity to be heard on the matter by the regulator or, in Québec, the securities regulatory authority objecting to the acquisition.

11.10 Registered firm whose securities are acquired

(1) A registered firm must give the regulator or, in Québec, the securities regulatory authority 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, for the first time, direct or indirect ownership, beneficial or otherwise, of 10% or more of the voting securities or other securities convertible into voting securities of any of the following:

(a) the registered firm;

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

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

(a) be delivered to the regulator or, in Québec, the securities regulatory authority as soon as possible,

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

(c) include all facts that to the best of the registered firm's knowledge after reasonable inquiry regarding the acquisition are sufficient to enable the regulator or the securities regulatory authority 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.

(3) [*repealed*]

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

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

(6) In Ontario, if, within 30 days of the receipt of a notice under paragraph (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.

(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 by the regulator or, in Québec, the securities regulatory authority objecting to the acquisition.

PART 12 – FINANCIAL CONDITION

Division 1 - Working Capital

12.1 Capital requirements

(1) If, at any time, the excess working capital of a registered firm, as calculated in accordance with Form 31-103F1 *Calculation of Excess Working Capital*, is less than zero, the registered firm must notify the regulator or, in Québec, the securities regulatory authority as soon as possible.

(2) The excess working capital of a registered firm, as calculated in accordance with Form 31-103F1 *Calculation of Excess Working Capital*, must not be less than zero for 2 consecutive days.

(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.

(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 [*investment fund trades by adviser to managed account*] in respect of all investment funds for which it acts as adviser.

(5) This section does not apply to an investment dealer that is a member of IIROC and is registered as an investment fund manager if all of the following apply:

(a) the firm has a minimum capital of not less than $100,000 as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*;

(b) the firm notifies the regulator or, in Québec, the securities regulatory authority as soon as possible if, at any time, the firm's risk adjusted capital, as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report* is less than zero;

(c) the risk adjusted capital of the firm, as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*, is not less than zero for 2 consecutive days.

(6) This section does not apply to a mutual fund dealer that is a member of the MFDA if it is also registered as an exempt market dealer, a scholarship plan dealer or an investment fund manager and if all of the following apply:

(a) the firm has a minimum capital, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*, of not less than

(i) $50,000, if the firm is registered as an exempt market dealer or scholarship plan dealer,

(ii) $100,000, if the firm is registered as an investment fund manager;

(b) the firm notifies the regulator or, in Québec, the securities regulatory authority as soon as possible if, at any time, the firm's risk adjusted capital, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report* is less than zero;

(c) the risk adjusted capital of the firm, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*, is not less than zero for 2 consecutive days.

12.2 Subordination agreement

(1) If a registered firm has entered into a subordination agreement in the form set out in Appendix B, it may exclude the amount of non-current related party debt subordinated under that agreement from the calculation of its excess working capital on Form 31-103F1 *Calculation of Excess Working Capital*.

(2) The registered firm must deliver an executed copy of the subordination agreement referred to subsection (1) to the regulator or, in Québec, the securities regulatory authority on the earliest of the following dates:

(a) 10 days after the date on which the subordination agreement is executed;

(b) the date on which the amount of the subordinated debt is excluded from the registered firm's non-current related party debt as calculated on Form 31-103F1 *Calculation of Excess Working Capital*.

(3) The registered firm must notify the regulator or, in Québec, the securities regulatory authority 10 days before it

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

(b) terminates the agreement.

Division 2 - Insurance

12.3 Insurance – dealer

(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.

(2) A registered dealer must maintain bonding or insurance in respect of each clause set out in Appendix A 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.

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

12.4 Insurance – adviser

(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.

(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 in the amount of $50,000 for each clause.

(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 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.

12.5 Insurance – investment fund manager

(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.

(2) A registered investment fund manager must maintain bonding or insurance in respect of each clause set out in Appendix A 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.

12.6 Global bonding or insurance

A registered firm must 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 must 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.

12.7 Notifying the regulator or the securities regulatory authority of a change, claim or cancellation

(1) A registered firm must, as soon as possible, notify the regulator or, in Québec, the securities regulatory authority in writing of any change in, claim made under, or cancellation of any bonding or insurance required under this Division.

(2) Subsection (1) does not apply with respect to a renewal of bonding or insurance if the term of the renewal is for a period of at least one year and the insurance policy had not lapsed at the time of renewal.

Division 3 - Audits

12.8 Direction by the regulator or the securities regulatory authority to conduct an audit or review

A registered firm must direct its auditor in writing to conduct any audit or review required by the regulator or, in Québec, the securities regulatory authority during its registration and must deliver a copy of the direction to the regulator or the securities regulatory authority

(a) with its application for registration, and

(b) no later than the 10th day after the registered firm changes its auditor.

12.9 Co-operating with the auditor

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

12.10 Annual financial statements

(1) Annual financial statements delivered to the regulator or, in Québec, the securities regulatory authority under this Division for financial years beginning on or after January 1, 2011 must include the following:

(a) a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows, 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 statement of financial position, 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.

(2) The annual financial statements delivered to the regulator or, in Québec, the securities regulatory authority under this Division must be audited.

12.11 Interim financial information

(1) Interim financial information delivered to the regulator or, in Québec, the securities regulatory authority under this Division for interim periods relating to financial years beginning on or after January 1, 2011 may be limited to the following:

(a) a statement of comprehensive income for the 3-month period ending on the last day of the interim period and for the same period of the immediately preceding financial year, if any;

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

(2) The interim financial information delivered to the regulator or, in Québec, the securities regulatory authority under this Division must be prepared using the same accounting principles that the registered firm uses to prepare its annual financial statements.

12.12 Delivering financial information – dealer

(1) A registered dealer must deliver the following to the regulator or, in Québec, the securities regulatory authority 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.

(2) A registered dealer must deliver the following to the regulator or, in Québec, the securities regulatory authority no later than the 30th day after the end of the first, second and third interim period of its financial year:

(a) its interim financial information for the interim period;

(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 interim period and as at the end of the immediately preceding interim period, if any.

(2.1) If a registered firm is a mutual fund dealer that is a member of the MFDA and is registered as an exempt market dealer or scholarship plan dealer, the firm is exempt from paragraphs (1)(b) and (2)(b) if all of the following apply:

(a) the firm has a minimum capital of not less than $50,000 as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*;

(b) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 *MFDA Financial Questionnaire and Report*, no later than the 90th day after the end of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any;

(c) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 *MFDA Financial Questionnaire and Report*, no later than the 30th day after the end of the first, second and third interim period of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the interim period and as at the end of the immediately preceding month, if any.

(3) Subsection (2) does not apply to an exempt market dealer unless it is also registered in another category, other than the portfolio manager or restricted portfolio manager category.

(4) Despite paragraph (1)(b), in Québec, a firm registered only in that jurisdiction and only in the category of mutual fund dealer may deliver to the securities regulatory authority, no later than the 90th day after the end of its financial year, the *Monthly Report on Net Free Capital* provided in Appendix I of the *Regulation respecting the trust accounts and financial resources of securities firms*, as that Appendix read on September 27, 2009, that shows the calculation of the firm's net free capital as at the end of its financial year and as at the end of the immediately preceding financial year, if any.

(5) Despite paragraph (2)(b), in Québec, a firm registered only in that jurisdiction and only in the category of mutual fund dealer may deliver to the securities regulatory authority, no later than the 30th day after the end of the first, second and third interim period of its financial year, the *Monthly Report on Net Free Capital* provided in Appendix I of the *Regulation respecting the trust accounts and financial resources of securities firms*, as that Appendix read on September 27, 2009, that shows the calculation of the firm's net free capital as at the end of the interim period and as at the end of the immediately preceding interim period, if any.

12.13 Delivering financial information – adviser

A registered adviser must deliver the following to the regulator or, in Québec, the securities regulatory authority 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.

12.14 Delivering financial information – investment fund manager

(1) A registered investment fund manager must deliver the following to the regulator or, in Québec, the securities regulatory authority 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 completed Form 31-103F4 *Net Asset Value Adjustments* if any net asset value adjustment has been made in respect of an investment fund managed by the investment fund manager during the financial year.

(2) A registered investment fund manager must deliver the following to the regulator or, in Québec, the securities regulatory authority no later than the

30th day after the end of the first, second and third interim period of its financial year:

(a) its interim financial information for the interim period;

(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 interim period and as at the end of the immediately preceding interim period, if any;

(c) a completed Form 31-103F4 *Net Asset Value Adjustments* if any net asset value adjustment has been made in respect of an investment fund managed by the investment fund manager during the interim period.

(3) [*repealed*]

(4) If a registered firm is an investment dealer that is a member of IIROC and is registered as an investment fund manager, the firm is exempt from paragraphs (1)(b) and (2)(b) if

(a) the firm has a minimum capital of not less than $100,000, as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*;

(b) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*, no later than the 90th day after the end of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any, and

(c) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*, no later than the 30th day after the end of its first, second and third interim period of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the interim period and as at the end of the immediately preceding month, if any.

(5) If a registered firm is a mutual fund dealer that is a member of MFDA and is registered as an investment fund manager, the firm is exempt from paragraphs (1)(b) and (2)(b) if

(a) the firm has a minimum capital of not less than $100,000, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*,

(b) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 *MFDA Financial Questionnaire and Report*, no later than the 90th day after the end of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the financial year and as at the and as at the end of the immediately preceding financial year, if any, and

(c) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 *MFDA Financial Questionnaire and Report*, no later than the 30th day after the end of its first, second and third interim period of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the interim period and as at the end of the immediately preceding month, if any.

12.15 [*lapsed*]

PART 13 – DEALING WITH CLIENTS – INDIVIDUALS AND FIRMS

Division 1 - Know your client, know your product and suitability determination

13.1 Investment fund managers exempt from this Division

This Division does not apply to an investment fund manager in respect of its activities as an investment fund manager.

13.2 Know your client

(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".

(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 [suitability determination] or, if applicable, the suitability requirement imposed by an SRO:

(i) the client's personal circumstances;

(ii) the client's financial circumstances;

(iii) the client's investment needs and objectives;

(iv) the client's investment knowledge;

(v) the client's risk profile;

(vi) the client's investment time horizon, and

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

(3) For the purpose of establishing the identity of a client that is a corporation, partnership or trust, 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 25% 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.

(3.1) Within a reasonable time after receiving the information, a registrant must take reasonable steps to have a client confirm the accuracy of the information collected under subsection (2).

(4) A registrant must take reasonable steps to keep current the information required under this section including updating the information within a reasonable time after the registrant becomes aware of a significant change in the client's information required under this section.

(4.1) A registrant must review the information collected under paragraph (2)(c)

(a) for managed accounts, no less frequently than once every 12 months,

(b) if the registrant is an exempt market dealer, within 12 months before making a trade for, or recommending a trade to, the client, and

(c) in any other case, no less frequently than once every 36 months.

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

(6) Paragraph (2)(b) does not apply to a registrant in respect of a client for which the registrant only trades securities referred to in paragraphs 7.1(2)(b) and (2)(c).

(7) Paragraph (2)(c) and subsection (4.1) do not apply to a registered dealer in respect of a client if the registered dealer purchases or sells securities for the client only as directed by a registered adviser acting for the client.

13.2.01 Know your client – trusted contact person

(1) Concurrently with taking the reasonable steps required under subsection 13.2(2), a registrant must take reasonable steps to obtain from the client the name and contact information of a trusted contact person, and the written consent of the client for the registrant to contact the trusted contact person to confirm or make inquiries about any of the following:

(a) the registrant's concerns about possible financial exploitation of the client;

(b) the registrant's concerns about the client's mental capacity as it relates to the ability of the client to make decisions involving financial matters;

(c) the name and contact information of a legal representative of the client, if any;

(d) the client's contact information.

(2) A registrant must take reasonable steps to keep current the information required under this section, including updating that information within a reasonable time after the registrant becomes aware of a significant change in the client's information required under subparagraph 13.2(2)(c)(i).

(3) This section does not apply to a registrant in respect of a client that is not an individual.

13.2.1 Know your product

(1) A registered firm must not make securities available to clients unless the firm has taken reasonable steps to:

(a) assess the relevant aspects of the securities, including the securities' structure, features, risks, initial and ongoing costs and the impact of those costs,

(b) approve the securities to be made available to clients, and

(c) monitor the securities for significant changes.

(2) A registered individual must not purchase or sell securities for, or recommend securities to, a client unless the registered individual takes steps to understand the securities, including the securities' structure, features, risks, initial and ongoing costs and the impact of those costs.

(2.1) For purposes of subsection (2), the steps required to understand the security are those that are reasonable to enable the registered individual to meet their obligations under section 13.3 [suitability determination].

(3) A registered individual must not purchase securities for, or recommend securities to, a client unless the securities have been approved by the firm to be made available to clients.

(4) This section does not apply to a registered dealer in respect of a security if it purchases or sells the security for a client only as directed by a registered adviser acting for the client.

13.3 Suitability determination

(1) Before a registrant opens an account for a client, purchases, sells, deposits, exchanges or transfers securities for a client's account, takes any other investment action for a client, makes a recommendation or exercises discretion to take any such action, the registrant must determine, on a reasonable basis, that the action satisfies the following criteria:

(a) the action is suitable for the client, based on the following factors:

(i) the client's information collected in accordance with section 13.2 [know your client]

(ii) the registrant's assessment or understanding of the security consistent with section 13.2.1 [know your product];

(iii) the impact of the action on the client's account, including the concentration of securities within the account and the liquidity of those securities;

(iv) the potential and actual impact of costs on the client's return on investment;

(v) a reasonable range of alternative actions available to the registrant through the registered firm, at the time the determination is made;

(b) the action puts the client's interest first.

(2) A registrant must review a client's account and the securities in the client's account to determine whether the criteria in subsection (1) are met, and take reasonable steps, within a reasonable time, after any of the following events:

(a) a registered individual is designated as responsible for the client's account;

(b) the registrant becomes aware of a change in a security in the client's account that could result in the security or account not satisfying subsection (1);

(c) the registrant becomes aware of a change in the client's information collected in accordance with subsection 13.2(2) that could result in a security or the client's account not satisfying subsection (1);

(d) the registrant reviews the client's information in accordance with subsection 13.2(4.1).

(2.1) Despite subsection (1), if a registrant receives an instruction from a client to take an action that, if taken, does not satisfy subsection (1), the registrant may carry out the client's instruction if the registrant has

(a) informed the client of the basis for the determination that the action will not satisfy subsection (1),

(b) recommended to the client an alternative action that satisfies subsection (1), and

(c) received recorded confirmation of the client's instruction to proceed with the action despite the determination referred to in paragraph (a) .

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

(4) This section does not apply to a registered dealer in respect of a client if it purchases or sells securities for the client only as directed by a registered adviser acting for the client.

13.3.1 Waivers

(1) Paragraph 13.2(2)(c), subsection 13.2(4.1), and section 13.3 do not apply to a registrant in respect of a permitted client if

(a) the client is not an individual, and

(b) the client has requested, in writing, that the registrant not make suitability determinations for the client's account.

(2) Paragraph 13.2(2)(c), subsection 13.2(4.1), and section 13.3 do not apply to a registrant in respect of a permitted client if

(b) the client is an individual,

(c) the client has requested, in writing, that the registrant not make suitability determinations for the client's account, and

(d) the client's account is not a managed account.

Division 2 - Conflicts of interest

13.4 Identifying, addressing and disclosing material conflicts of interest – registered firm

(1) A registered firm must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable,

(a) between the firm and the client, and

(b) between each individual acting on the firm's behalf and the client.

(2) A registered firm must address all material conflicts of interest between a client and itself, including each individual acting on its behalf, in the best interest of the client.

(3) A registered firm must avoid any material conflict of interest between a client and the firm, including each individual acting on its behalf, if the

conflict is not, or cannot be, otherwise addressed in the best interest of the client.

(4) A registered firm must disclose in writing all material conflicts of interest identified under subsection (1) to a client whose interests are affected by the conflicts of interest if a reasonable client would expect to be informed of those conflicts of interest.

(5) Without limiting subsection (4), the information required to be delivered to a client under that subsection must include a description of each of the following:

(a) the nature and extent of the conflict of interest;

(b) the potential impact on and risk that the conflict of interest could pose to the client;

(c) how the conflict of interest has been, or will be, addressed.

(6) The disclosure required under subsection (4) must be presented in a manner that, to a reasonable person, is prominent, specific and written in plain language.

(7) A registered firm must disclose a conflict of interest to a client under subsection (4)

(a) before opening an account for the client if the conflict has been identified at that time, or

(b) in a timely manner, upon identification of a conflict that must be disclosed under subsection (4) that has not previously been disclosed to the client.

(8) For greater certainty, a registrant does not satisfy subsection (2) or subsection 13.4.1(3) solely by providing disclosure to the client.

13.4.1 Identifying, reporting and addressing material conflicts of interest – registered individual

(1) A registered individual must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable, between the registered individual and the client.

(2) If a registered individual identifies a material conflict of interest under subsection (1), the registered individual must promptly report that conflict of interest to the registered individual's sponsoring firm.

(3) A registered individual must address all material conflicts of interest between the client and the individual in the best interest of the client.

(4) A registered individual must avoid any material conflict of interest between a client and the registered individual if the conflict is not, or cannot be, otherwise addressed in the best interest of the client.

(5) A registered individual must not engage in any trading or advising activity in connection with a material conflict of interest identified by the registered individual under subsection (1) unless

(a) the conflict has been addressed in the best interest of the client, and

(b) the registered individual's sponsoring firm has given the registered individual its consent to proceed with the activity.

13.4.2 Investment fund managers

Sections 13.4 and 13.4.1 do 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.

13.4.3 Restrictions on a registered individual who is in a position of influence

(1) In this section, "position of influence" means a position, other than a position with a sponsoring firm, if, due to the nature of the position or the training or specialized knowledge required for the position, an individual in that position would be considered by a reasonable person to have influence over another individual.

(2) For greater certainty, a position of influence under subsection (1) includes the following:

(a) a leader in a religious or similar organization;

(b) a medical doctor;

(c) a nurse;

(d) a professor, instructor or teacher at a degree or diploma granting institution;

(e) a lawyer;

(f) a notary.

(3) A registered firm must not knowingly permit a registered individual of the firm who is in a position of influence to purchase or sell securities or derivatives for, or recommend the purchase, sale or holding of securities or derivatives to,

(a) an individual who

(i) has a relationship with the registered individual arising from the position of influence, and

(ii) to a reasonable person, would be considered to be susceptible to the registered individual's influence, or

(b) a spouse, parent, sibling, grandparent or child of an individual referred to in paragraph (a).

(4) A registered individual who is in a position of influence must not purchase or sell securities or

derivatives for, or recommend the purchase, sale or holding of securities or derivatives to

(a) an individual who

(i) has a relationship with the registered individual arising from the position of influence, and

(ii) to a reasonable person, would be considered to be susceptible to the registered individual's influence, or

(b) an individual that the registered individual knows is a spouse, parent, sibling, grandparent or child of an individual referred to in paragraph (a).

13.5 Restrictions on certain managed account transactions

(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.

(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.

13.6 Disclosure when recommending related or connected securities

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, or is managed by 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 3 - Referral arrangements

13.7 Definitions – referral arrangements

In this Division,

"client" includes a prospective client;

"referral arrangement" means any arrangement in which a registrant agrees to provide or receive a referral fee to or from another person or company;

"referral fee" means any benefit provided for the referral of a client to or from a registrant.

13.8 Permitted referral arrangements

A registered firm, or a registered individual whose registration is sponsored by the registered firm, must not participate in a referral arrangement with another person or company 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 the registered firm and the person or company;

(b) the registered firm records all referral fees, and

(c) the registered firm ensures that the information prescribed by subsection 13.10(1) [*disclosing referral arrangements to clients*] is provided to the client in writing before the party receiving the referral either opens an account for the client or provides services to the client.

13.9 Verifying the qualifications of the person or company receiving the referral

A registered firm, or a registered individual whose registration is sponsored by the registered firm, must not refer a client to another person or

company unless the firm first takes reasonable steps to satisfy itself that the person or company has the appropriate qualifications to provide the services, and if applicable, is registered to provide those services.

13.10 Disclosing referral arrangements to clients

(1) The written disclosure of the referral arrangement required by paragraph 13.8(c) [*permitted referral arrangements*] must include the following:

(a) the name of each party to the agreement referred to in paragraph 13.8(a);

(b) the purpose and material terms of the agreement, 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 agreement 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.

(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.

13.11 [*lapsed*]

Division 4 – Borrowing and lending

13.12 Restriction on borrowing from, or lending to, clients

(1) A registrant must not lend money, extend credit or provide margin to a client unless any of the following apply:

(a) in the case of a loan, the registrant is an investment fund manager, and the money is loaned on a short -term basis to an investment fund it manages, if the loan is for the purpose of funding redemptions of the investment fund's securities or paying expenses incurred by the investment fund in the normal course of its business;

(b) in the case of a registrant that is a registered firm, the client is

(i) a registered individual sponsored by the firm,

(ii) a permitted individual, as defined in National Instrument 33-109 Registration Information, of the firm, or

(iii) a director, officer, or employee of the firm;

(c) in the case of a registrant that is a registered individual, both of the following apply:

(i) the client and the registered individual are related to each other for the purposes of the Income Tax Act (Canada);

(ii) the registered individual has obtained the written approval of the registered individual's sponsoring firm to lend the money, extend the credit or provide the margin.

(2) A registered individual must not borrow money, securities or other assets or accept a guarantee in relation to borrowed money, securities or any other assets, from a client, unless either or both of the following apply:

(a) the client is a financial institution whose business includes lending money to the public, and the loan to the registered individual is in the normal course of the financial institution's business;

(b) both of the following apply:

(i) the client and the registered individual are related to each other for the purposes of the Income Tax Act (Canada);

(ii) the registered individual has obtained the written approval of the individual's sponsoring firm to borrow the money, securities or other assets or accept the guarantee.

13.13 Disclosure when recommending the use of borrowed money

(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."

(2) Subsection (1) does not apply if one of the following applies:

(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) [*repealed*]

(c) the client is a permitted client.

Division 5 - Complaints

13.14 Application of this Division

(1) This Division does not apply to an investment fund manager in respect of its activities as an investment fund manager.

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

13.15 Handling complaints

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.

13.16 Dispute resolution service

(1) In this section,

"complaint" means a complaint that

(a) relates to trading or advising activity of a registered firm or a representative of the firm, and

(b) is received by the firm within 6 years of the day when the client first knew or reasonably ought to have known of an act or omission that is a cause of or contributed to the complaint;

"OBSI" means the Ombudsman for Banking Services and Investments.

(2) If a registered firm receives a complaint from a client, the firm must, as soon as possible, provide the client with an acknowledgement of the complaint that includes the following:

(a) a description of the firm's obligations under this section;

(b) the steps that the client must take in order for an independent dispute resolution or mediation service to be made available to the client under subsection (4);

(c) the name of the independent dispute resolution or mediation service that will be made available to the client under subsection (4) and contact information for the service.

(3) If a registered firm decides to reject a complaint or to make an offer to resolve a complaint, the firm must, as soon as possible, provide the client with written notice of the decision and include the information referred to in subsection (2).

(4) A registered firm must as soon as possible ensure that an independent dispute resolution or mediation service is made available to a client at the firm's expense with respect to a complaint if either of the following apply:

(a) after 90 days of the firm's receipt of the complaint, the firm has not given the client written notice of a decision under subsection (3), and the client has notified the independent dispute resolution or mediation service specified under paragraph (2)(c) that the client wishes to have the complaint considered by the service;

(b) within 180 days of the client's receipt of written notice of the firm's decision under subsection (3), the client has notified the independent dispute resolution or mediation service specified under paragraph (2)(c) that the client wishes to have the complaint considered by the service.

(5) Subsection (4) does not apply unless the client agrees that any amount the client will claim for the purpose of the independent dispute resolution or mediation service's consideration of the complaint will be no greater than $350,000.

(6) For the purposes of the requirement to make available an independent dispute resolution or mediation service under subsection (4), a registered firm must take reasonable steps to ensure that OBSI will be the service that is made available to the client.

(7) Subsection (6) does not apply in Québec.

(8) This section does not apply in respect of a complaint made by a permitted client that is not an individual.

Division 6 - Registered sub-advisers

13.17 Exemption from certain requirements for registered sub-advisers

(1) A registered sub-adviser is exempt from the following in respect of its activities as a sub-adviser:

(a) division 2 [*conflicts of interest*] of Part 13, except section 13.5 [*restrictions on certain managed account transactions*] and section 13.6 [*disclosure when recommending related or connected securities*];

(b) division 3 [*referral arrangements*] of Part 13;

(c) division 5 [*complaints*] of Part 13;

(d) section 14.3 [*disclosure to clients about the fair allocation of investment opportunities*];

(e) section 14.5 [*notice to clients by non-resident registrants*];

(f) section 14.14 [*account statements*];

(g) section 14.14.1 [*additional statements*];

(h) section 14.14.2 [*security position cost information*];

(i) section 14.17 [*report on charges and other compensation*];

(j) section 14.18 [*investment performance report*].

(2) The exemption under subsection (1) is not available unless all of the following apply:

(a) the obligations and duties of the registered sub-adviser are set out in a written agreement with the sub-adviser's registered adviser or registered dealer;

(b) the registered adviser or registered dealer has entered into a written agreement with its clients on whose behalf investment advice is or portfolio management services are to be provided agreeing to be responsible for any loss that arises out of the failure of the registered sub-adviser

(i) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the registrant and each client of the registrant for whose benefit the advice is or portfolio management services are to be provided, or

(ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

Division 7 – Misleading communications

13.18 Misleading communications

(1) Registered individuals must not hold themselves out, and a registered firm must not hold itself or its registered individuals out, in a manner that could reasonably be expected to deceive or mislead any person or company as to any of the following matters:

(a) the proficiency, experience, qualifications or category of registration of the registrant;

(b) the nature of the person's relationship, or potential relationship, with the registrant;

(c) the products or services provided, or to be provided, by the registrant.

(2) For greater certainty, and without limiting subsection (1), a registered individual who interacts with clients must not use any of the following:

(a) if based partly or entirely on that registered individual's sales activity or revenue generation, a title, designation, award or recognition;

(b) a corporate officer title, unless their sponsoring firm has appointed that registered individual to that corporate office pursuant to applicable corporate law;

(c) if the individual's sponsoring firm has not approved the use by that registered individual of a title or designation, that title or designation.

Division 8 – Temporary holds

13.19 Conditions for temporary hold

(1) A registered firm, or a registered individual whose registration is sponsored by the registered firm, must not place a temporary hold on the basis of financial exploitation of a vulnerable client unless the firm reasonably believes all of the following:

(a) the client is a vulnerable client;

(b) financial exploitation of the client has occurred, has been attempted or will be attempted.

(2) A registered firm, or a registered individual whose registration is sponsored by the registered firm, must not place a temporary hold on the basis of a client's lack of mental capacity unless the firm reasonably believes that the client does not have the mental capacity to make decisions involving financial matters.

(3) If a registered firm or a registered individual places a temporary hold referred to in subsection (1) or (2), the firm must do all of the following:

(a) document the facts and reasons that caused the firm or individual to place and, if applicable, to continue the temporary hold;

(b) provide notice of the temporary hold and the reasons for the temporary hold to the client as soon as possible after placing the temporary hold;

(c) review the relevant facts as soon as possible after placing the temporary hold, and on a reasonably frequent basis, to determine if continuing the hold is appropriate;

(d) within 30 days of placing the temporary hold and, until the hold is revoked, within every

subsequent 30-day period, do either of the following:

(i) revoke the temporary hold;

(ii) provide the client with notice of the firm's decision to continue the hold and the reasons for that decision.

PART 14 – HANDLING CLIENT ACCOUNTS - FIRMS

Division 1 - Investment fund managers

14.1 Application of this Part to investment fund managers

Other than sections 14.1.1, 14.5.1, 14.5.2, 14.5.3, 14.6, 14.6.1 and 14.6.2, subsection 14.12(5) and section 14.15, this Part does not apply to an investment fund manager in respect of its activities as an investment fund manager.

14.1.1 Duty to provide information – investment fund managers

A registered investment fund manager of an investment fund must, within a reasonable period of time, provide a registered dealer, or a registered adviser, that has a client that owns securities of the investment fund with the information that is required by the dealer or adviser in order for the dealer or adviser to comply with paragraph 14.12(1)(c), subsections 14.14(4) and (5), 14.14.1(2) and 14.14.2(1) and paragraph 14.17(1)(h).

Division 2 - Disclosure to clients

14.2 Relationship disclosure information

(0.1) In this section, "proprietary product" means a security of an issuer if one or more of the following apply:

(a) the issuer of the security is a connected issuer of the registered firm;

(b) the issuer of the security is a related issuer of the registered firm;

(c) the registered firm or an affiliate of the registered firm is the investment fund manager or portfolio manager of the issuer of the security.

(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.

(2) Without limiting subsection (1), the information delivered to a client under that subsection must include the following:

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

(a.1) in the case of a registered firm that holds the client's assets, or directs or arranges which custodian will hold the client's assets, disclosure of the location where, and a general description of the manner in which, the client's assets are held, and a description of the risks and benefits to the client arising from the assets being held at that location and in that manner;

(a.2) in the case of a registered firm that has access to the client's assets

(i) disclosure of the location where, and a general description of the manner in which, the client's assets are held, and a description of the risks and benefits to the client arising from the assets being held in that location and in that manner, and

(ii) a description of the manner in which the client's assets are accessible by the registered firm, and a description of the risks and benefits to the client arising from having access to the assets in that manner;

(b) a general description of the products and services the registered firm will offer to the client, including

(i) a description of the restrictions on the client's ability to liquidate or resell a security, and

(ii) a statement of the investment fund management expense fees or other ongoing fees the client may incur in connection with a security or service the registered firm provides;

(b.1) a general description of any limits on the products and services the registered firm will offer to the client, including

(i) whether the firm will primarily or exclusively offer proprietary products to the client, and

(ii) whether there will be other limits on the availability of products or services;

(c) a general 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 the operating charges the client might be required to pay related to the client's account;

(g) a general description of the types of transaction charges the client might be required to pay;

(h) a general description of any benefits received, or expected to be received, by the registrant, from a person or company other than the registrant's client, in connection with the client's purchase or ownership of a security through the registrant;

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

(j) disclosure of the firm's obligations if a client has a complaint contemplated under section 13.16 [*dispute resolution service*] and the steps that the client must take in order for an independent dispute resolution or mediation service to be made available to the client at the firm's expense;

(k) a statement that the registered firm must determine that any investment action it takes, recommends or decides on, for the client is suitable for the client and puts the client's interest first;

(l) the information the registered firm has collected about the client under section 13.2 [know your client];

(l.1) a description of the circumstances under which a registrant might disclose information about the client or the client's account to a trusted contact person referred to in subsection 13.2.01(1);

(m) a general explanation of how investment performance benchmarks might be used to assess the performance of a client's investments and any options for benchmark information that might be made available to clients by the registered firm;

(n) if the registered firm is a scholarship plan dealer, an explanation of any terms of the scholarship plan offered to the client by the registered firm that, if those terms are not met by the client or the client's designated beneficiary under the plan, might cause the client or the designated beneficiary to suffer a loss of contributions, earnings or government contributions in the plan.

(o) a general explanation of the potential impact on a client's investment returns from each of the fees described in subparagraph (b)(ii) and the charges described in paragraphs (f) and (g), including the effect of compounding over time; and

(p) a general explanation of the circumstances under which a registered firm or registered individual may place a temporary hold under section 13.19 and a description of the notice that will be given to the client if a temporary hold is placed or continued under that section.

(3) A registered firm must deliver to a client the information in subsection (1), if applicable, and subsection (2) to the client in writing, except that the information in paragraph (2)(b) may be provided orally or in writing, 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.

(4) If there is a significant change in respect of the information delivered to a client under subsections (1) or (2), 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.

(5) [*repealed*]

(5.1) A registered firm must not impose any new operating charge in respect of an account of a client, or increase the amount of any operating charge in respect of an account of a client, unless written notice of the new or increased operating charge is provided to the client at least 60 days before the date on which the imposition or increase becomes effective.

(6) This section does not apply to a registered firm in respect of a permitted client that is not an individual.

(7) Except for subsections (5.1), (6) and (8), this section does not apply to a registered dealer in respect of a client for whom the dealer purchases or sells securities only as directed by a registered adviser acting for the client.

(8) A registered dealer referred to in subsection (7) must deliver the information required under paragraphs (2)(a) and (e) to (j) to the client in writing, and the information in paragraph (2)(b) orally or in writing, before the dealer first purchases or sells a security for the client.

14.2.1 Pre-trade disclosure of charges

(1) Before a registered firm accepts an instruction from a client to purchase or sell a security in an account other than a managed account, the firm must disclose to the client

(a) the charges the client will be required to pay in respect of the purchase or sale, or a reasonable estimate if the actual amount of the charges is not known to the firm at the time of disclosure,

(b) [repealed]

(c) whether the firm will receive trailing commissions in respect of the security, and

(d) whether there are any investment fund management expense fees or other ongoing fees that the client may incur in connection with the security.

(2) This section does not apply to a registered firm in respect of a permitted client that is not an individual.

(3) This section does not apply to a dealer in respect of a client for whom the dealer purchases or sells securities only as directed by a registered adviser acting for the client.

14.3 Disclosure to clients about the fair allocation of investment opportunities

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.

14.4 When the firm has a relationship with a financial institution

(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.

(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.

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

14.5 Notice to clients by non-resident registrants

(1) A registered firm whose head office is not located in the local jurisdiction must provide a client in the local jurisdiction with a statement in writing disclosing the following:

(a) the firm is not resident in the local jurisdiction;

(b) the jurisdiction in Canada or the foreign jurisdiction in which the head office or the principal place of business of the firm is located;

(c) all or substantially all of the assets of the firm may be situated outside the local jurisdiction;

(d) there may be difficulty enforcing legal rights against the firm because of the above;

(e) the name and address of the agent for service of process of the firm in the local jurisdiction.

(2) This section does not apply to a registered firm whose head office is in Canada if the firm is registered in the local jurisdiction.

Division 3 - Client assets and investment fund assets

14.5.1 Definition of "securities" in Alberta, British Columbia, New Brunswick, Nova Scotia and Saskatchewan

Despite section 1.2, in Alberta, British Columbia, New Brunswick, Nova Scotia and Saskatchewan, a reference to "securities" in this Division excludes "exchange contracts".

14.5.2 Restriction on self-custody and qualified custodian requirements

(1) A registered firm must not be a custodian or sub-custodian for a client of the firm or for an investment fund in respect of the client's or investment fund's cash or securities unless the registered firm

(a) is a Canadian custodian under paragraph (a), (b) or (d) of the definition of "Canadian custodian", and

(b) has established and maintains a system of controls and supervision that a reasonable person would conclude is sufficient to manage the risks to the client or investment fund associated with the custody of the client's or investment fund's cash or securities.

(2) A registered firm must ensure that any custodian for a client of the firm or for an investment fund managed by the firm in respect of

the client's or investment fund's cash or securities is a Canadian custodian if the firm

(a) directs or arranges which custodian will hold the cash or securities of the client or investment fund, or

(b) holds or has access to the cash or securities of the client or investment fund.

(3) Despite the requirement to use a Canadian custodian in subsection (2), a foreign custodian may be a custodian of the cash or securities of the client or investment fund if a reasonable person would conclude, considering all of the relevant circumstances, including, for greater certainty, the nature of the regulation and the sufficiency of the equity of the foreign custodian, that using the foreign custodian is more beneficial to the client or investment fund than using a Canadian custodian.

(4) Despite the requirement to use a Canadian custodian in subsection (2), a Canadian financial institution may be a custodian of the cash of the client or investment fund.

(5) For the purposes of subsections (2) and (3), the registered firm must ensure that the qualified custodian is functionally independent of the registered firm unless

(a) the qualified custodian is a Canadian custodian under paragraph (a), (b) or (d) of the definition of "Canadian custodian", and

(b) the registered firm ensures that the qualified custodian has established and maintains a system of controls and supervision that a reasonable person would conclude is sufficient to manage the risks to the client or investment fund associated with the custody of the client's or investment fund's cash or securities.

(6) For the purpose of subsection (4), the registered firm must ensure that the Canadian financial institution is functionally independent of the registered firm.

(7) This section does not apply to a registered firm in respect of any of the following:

(a) an investment fund that is subject to National Instrument 81-102 *Investment Funds*;

(b) an investment fund that is subject to National Instrument 41-101 *General Prospectus Requirements*;

(c) a security that is recorded on the books of the security's issuer, or the transfer agent of the security's issuer, only in the name of the client or investment fund;

(d) cash or securities of a permitted client, if the permitted client

(i) is not an individual or an investment fund, and

(ii) has acknowledged in writing that the permitted client is aware that the requirements in this section that would otherwise apply to the registered firm do not apply;

(e) customer collateral subject to custodial requirements under National Instrument 94-102 *Derivatives: Customer Clearing and Protection of Customer Collateral and Positions*;

(f) a security that evidences a debt obligation secured by a mortgage registered or published against the title of real estate if

(i) the mortgage is registered or published in the name of the client or investment fund as mortgagee, or

(ii) in the case of a syndicated mortgage, the mortgage is registered or published in the name of either of the following as mortgagee:

(A) a person or company that is registered or licensed under mortgage brokerage, mortgage administrators or mortgage dealer legislation of a jurisdiction of Canada if that mortgage is held in trust for the client or investment fund, as applicable;

(B) each investor that is a mortgagee in respect of that mortgage.

14.5.3 Cash and securities held by a qualified custodian

A registered firm that is subject to subsection 14.5.2(2), (3) or (4) must take reasonable steps to ensure that cash and securities of a client or an investment fund,

(a) except as provided in paragraphs (b) and (c), are held by the qualified custodian or, in respect of cash, the Canadian financial institution using an account number or other designation in the records of the qualified custodian or the Canadian financial institution, as applicable, sufficient to show that the beneficial ownership of the cash or securities of the client or investment fund is vested in that client or investment fund,

(b) in the case of cash held in an account in the name of the registered firm, is held separate and apart from the registered firm's own property and held by the qualified custodian, or the Canadian financial institution, in a designated trust account in trust for clients or investment funds, or

(c) in the case of cash or securities held for the purpose of bulk trading, are held in the name of the registered firm in trust for its clients or investment funds if the cash or securities are transferred to the client's or investment fund's account held by that client's or investment fund's qualified custodian or, in respect of cash, Canadian financial institution as soon as possible following a trade.

14.6 Client and investment fund assets held by a registered firm in trust

(1) If a registered firm holds client assets or investment fund assets other than cash or securities, or if a registered firm holds cash or securities of a client or an investment fund as permitted by section 14.5.2, the registered firm must hold the assets

(a) separate and apart from its own property,

(b) in trust for the client or investment fund, and

(c) in the case of cash, in a designated trust account with a Canadian custodian or Canadian financial institution.

(2) Despite paragraph (1)(c), a foreign custodian may be a custodian for the cash of the client or investment fund if a reasonable person would conclude, considering all of the relevant circumstances, including, for greater certainty, the nature of the regulation and the sufficiency of the equity of the foreign custodian, that using the foreign custodian is more beneficial to the client or investment fund than using a Canadian custodian or a Canadian financial institution.

14.6.1 Custodial provisions relating to certain margin or security interests

(1) In this section:

"cleared specified derivative", **"clearing corporation option"**, **"futures exchange"**, **"option on futures"**, **"specified derivative"** and **"standardized future"** have the same meaning as in section 1.1 of National Instrument 81-102 *Investment Funds*;

"regulated clearing agency" has the same meaning as in subsection 1(1) of National Instrucment 94-101 *Mandatory Central Counterparty Clearing of Derivatives*.

(2) Subsection 14.5.2(2) does not apply to a registered firm in respect of cash or securities of a client or investment fund deposited with a member of a regulated clearing agency or a dealer as margin for transactions outside of Canada involving clearing corporation options, options on futures, standardized futures or cleared specified derivatives if

(a) the member or dealer is a member of a regulated clearing agency, futures exchange or stock exchange, and, as a result in any case, is subject to a regulatory audit,

(b) the member or dealer has a net worth, determined from its most recent audited financial statements, in excess of $50 million, and

(c) a reasonable person would conclude that using the member or dealer is more beneficial to the client or investment fund than using a Canadian custodian.

(3) Subsection 14.5.2(2) does not apply to a registered firm in respect of cash or securities of a client or investment fund deposited with the client's or investment fund's counterparty over which the client or investment fund has granted a security interest in connection with a particular specified derivatives transaction.

(4) The registered firm must take reasonable steps to ensure that any agreement by which cash or securities of a client or investment fund are deposited in accordance with subsection (2) or (3) requires the person or company holding the cash or securities to ensure that its records show that the client or investment fund is the beneficial owner of the cash or securities.

14.6.2 Custodial provisions relating to short sales

Subsection 14.5.2(2) does not apply to a registered firm in respect of cash or securities of a client or investment fund deposited as security in connection with a short sale of securities with a dealer outside of Canada if

(a) the dealer is a member of a stock exchange and is subject to a regulatory audit,

(b) the dealer has a net worth, determined from its most recent audited financial statements, in excess of $50 million, and

(c) a reasonable person would conclude that using the dealer is more beneficial to the client or investment fund than using a Canadian custodian.

14.7 [*repealed*]

14.8 [*repealed*]

14.9 [*repealed*]

Division 4 - Client accounts

14.10 Allocating investment opportunities fairly

A registered adviser must ensure fairness in allocating investment opportunities among its clients.

14.11 Selling or assigning client accounts

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 - Reporting to clients

14.11.1 Determining market value

(1) For the purposes of this Division, the market value of a security

(a) that is issued by an investment fund which is not listed on an exchange must be determined by reference to the net asset value provided by the investment fund manager of the fund on the relevant date,

(b) in any other case, is the amount that the registered firm reasonably believes to be the market value of the security

(i) after referring to a price quotation on a marketplace, if one is published for the security, using the last bid price in the case of a long security and the last ask price in the case of a short security, as shown on a consolidated pricing list or exchange quotation sheet as of the close of business on the relevant date or the last trading day before the relevant date, and after making any adjustments considered by the registered firm to be necessary to accurately reflect the market value,

(ii) if no reliable price for the security is quoted on a marketplace, after referring to a published market report or inter-dealer quotation sheet, on the relevant date or the last trading day before the relevant date, and after making any adjustments considered by the registered firm to be necessary to accurately reflect the market value,

(iii) if the market value for the security cannot be reasonably determined in accordance with subparagraph (i) or (ii), after applying the policy of the registered firm for determining market value, which must include procedures to assess the reliability of valuation inputs and assumptions and provide for

(A) the use of inputs that are observable, and

(B) the use of unobservable inputs and assumptions, if observable inputs are not reasonably available.

(2) If a registered firm determines the market value of a security in accordance with subparagraph (1)(b)(iii), when it refers to the market value in a statement under section 14.14 [account statements], 14.14.1 [*additional statements*], 14.14.2 [*position cost information*], 14.15 [*security holder statements*] or 14.16 [*scholarship plan dealer statements*], the registered firm must include the following notification or a notification that is substantially similar:

"There is no active market for this security so we have estimated its market value."

(3) If a registered firm reasonably believes that it cannot determine the market value of a security in accordance with subsection (1), the market value of the security must be reported in a statement delivered under section 14.14 [*account statements*], 14.14.1 [*additional statements*], 14.14.2 [*security position cost information*], 14.15 [*security holder statements*] or 14.16 [*scholarship plan dealer statements*] as not determinable, and the market value of the security must be excluded from the total market value referred to in paragraphs 14.14(5)(e), 14.14.1(2)(e) and 14.14.2(5)(c).

14.12 Content and delivery of trade confirmation

(1) 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 or, if the client consents in writing, to a registered adviser acting for 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;

(b.1) in the case of a purchase of a debt security, the security's annual yield;

(c) the amount of each transaction charge, deferred sales charge or other charge in respect of the transaction, and the total amount of all charges in respect of the transaction;

(c.1) in the case of a purchase or sale of a debt security, either of the following:

(i) the total amount of any mark-up or mark-down, commission or other service charges the registered dealer applied to the transaction;

(ii) the total amount of any commission charged to the client by the registered dealer and, if the dealer applied a mark-up or mark-down or any service charge other than a commission, the following notification or a notification that is substantially similar:

"Dealer firm remuneration has been added to the price of this security (in the case of a purchase) or deducted from the price of this security (in the case of a sale). This amount was in addition to any commission this trade confirmation shows was charged to you.";

(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, involved in the transaction;

(g) the settlement date of the transaction;

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

(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.

(3) Paragraph (1)(h) does not apply if all of the following apply:

(a) the security is a security of a mutual fund that is established and managed by the registered dealer or by an affiliate of the registered dealer, in its capacity as investment fund manager of the mutual fund;

(b) the names of the dealer and the mutual fund are sufficiently similar to indicate that they are affiliated or related.

(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.

(5) A registered investment fund manager that has executed a redemption order received directly from a security holder must promptly deliver to the security holder a written confirmation of the redemption, setting out the following:

(a) the quantity and description of the security redeemed;

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

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

(d) the settlement date of the redemption.

(6) Subsection 14.12(5) does not apply to trades in a security of an investment fund made in reliance on section 8.6 [*investment fund trades by adviser to managed account*].

(7) In Newfoundland and Labrador, Ontario and Saskatchewan, a registered dealer that complies with the requirements of this section in respect of a purchase or sale of a security is not subject to any of subsections 37(1), (2) or (3) of the *Securities Act* (Newfoundland and Labrador), subsection 36(1) of the *Securities Act* (Ontario) and subsection 42(1) of *The Securities Act, 1988* (Saskatchewan).

14.13 Confirmations for certain automatic plans

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) [*repealed*]

14.14 Account statements

(1) A registered dealer must deliver to a client a statement that includes the information referred to in subsections (4) and (5)

(a) at least once every 3 months, or

(b) if the client has requested to receive statements on a monthly basis, for each one-month period.

(2) A registered dealer must deliver to a client a statement that includes the information referred to in subsections (4) and (5) after the end of any month in which a transaction was effected in securities held by the dealer in the client's account, other than a transaction made under an automatic withdrawal plan or an automatic payment plan, including a dividend reinvestment plan.

(2.1) Paragraph 1(b) and subsection (2) do not apply to a mutual fund dealer in connection with its activities as a dealer in respect of the securities listed in paragraph 7.1(2)(b) [*dealer categories*].

(3) A registered adviser must deliver to a client a statement that includes the information referred to in subsections (4) and (5) at least once every 3 months, except that if the client has requested to receive statements on a monthly basis, the adviser must deliver a statement to the client for each one-month period.

(3.1) [*repealed*]

(4) If a registered dealer or registered adviser made a transaction for a client during the period covered by a statement delivered under subsection (1), (2) or (3), the statement must include the following:

(a) the date of the transaction;

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

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

(d) the number of securities purchased, sold or transferred;

(e) the price per security if the transaction was a purchase or sale;

(f) the total value of the transaction if it was a purchase or sale.

(5) If a registered dealer or registered adviser holds securities owned by a client in an account of the client, a statement delivered under subsection (1), (2) or (3) must indicate that the securities are held for the client by the registered firm and must include the following information about the client's account determined 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 and, if applicable, the notification in subsection 14.11.1(2) [*determining market value*];

(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;

(f) whether the account is eligible for coverage under an investor protection fund approved or recognized by the securities regulatory authority and, if it is, the name of the investor protection fund;

(g) which securities in the account might be subject to a deferred sales charge if they are sold.

(6) [*repealed*]

(7) For the purposes of this section, a security is considered to be held by a registered firm for a client if

(a) the firm is the registered owner of the security as nominee on behalf of the client, or

(b) the firm has physical possession of a certificate evidencing ownership of the security.

14.14.1 Additional statements

(1) A registered dealer or registered adviser must deliver a statement that includes the information referred to in subsection (2) to a client if any of the following apply in respect of a security owned by the client that is held or controlled by a party other than the dealer or adviser:

(a) the dealer or adviser has trading authority over the security or the client's account in which the security is held or was transacted;

(b) the dealer or adviser receives continuing payments related to the client's ownership of the security from the issuer of the security, the investment fund manager of the issuer or any other party;

(c) the security is issued by a scholarship plan, a mutual fund or an investment fund that is a labour-sponsored investment fund corporation, or labour-sponsored venture capital corporation, under legislation of a jurisdiction of Canada and the dealer or adviser is the dealer or adviser of record for the client on the records of the issuer of the security or the records of the issuer's investment fund manager.

(2) A statement delivered under subsection (1) must include the following in respect of the securities or the account referred to in subsection (1), determined as at the end of the period for which the statement is made:

(a) the name and quantity of each security;

(b) the market value of each security and, if applicable, the notification in subsection 14.11.1(2) [*determining market value*];

(c) the total market value of each security position;

(d) any cash balance in the account;

(e) the total market value of all of the cash and securities;

(f) disclosure in respect of the party that holds or controls each security and a description of the way it is held;

(g) whether the securities are, or the amount is, eligible for coverage under an investor protection fund approved or recognized by the securities regulatory authority;

(h) which of the securities might be subject to a deferred sales charge if they are sold.

(2.1) Paragraph (2)(g) does not apply if the party referred to in paragraph (2)(f) is required under section 14.14, or under an IIROC provision or MFDA provision, to deliver a statement to the client in respect of the securities or the account referred to in subsection (1) of this section.

(3) If subsection (1) applies to a registered dealer or a registered adviser, the dealer or adviser must deliver a statement that includes the information in subsection (2) to a client at least once every 3 months, except that if a client has requested to receive statements on a monthly basis, the adviser must deliver a statement to the client every month.

(4) If subsection (1) applies to a registered dealer or a registered adviser that is also required to deliver a statement to a client under subsection 14.14(1) or (3), a statement delivered under subsection (1) must be delivered to the client in one of the following ways:

(a) combined with a statement delivered to the client under subsection 14.14(1) or (3) for the period ending on the same date;

(b) as a separate document accompanying a statement delivered to the client under subsection 14.14(1) or (3) for the period ending on the same date;

(c) as a separate document delivered within 10 days after the statement delivered to the client under subsection 14.14(1) or (3) for the period ending on the same date.

(5) For the purposes of this section, a security is considered to be held for a client by a party other than the registered firm if any of the following apply:

(a) the other party is the registered owner of the security as nominee on behalf of the client;

(b) ownership of the security is recorded on the books of its issuer in the client's name;

(c) the other party has physical possession of a certificate evidencing ownership of the security;

(d) the client has physical possession of a certificate evidencing ownership of the security.

(6) This section does not apply to a registered firm in respect of a permitted client that is not an individual.

14.14.2 Security position cost information

(1) If a registered dealer or registered adviser is required to deliver a statement to a client that includes information required under subsection 14.14(5) [*account statements*] or 14.14.1(2) [*additional statements*], the dealer or adviser must deliver the information referred to in subsection (2) to a client at least once every 3 months.

(2) The information delivered under subsection (1) must disclose the following:

(a) for each security position, in the statement, opened on or after July 15, 2015, presented on an average cost per unit or share basis or an aggregate basis,

(i) the cost of the security position, determined as at the end of the period for which the information referred to in subsection 14.14(5) or 14.14.1(2) is provided, or

(ii) if the security position was transferred from another registered firm, the information referred to in subparagraph (i) or the market value of the security position as at the date of the transfer of the security position;

(b) for each security position, in the statement, opened before July 15, 2015, presented on an average cost per unit or share basis or an aggregate basis,

(i) the cost of the security position, determined as at the end of the period for which the information referred to in subsection 14.14(5) or 14.14.1(2) is provided, or

(ii) the market value of the security position on

(A) December 31, 2015, or

(B) a date that is earlier than December 31, 2015 if the registered firm reasonably believes accurate, recorded historical position cost information is available for the client's account, and it would not be misleading to the client to provide that information as at the earlier date;

(c) the total cost of all of the security positions in the statement, determined in accordance with paragraphs (a) and (b);

(d) for each security position for which the registered firm reasonably believes it cannot determine the cost in accordance with paragraphs (a) and (b), disclosure of that fact in the statement.

(2.1) If a registered firm reports one or more security positions of a client using the market value determined as at the date referred to in subparagraph (2)(a)(ii) or (2)(b)(ii), the firm must

disclose in the statement that it is providing the market value of the security position as at the relevant date, instead of the cost of the security position.

(3) The cost of security positions required to be disclosed under subsection (2) must be either the book cost or the original cost and must be accompanied by the definition of "book cost" in section 1.1 [*definitions of terms used throughout this Instrument*] or the definition of "original cost" in section 1.1, as applicable.

(4) The information delivered under subsection (1) must be delivered to the client in one of the following ways:

(a) combined with a statement delivered to the client that includes the information required under subsection 14.14(5) or 14.14.1(2) for the period ending on the same date;

(b) in a separate document accompanying a statement delivered to the client that includes information required under subsection 14.14(5) or 14.14.1(2) for the period ending on the same date;

(c) in a separate document delivered within 10 days after a statement delivered to the client that includes information required under subsection 14.14(5) or 14.14.1(2) for the period ending on the same date.

(5) If the information under subsection (1) is delivered to the client in a separate document in accordance with paragraph (4)(c), the separate document must also include the following:

(a) the market value of each security in the statement and, if applicable, the notification in subsection 14.11.1(2) [*determining market value*];

(b) the total market value of each security position in the statement;

(c) the total market value of all cash and securities in the statement.

(6) This section does not apply to a registered firm in respect of a permitted client that is not an individual.

14.15 Security holder statements

If there is no dealer or adviser of record for a security holder on the records of a registered investment fund manager, the investment fund manager must deliver to the security holder at least once every 12 months a statement that includes the following:

(a) the information required under subsection 14.14(4) [*account statements*] for each transaction that the registered investment fund manager made for the security holder during the period;

(b) the information required under subsection 14.14.1(2) [*additional statements*] for the securities of the security holder that are on the records of the registered investment fund manager;

(c) the information required under section 14.14.2 [*security position cost information*].

14.16 Scholarship plan dealer statements

Sections 14.14 [*account statements*], 14.14.1 [additional statements] and 14.14.2 [*security position cost information*] do not apply to a scholarship plan dealer if both of the following apply:

(a) the scholarship plan dealer is not registered in another dealer or adviser category;

(b) the scholarship plan dealer delivers to a client a statement at least once every 12 months that provides the information required under subsections 14.14(4) and 14.14.1(2).

14.17 Report on charges and other compensation

(1) For each 12-month period, a registered firm must deliver to a client a report on charges and other compensation containing the following information, except that the first report delivered after a client has opened an account may cover a period of less than 12 months:

(a) the registered firm's current operating charges which might be applicable to the client's account;

(b) the total amount of each type of operating charge related to the client's account paid by the client during the period covered by the report, and the total amount of those charges;

(c) the total amount of each type of transaction charge related to the purchase or sale of securities paid by the client during the period covered by the report, and the total amount of those charges;

(d) the total amount of the operating charges reported under paragraph (b) and the transaction charges reported under paragraph (c);

(e) if the registered firm purchased or sold debt securities for the client during the period covered by the report, either of the following:

(i) the total amount of any mark-ups, mark-downs, commissions or other service charges the firm applied on the purchases or sales of debt securities; (ii) the total amount of any commissions charged to the client by the firm on the purchases or sales of debt securities and, if the firm

applied mark-ups, mark-downs or any service charges other than commissions on the purchases or sales of debt securities, the following notification or a notification that is substantially similar:

"For debt securities purchased or sold for you during the period covered by this report, dealer firm remuneration was added to the price you paid (in the case of a purchase) or deducted from the price you received (in the case of a sale). This amount was in addition to any commissions you were charged.";

(f) if the registered firm is a scholarship plan dealer, the unpaid amount of any enrolment fee or other charge that is payable by the client;

(g) the total amount of each type of payment, other than a trailing commission, that is made to the registered firm or any of its registered individuals by a securities issuer or another registrant in relation to registerable services to the client during the period covered by the report, accompanied by an explanation of each type of payment;

(h) if the registered firm received trailing commissions related to securities owned by the client during the period covered by the report, the following notification or a notification that is substantially similar:

"We received $[amount] in trailing commissions in respect of securities you owned during the 12-month period covered by this report.

Investment funds pay investment fund managers a fee for managing their funds. The managers pay us ongoing trailing commissions for the services and advice we provide you. The amount of the trailing commission depends on the sales charge option you chose when you purchased the fund. You are not directly charged the trailing commission or the management fee. But, these fees affect you because they reduce the amount of the fund's return to you. Information about management fees and other charges to your investment funds is included in the prospectus or fund facts document for each fund."

(2) For the purposes of this section, the information in respect of securities of a client required to be reported under subsection 14.14(5) [*account statements*] must be delivered in a separate report on charges and other compensation for each of the client's accounts.

(3) For the purposes of this section, the information in respect of securities of a client required to be reported under subsection 14.14.1(1) [*additional statements*] must be delivered in a report on charges and other compensation for the client's account through which the securities were transacted.

(4) Subsections (2) and (3) do not apply if the registered firm provides a report on charges and other compensation that consolidates, into a single report, the required information for more than one of a client's accounts and any securities of the client required to be reported under subsection 14.14(5) or 14.14.1(1) and if the following apply:

(a) the client has consented in writing to the form of disclosure referred to in this subsection;

(b) the consolidated report specifies the accounts and securities with respect to which information is required to be reported under subsection 14.14.1(1) [*additional statements*].

(5) This section does not apply to a registered firm in respect of a permitted client that is not an individual.

14.18 Investment performance report

(1) A registered firm must deliver an investment performance report to a client every 12 months, except that the first report delivered after a registered firm first makes a trade for a client may be sent within 24 months after that trade.

(2) For the purposes of this section, the information in respect of securities of a client required to be reported under subsection 14.14(5) [*account statements*] must be delivered in a separate report for each of the client's accounts.

(3) For the purposes of this section, the information in respect of securities of a client required to be reported under subsection 14.14.1(1) [*additional statements*] must be delivered in the report for each of the client's accounts through which the securities were transacted.

(4) Subsections (2) and (3) do not apply if the registered firm provides a report that consolidates, into a single report, the required information for more than one of a client's accounts and any securities of the client required to be reported under subsection 14.14(5) or 14.14.1(1) and if the following apply:

(a) the client has consented in writing to the form of disclosure referred to in this subsection;

(b) the consolidated report specifies the accounts and securities with respect to

which information is required to be reported under subsection 14.14.1(1) [*additional statements*].

(5) This section does not apply to

(a) a client's account that has existed for less than a 12-month period;

(b) a registered dealer in respect of a client's account in which the dealer executes trades only as directed by a registered adviser acting for the client; and

(c) a registered firm in respect of a permitted client that is not an individual.

(6) Despite subsection (1), a registered firm is not required to deliver a report to a client for a 12-month period referred to in that subsection if the firm reasonably believes

(a) there are no securities of the client with respect to which information is required to be reported under subsection 14.14(5) [*account statements*] or subsection 14.14.1(1) [*additional statements*], or

(b) no market value can be determined for any securities of the client in respect to which information is required to be reported under subsection 14.14(5) or 14.14.1(1).

14.19 Content of investment performance report

(1) An investment performance report required to be delivered under section 14.18 by a registered firm must include all of the following in respect of the securities referred to in a statement in respect of which subsection 14.14(1), (2) or (3) [account statements] or 14.14.1(1) [*additional statements*] apply:

(a) the market value of all cash and securities in the client's account as at the beginning of the 12-month period covered by the investment performance report;

(b) the market value of all cash and securities in the client's account as at the end of the 12-month period covered by the investment performance report;

(c) the market value of all deposits and transfers of cash and securities into the client's account, and the market value of all withdrawals and transfers of cash and securities out of the account, in the 12-month period covered by the investment performance report;

(d) the market values determined under section (1.1);

(e) [*repealed*]

(f) the annual change in the market value of the client's account for the 12-month period covered by the investment performance report, determined using the following formula

$$A – B – C + D$$

where

A = the market value of all cash and securities in the account as at the end of the 12-month period covered by the investment performance report;

B = the market value of all cash and securities in the account at the beginning of that 12-month period;

C = the market value of all deposits and transfers of cash and securities into the account in that 12-month period; and

D = the market value of all withdrawals and transfers of cash and securities out of the account in that 12-month period;

(g) subject to subsection 1.2, the cumulative change in the market value of the account since the account was opened, determined using the following formula

$$A – E + F$$

where

A = the market value of all cash and securities in the account as at the end of the 12-month period covered by the investment performance report;

E = the market value of all deposits and transfers of cash and securities into the account since account opening; and

F = the market value of all withdrawals and transfers of cash and securities out of the account since account opening;

(h) [*repealed*]

(i) the amount of the annualized total percentage return for the client's account calculated net of charges, using a money-weighted rate of return calculation method generally accepted in the securities industry;

(j) the definition of "total percentage return" in section 1.1 and a notification indicating the following:

(i) that the total percentage return in the investment performance report was calculated net of charges;

(ii) the calculation method used;

(iii) a general explanation in plain language of what the calculation method takes into account.

(1.1) For the purposes of paragraph (1)(d), the investment performance report must include the following, as applicable:

(a) if the client's account was opened on or after July 15, 2015, the market value of all deposits and transfers of cash and securities into the client's account, and the market value of all withdrawals and transfers of cash and securities out of the account, since opening the account;

(b) if the client's account was opened before July 15, 2015, and the firm has not delivered an investment performance report for the 12-month period ending December 31, 2016,

(i) the market value of all cash and securities in the client's account as at

(A) July 15, 2015, or

(B) a date that is earlier than July 15, 2015 if the registered firm reasonably believes accurate, recorded historical market value information is available for the client's account, and it would not be misleading to the client to provide that information as at the earlier date, and

(ii) the market value of all deposits and transfers of cash and securities into the account, and the market value of all withdrawals and transfers of cash and securities out of the account, since the date referred to in clause (i)(A) or (B), as applicable;

(c) if the client's account was opened before July 15, 2015, and the firm delivered an investment performance report for the 12-month period ending December 31, 2016,

(i) the market value of all cash and securities in the client's account as at

(A) January 1, 2016, or

(B) a date that is earlier than January 1, 2016 if the registered firm reasonably believes accurate, recorded historical market value information is available for the client's account, and it would not be misleading to the client to provide that information as at the earlier date, and

(ii) the market value of all deposits and transfers of cash and securities into the account, and the market value of all withdrawals and transfers of cash and securities out of the account, since the date referred to in clause (i)(A) or (B), as applicable.

(1.2) Paragraph (1)(g) does not apply if the client's account was opened before July 15, 2015 and the registered firm includes in the investment performance report the cumulative change in the market value of the account determined using the following formula, instead of the formula in paragraph (g):

$$A - G - H + I$$

where

A = the market value of all cash and securities in the account as at the end of the 12-month period covered by the investment performance report;

G = the market value of all cash and securities in the account determined as follows:

(a) if the firm has not delivered an investment performance report for the 12-month period ending December 31, 2016, the market value of all cash and securities in the client's account as at

(i) July 15, 2015, or

(ii) a date that is earlier than July 15, 2015 if the registered firm reasonably believes accurate, recorded historical market value information is available for the client's account, and it would not be misleading to the client to provide that information as at the earlier date,

(b) if the has firm delivered an investment performance report for the 12-month period ending December 31, 2016, the market value of all cash and securities in the client's account as at

(i) January 1, 2016, or

(ii) a date that is earlier than January 1, 2016 if the registered firm reasonably believes accurate, recorded historical market value information is available for the client's

account, and it would not be misleading to the client to provide that information as at the earlier date;

H = the market value of all deposits and transfers of cash and securities into the account since the date used for the purposes of the definition of "G"; and

I = the market value of all withdrawals and transfers of cash and securities out of the account since the date used for the purposes of the definition of "G".,

(2) The information delivered for the purposes of paragraph (1)(i) must be provided for each of the following periods:

(a) the 12-month period covered by the investment performance report;

(b) the 3-year period preceding the end of the 12-month period covered by the report;

(c) the 5-year period preceding the end of the 12-month period covered by the report;

(d) the 10-year period preceding the end of the 12-month period covered by the report;

(e) subject to subsection (3.1), the period since the client's account was opened if the account has been open for more than one year before the date of the report or, if the account was opened before July 15, 2015, the period since

(i) July 15, 2015, or

(ii) a date that is earlier than July 15, 2015 if the registered firm reasonably believes accurate, recorded annualized total percentage return information is available for the client's account, and it would not be misleading to the client to provide that information as at the earlier date., and

(3) Despite subsection (2), if any portion of a period referred to in paragraph (2)(b), (c) or (d) was before July 15, 2015, the registered firm is not required to report the annualized total percentage return for that period.

(3.1) Paragraph (2)(e) does not apply to a registered firm that delivered an investment performance report for the 12-month period ending December 31, 2016 if the firm provides, in the report, the annualized total percentage return information referred to in that paragraph for the period since

(a) January 1, 2016, or

(b) a date that is earlier than January 1, 2016 if the registered firm reasonably believes accurate, recorded annualized total percentage return information is available for the client's account, and it would not be misleading to the client to provide that information as at the earlier date.

(4) Despite subsection (1), the information a scholarship plan dealer is required to deliver under section 14.18 [*investment performance report*] in respect of each scholarship plan in which a client has invested through the scholarship plan dealer is the following:

(a) the total amount that the client has invested in the plan as at the date of the investment performance report;

(b) the total amount that would be returned to the client if, as at the date of the investment performance report, the client ceased to make prescribed payments into the plan;

(c) a reasonable projection of future payments that the plan might pay to the client's designated beneficiary under the plan, or to the client, at the maturity of the client's investment in the plan;

(d) a summary of any terms of the plan that, if not met by the client or the client's designated beneficiary under the plan, might cause the client or the designated beneficiary to suffer a loss of contributions, earnings or government contributions in the plan.

(5) The information delivered under section 14.18 [*investment performance report*] must be presented using text, tables and charts, and must be accompanied by notes in the investment performance report explaining

(a) the content of the report and how a client can use the information to assess the performance of the client's investments; and

(b) the changing value of the client's investments as reflected in the information in the report.

(6) If a registered firm delivers information required under this section in a report to a client for a period of less than one year, the firm must not calculate the disclosed information on an annualized basis.

(7) If the registered firm reasonably believes the market value cannot be determined for a security position, the market value must be assigned a value of zero in the calculation of the information delivered under subsection 14.18(1) and the fact that its market value could not be determined must be disclosed to the client.

14.20 Delivery of report on charges and other compensation and investment performance report

(1) A report under section 14.17 [report on charges and other compensation] and a report under section 14.18 [*investment performance report*] must include information for the same 12-month period and the reports must be delivered together in one of the following ways:

(a) combined with a statement delivered to the client that includes information required under subsection 14.14(1), (2) or (3) [*account statements*], subsection 14.14.1(2) [*additional statements*] or section 14.16 [*scholarship plan dealer statements*];

(b) accompanying a statement delivered to the client that includes information required under subsection 14.14(1), (2) or (3) [*account statements*], subsection 14.14.1(2) [*additional statements*] or section 14.16 [*scholarship plan dealer statements*];

(c) within 10 days after a statement delivered to the client that includes information required under subsection 14.14(1),(2) or (3) [*account statements*], subsection 14.14.1(2) [*additional statements*] or section 14.16 [*scholarship plan dealer statements*].

(2) Subsection (1) does not apply in respect of the first report under section 14.17 [*report on charges and other compensation*] and the first report under section 14.18 [*investment performance report*] for a client.

PART 15 – GRANTING AN EXEMPTION

15.1 Who can grant an exemption

(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.

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

(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

16.1 [*lapsed*]

16.2 [*lapsed*]

16.3 [*lapsed*]

16.4 [*lapsed*]

16.5 [*lapsed*]

16.6 [*lapsed*]

16.7 [*lapsed*]

16.8 [*lapsed*]

16.9 Registration of chief compliance officers

(1) [*lapsed*]

(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 identified on the National Registration Database as the firm's compliance officer in a jurisdiction of Canada 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;

(3) [*lapsed*]

(4) [*lapsed*]

16.10 Proficiency for dealing and advising representatives

(1) If an individual is registered in a jurisdiction of Canada as a dealing or advising representative in a category referred to in a section of Division 2 [*education and experience requirements*] of Part 3 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.

16.11 [*lapsed*]

16.12 Continuation of existing discretionary relief

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.

16.13 [*lapsed*]

16.14 [*lapsed*]

16.15 [*lapsed*]

16.16 [*lapsed*]

16.17 [*lapsed*]

16.18 [*lapsed*]

16.19 [*lapsed*]

16.20 [*lapsed*]

PART 17 – WHEN THIS INSTRUMENT COMES INTO FORCE

17.1 Effective date

(1) Except in Ontario, this Instrument comes into force on September 28, 2009.

(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.

FORM 31-103F1
CALCULATION OF EXCESS WORKING CAPITAL

_____
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 (Line 1 minus line 2 =)		
4.	Current liabilities		
5.	Add 100% of non-current related party debt unless the firm and the lender have executed a subordination agreement in the form set out in Appendix B of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registration Obligations* and the firm has delivered a copy of the agreement to the regulator or, in Québec, the securities regulatory authority. See section 12.2 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registration Obligations.*		
6.	Adjusted current liabilities (Line 4 plus line 5 =)		
7.	Adjusted working capital (Line 3 minus line 6 =)		
8.	Less minimum capital		
9.	Less market risk		
10.	Less any deductible under the bonding or insurance policy required under Part 12 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* or, in Québec, for a firm registered only in that jurisdiction and solely in the category of mutual fund dealer, less the deductible under the liability insurance required under section 193 of the Québec Securities Regulation		
11.	Less Guarantees		
12.	Less unresolved differences		
13.	**Excess working capital**		

Notes:

Form 31-103F1 *Calculation of Excess Working Capital* must be prepared using the accounting principles that you use to prepare your financial statements in accordance with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*. Section 12.1 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* provides further guidance in respect of these accounting principles.

Line 5. Related-party debt – Refer to the Handbook for the definition of "related party" for publicly accountable enterprises. The firm is required to deliver a copy of the executed subordination agreement to the regulator or, in Québec, the securities regulatory authority on the earlier of a) 10 days after the date the agreement is executed or b) the date an amount subordinated by the agreement is excluded from its calculation of excess working capital on Form 31-103F1 Calculation of Excess Working Capital. **The firm must notify the regulator or, in Québec, the securities regulatory authority, 10 days before it repays the loan (in whole or in part), or terminates the subordination agreement.** See section 12.2 of National Instrument 31-103 *Registration Requirements Exemptions and Ongoing Registrant Obligations*.

Line 8. Minimum Capital – The amount on this line must be not less than (a) $25,000 for an adviser and (b) $50,000 for a dealer. For an investment fund manager, the amount must be not less $100,000 unless subsection 12.1(4) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* applies.

Line 9. Market Risk – The amount on this line must be calculated according to the instructions set out in Schedule 1 to Form 31-103F1 *Calculation of Excess Working Capital*. A schedule supporting the calculation of any amounts included in Line 9 as market risk should be provided to the regulator or, in Québec, the securities regulatory authority in conjunction with the submission of Form 31-103F1 *Calculation of Excess Working Capital*.

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 statement of financial position 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 fair 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 fair 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.

Please refer to section 12.1 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* for further guidance on how to prepare and file this Form 31-103F1 *Calculation of Excess Working Capital*.

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 purposes of completing this form:

(1) "Fair value" means the value of a security determined in accordance with Canadian GAAP applicable to publicly accountable enterprises.

(2) For each security whose value is included in line 1, Current Assets, multiply the fair 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 or of any other national foreign government (provided those foreign government securities have a current credit rating described in subparagraph (i.1)) maturing (or called for redemption):

within 1 year:	1% of fair value multiplied by the fraction determined by dividing the number of days to maturing by 365
over 1 year to 3 years:	1% of fair value
over 3 years to 7 years:	2% of fair value
over 7 years to 11 years:	4% of fair value
over 11 years:	4% of fair value

(i.1) A credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of such successor credit rating organization, that is the same as one of the following corresponding rating categories or that is the same as a category that replaces one of the following corresponding rating categories:

Designated Rating Organization	Long Term Debt	Short Term Debt
DBRS Limited	AAA	R-1(high)
Fitch Ratings, Inc.	AAA	F1+
Moody’s Canada Inc.	Aaa	Prime-1
S&P Global Ratings Canada	AAA	A-1+

(ii) Bonds, debentures, treasury bills and other securities of or guaranteed by any jurisdiction of Canada and obligations of the International Bank for Reconstruction and Development, maturing (or called for redemption):

within 1 year:	2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years:	3 % of fair value
over 3 years to 7 years:	4% of fair value
over 7 years to 11 years:	5% of fair value
over 11 years:	5% of fair 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 fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years:	5 % of fair value
over 3 years to 7 years:	5% of fair value
over 7 years to 11 years:	5% of fair value
over 11 years:	5% of fair value

(iv) Other non-commercial bonds and debentures, (not in default): 10% of fair value

(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 fair value
over 1 year to 3 years:	6 % of fair value

over 3 years to 7 years:	7% of fair value
over 7 years to 11 years:	10% of fair value
over 11 years:	10% of fair 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 fair 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 fair 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

Securities of mutual funds qualified by prospectus for sale in any jurisdiction of Canada:

(i) 5% of the net asset value per security as determined in accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure*, where the fund is a money market mutual fund as defined in National Instrument 81-102 *Investment Funds*; or

(ii) the margin rate determined on the same basis as for listed stocks multiplied by the net asset value per security of the fund as determined in accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure*.

Securities of mutual funds qualified by prospectus for sale in the United States of America: 5% of the net asset value per security if the fund is registered as an investment company under the *Investment Company Act of 1940*, as amended from time to time, and complies with Rule 2a-7 thereof.

(e) Stocks

In this paragraph, "securities" includes rights and warrants and does not include bonds and debentures.

(i) On securities including investment fund securities, rights and warrants listed on any exchange in Canada or the United States of America:

Long Positions – Margin Required

Securities selling at $2.00 or more – 50% of fair value

Securities selling at $1.75 to $1.99 – 60% of fair value

Securities selling at $1.50 to $1.74 – 80% of fair value

Securities selling under $1.50 – 100% of fair value

Short Positions – Credit Required

Securities selling at $2.00 or more – 150% of fair value

Securities selling at $1.50 to $1.99 – $3.00 per share

Securities selling at $0.25 to $1.49 – 200% of fair value

Securities selling at less than $0.25 – fair value plus $0.25 per shares

(ii) For positions in securities that are constituent securities on a major broadly-based index of one of the following exchanges, 50% of the fair value:

(a) Australian Stock Exchange Limited

(b) Bolsa de Madrid
(c) Borsa Italiana
(d) Copenhagen Stock Exchange
(e) Euronext Amsterdam
(f) Euronext Brussels
(g) Euronext Paris S.A.
(h) Frankfurt Stock Exchange
(i) London Stock Exchange
(j) New Zealand Exchange Limited
(k) Stockholm Stock Exchange
(l) Swiss Exchange
(m) The Stock Exchange of Hong Kong Limited
(n) Tokyo Stock Exchange

(f) Mortgages

(i) For a firm registered in any jurisdiction of Canada except Ontario:

(a) Insured mortgages (not in default): 6% of fair value

(b) Mortgages which are not insured (not in default): 12% of fair value.

(ii) For a firm registered in Ontario:

(a) Mortgages insured under the *National Housing Act* (Canada) (not in default): 6% of fair value

(b) Conventional first mortgages (not in default): 12% of fair value.

If you are registered in Ontario regardless of whether you are also registered in another jurisdiction of Canada, you will need to apply the margin rates set forth in (ii) above.

(g) For all other securities – 100% of fair value.

FORM 31-103F2
SUBMISSION TO JURISDICTION AND APPOINTMENT OF AGENT FOR SERVICES
(Sections 8.18 [international dealer] and 8.26 [international adviser])

1. Name of person or company (“International Firm”):

2. If the International Firm was previously assigned an NRD number as a registered firm or an unregistered exempt international firm, provide the NRD number of the firm.

3. Jurisdiction of incorporation of the International Firm:

4. Head office address of the International Firm:

5. The name, e-mail address, phone number and fax number of the International Firm's chief compliance officer.

Name:
E-mail address:
Phone:
Fax:

6. Section of National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations* the International Firm is relying on:

☐ Section 8.18 [*international dealer*]
☐ Section 8.26 [*international adviser*]
☐ Other

7. Name of agent for service of process (the "Agent for Service"):

8. Address for service of process on the Agent for Service:

9. 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 defence in any such proceeding any alleged lack of jurisdiction to bring such Proceeding.

10. 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.

11. 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.

12. 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 the International Firm 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, Exemptions and Ongoing Registrant Obligations*.

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)

FORM 31-103F4
Net Asset Value Adjustments
(Section 12.14 [delivering financial information – investment fund manager])

This is to notify the regulator or, in Québec, the securities regulatory authority, of a net asset value (NAV) adjustment made in respect of an investment fund managed by the investment fund manager in accordance with paragraph 12.14(1)(c) or paragraph 12.14(2)(c). All of the information requested should be provided on a fund by fund basis. Please attach a schedule if necessary.

1. Name of the investment fund manager:
2. Name of each of the investment funds for which a NAV adjustment occurred:
3. Date(s) the NAV error occurred:
4. Date the NAV error was discovered:
5. Date of the NAV adjustment:
6. Original total NAV on the date the NAV error first occurred:
7. Original NAV per unit on each date(s) the NAV error occurred:
8. Revised NAV per unit on each date(s) the NAV error occurred:
9. NAV error as percentage (%) of the original NAV on each date(s) the NAV error occurred:
10. Total dollar amount of the NAV adjustment:
11. Effect (if any) of the NAV adjustment per unit or share:
12. Total amount reimbursed to security holders, or any corrections made to purchase and redemption transactions affecting the security holders of each investment fund affected, if any:
13. Date of the NAV reimbursement or correction to security holder transactions, if any:
14. Total amount reimbursed to investment fund, if any:
15. Date of the reimbursement to investment fund, if any:
16. Description of the cause of the NAV error:
17. Was the NAV error discovered by the investment fund manager?

    Yes ☐ No ☐
18. If No, who discovered the NAV error?
19. Was the NAV adjustment a result of a material error under the investment fund manager's policies and procedures?

    Yes ☐ No ☐
20. Have the investment fund manager's policies and procedures been changed following the NAV adjustment?

    Yes ☐ No ☐
21. If Yes, describe the changes:
22. If No, explain why not:
23. Has the NAV adjustment been communicated to security holders of each of the investment funds affected?

    Yes ☐ No ☐
24. If Yes, describe the communications:

Notes:

Line 2. NAV adjustment – Refers to the correction made to make the investment fund's NAV accurate.

Line 3. NAV error – Refers to the error discovered on the Original NAV. Please refer to Section 12.14 of *Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations* for guidance on NAV error and causes of NAV errors.

Line 3. Date(s) the NAV error occurred – Means the date of the NAV error first occurred and the subsequent dates of the NAV error.

Line 8. Revised NAV per unit – Refers to the NAV per unit calculated after taking into account the NAV error.

Line 9. NAV error as a percentage (%) of the original NAV – Refers to the following calculation:

(Revised NAV / Original NAV) – 1 x 100

APPENDIX A – BONDING AND INSURANCE CLAUSES
(*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
(*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, Exemptions and Ongoing Registrant Obligations* ("**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 owed 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 10 days before 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 – [*lapsed*]

[*lapsed*]

APPENDIX D – [*lapsed*]

[*lapsed*]

APPENDIX E – [*lapsed*]

[*lapsed*]

APPENDIX F – [*lapsed*]

[*lapsed*]

APPENDIX G – EXEMPTIONS FROM CERTAIN REQUIREMENTS FOR IIROC MEMBERS
(*Section 9.3* [*exemptions from certain requirements for IIROC members*])

NI 31-103 Provision	**IIROC Provision**
section 12.1 [*capital requirements*]	1. Dealer Member Rule 17.1; and 2. Form 1
section 12.2 [*subordination agreement*]	1. Dealer Member Rule 5.2; and 2. Dealer Member Rule 5.2A
section 12.3 [*insurance – dealer*]	1. Dealer Member Rule 17.5 2. Dealer Member Rule 400.2 [*Financial Institution Bond*]; 3. Dealer Member Rule 400.4 [*Amounts Required*]; and 4. Dealer Member Rule 400.5 [*Provisos with respect to Dealer Member Rules 400.2, 400.3 and 400.4*]
section 12.6 [*global bonding or insurance*]	1. Dealer Member Rule 400.7 [*Global Financial Institution Bonds*]
section 12.7 [*notifying the regulator of a change, claim or cancellation*]	1. Dealer Member Rule 17.6; 2. Dealer Member Rule 400.3 [*Notice of Termination*]; and 3. Dealer Member Rule 400.3B [*Termination or Cancellation*]
section 12.10 [*annual financial statements*]	1. Dealer Member Rule 16.2 [*Dealer Member Filing Requirements*]; and 2. Form 1
section 12.11 [*interim financial information*]	1. Dealer Member Rule 16.2 [*Dealer Member Filing Requirements*]; and 2. Form 1
section 12.12 [*delivering financial information – dealer*]	1. Dealer Member Rule 16.2 [*Dealer Member Filing Requirements*]
subsection 13.2(3) [*know your client*]	1. Dealer Member Rule 1300.1(a) to (n) [*Identity and Creditworthiness*]; 2. Dealer Member Rule 1300.2; 3. Dealer Member Rule 2500, Part II [*Opening New Accounts*]; 4. Dealer Member Rule 2700, Part II [*New Account Documentation and Approval*]; and 5. Form 2 *New Client Application Form*
section 13.3 [*suitability determination*]	1. Dealer Member Rule 1300.1(o) [*Business Conduct*]; 2. Dealer Member Rule 1300.1(p) [*Suitability determination required when accepting order*]; 3. Dealer Member Rule 1300.1(q) [*Suitability determination required when recommendation provided*]; 4. Dealer Member Rule 1300.1(r) [*Suitability determination required for account positions held when certain events occur*]; 5. Dealer Member Rule 1300.1(s) [*Suitability of investments in client accounts*]; 6. Dealer Member Rule 1300.1(t) – (v) [*Exemptions from the suitability assessment requirements*]; 7. Dealer Member Rule 1300.1(w) [*Corporation approval*] 8. Dealer Member Rule 2700, Part I [*Customer Suitability*]; and 9. Dealer Member Rule 3200 [*Minimum requirements for Dealer Members seeking approval under Rule 1300.1(t) to offer an order-execution only service*]
Section 13.3.1 [*waivers*]	1. Dealer Member Rule 1300.1(o) [*Business Conduct*]; 2. Dealer Member Rule 1300.1(p) [*Suitability determination required when accepting order*]; 3. Dealer Member Rule 1300.1(q) [*Suitability determination required when recommendation provided*]; 4. Dealer Member Rule 1300.1(r) [*Suitability determination required for account positions held when certain events occur*]; 5. Dealer Member Rule 1300.1(s) [*Suitability of investments in client accounts*]; 6. Dealer Member Rule 1300.1(t) – (v) [*Exemptions from the suitability assessment requirements*]; 7. Dealer Member Rule 1300.1(w) [*Corporation approval*]; 8. Dealer Member Rule 2700, Part I [*Customer Suitability*]; and 9. Dealer Member Rule 3200 [*Minimum requirements for Dealer Members seeking approval under Rule 1300.1(t) to offer an order-execution only service*]

NI 31-103 Provision	IIROC Provision
section 13.12 [*restriction on borrowing from, or lending to, clients*]	1. Dealer Member Rule 17.11; and 2. Dealer Member Rule 100 [*Margin Requirements*]
section 13.13 [*disclosure when recommending the use of borrowed money*]	1. Dealer Member Rule 29.26
section 13.15 [*handling complaints*]	1. Dealer Member Rule 2500, Part VIII [*Client Complaints*]; and 2. Dealer Member Rule 2500B [*Client Complaint Handling*]
subsection 14.2(2) [*relationship disclosure information*]	1. Dealer Member Rule 3500.5 [*Content of relationship disclosure*]
subsection 14.2(3) [*relationship disclosure information*]	1. Dealer Member Rule 3500.4 [*Format of relationship disclosure*]
subsection 14.2(4) [*relationship disclosure information*]	1. Dealer Member Rule 3500.1 [*Objective of relationship disclosure requirements*]
subsection 14.2(5.1) [*relationship disclosure information*]	1. Dealer Member Rule 29.8
section 14.2.(6) [*relationship disclosure information*]	1. Dealer Member Rule 3500.1 [*Objective of relationship disclosure requirements*]
section 14.2.1 [*pre-trade disclosure of charges*]	1. Dealer Member Rule 29.9
section 14.5.2 [*restriction on self-custody and qualified custodian requirement*]	1. Dealer Member Rule 17.2A [*Establishment and maintenance of adequate internal controls in accordance with Dealer Member Rule 2600*]; 2. Dealer Member Rules 17.3, 17.3A, 17.3B and 2000 [*Segregation Requirements*]; 3. Dealer Member Rule 2600 – Internal Control Policy Statement 4 [*Segregation of Clients' Securities*]; 4. Dealer Member Rule 2600 - Internal Control Policy Statement 5 [*Safekeeping of Clients' Securities*]; 5. Dealer Member Rule 2600 - Internal Control Policy Statement 6 [*Safeguarding of Securities and Cash*]; and 6. Definition of "acceptable securities locations", General Notes and Definitions to Form 1
section 14.5.3 [*cash and securities held by a qualified custodian*]	1. Dealer Member Rule 200 [*Minimum Records*]
section 14.6 [*holding client and investment fund assets held by a registered firm in trust*]	1. Dealer Member Rule 17.3
section 14.6.1 [*custodial provisions relating to certain margin or security interests*]	1. Dealer Member Rules 17.2, 17.2A, 17.3, 17.3A, 17.3B, 17.11 and 2000 [*Segregation Requirements*]; 2. Dealer Member Rule 100 [*Margin Requirements*]; 3. Dealer Member Rule 2200 [*Cash and Securities Loan Transactions*]; 4. Dealer Member Rule 2600 – Internal Control Policy Statement 4 [*Segregation of Clients' Securities*]; 5. Dealer Member Rule 2600 - Internal Control Policy Statement 5 [*Safekeeping of Clients' Securities*] 6. Dealer Member Rule 2600 - Internal Control Policy Statement 6 [*Safeguarding of Securities and Cash*]; and 7. Definitions of "acceptable counterparties", "acceptable institutions", "acceptable securities locations", "regulated entities", General Notes and Definitions to Form 1
section 14.6.2 [*custodial provisions relating to short sales*]	1. Dealer Member Rule 100 [*Margin Requirements*]; 2. Dealer Member Rule 2200 [*Cash and Securities Loan Transactions*]; 3. Dealer Member Rule 2600 - Internal Control Policy Statement 6 [*Safeguarding of Securities and Cash*]; and 4. Definitions of "acceptable counterparties", "acceptable institutions", "acceptable securities locations", "regulated entities", General Notes and Definitions to Form 1
section 14.8 [*securities subject to a safekeeping agreement*] [***repealed***]	

NI 31-103 Provision	IIROC Provision
section 14.9 [*securities not subject to a safekeeping agreement*] [***repealed***]	
section 14.11.1 [*determining market value*]	1. Dealer Member Rule 200.1(c); and 2. Definition (g) of the General Notes and Definitions to Form 1
section 14.12 [*content and delivery of trade confirmation*]	1. Dealer Member Rule 200.1(h)
section 14.14 [*account statements*]	1. Dealer Member Rule 200.2(d) [*Client account statements*]; and 2. "Guide to Interpretation of Rule 200.2", Item (d)
section 14.14.1 [*additional statements*]	1. Dealer Member Rule 200.2(e) [*Report on client positions held outside of the Dealer Member*]; 2. Dealer Member Rule 200.4 [*Timing of sending documents to clients*]; and 3. "Guide to Interpretation of Rule 200.2", Item (e)
section 14.14.2 [*security position cost information*]	1. Dealer Member Rule 200.1(a); 2. Dealer Member Rule 200.1(b); 3. Dealer Member Rule 200.1(e); 4. Dealer Member Rule 200.2(d)(ii)(F) and (H); and 5. Dealer Member Rule 200.2(e)(ii)(C) and (E)
section 14.17 [*report on charges and other compensation*]	1. Dealer Member Rule 200.2(g) [*Fee/charge report*]; and 2. "Guide to Interpretation of Rule 200.2", Item (g)
section 14.18 [*investment performance report]*	1. Dealer Member Rule 200.2(f) [*Performance report*]; and 2. "Guide to Interpretation of Rule 200.2", Item (f)
section 14.19 [*content of investment performance report*]	1. Dealer Member Rule 200.2(f) [*Performance report*]; and 2. "Guide to Interpretation of Rule 200.2", Item (f)
section 14.20 [*delivery of report on charges and other compensation and investment performance report*]	1. Dealer Member Rule 200.4 [*Timing of the sending of documents to clients*]

APPENDIX H – EXEMPTIONS FROM CERTAIN REQUIREMENTS FOR MFDA MEMBERS
(Section 9.4 [*exemptions from certain requirements for MFDA members*])

NI 31-103 Provision	**MFDA Provision**
section 12.1 [*capital requirements*]	1. Rule 3.1.1 [*Minimum Levels*]; 2. Rule 3.1.2 [*Notice*]; 3. Rule 3.2.2 [*Member Capital*]; 4. Form 1; and 5. Policy No. 4 [*Internal Control Policy Statements – Policy Statement 2: Capital Adequacy*]
section 12.2 [*subordination agreement*]	1. Form 1, Statement F [*Statement of Changes in Subordinated Loans*]; and 2. Membership Application Package – Schedule I (Subordinated Loan Agreement)
section 12.3 [*insurance – dealer*]	1. Rule 4.1 [*Financial Institution Bond*]; 2. Rule 4.4 [*Amounts Required*]; 3. Rule 4.5 [*Provisos*]; 4. Rule 4.6 [*Qualified carriers*]; and 5. Policy No. 4 [*Internal Control Policy Statements – Policy Statement 3: Insurance*]
section 12.6 [*global bonding or insurance*]	1. Rule 4.7 [*Global Financial Institution Bonds*]
section 12.7 [*notifying the regulator of a change, claim or cancellation*]	1. Rule 4.2 [*Notice of Termination*]; and 2. Rule 4.3 [*Termination or Cancellation*]
section 12.10 [annual financial statements]	1. Rule 3.5.1 [*Monthly and Annual*]; 2. Rule 3.5.2 [*Combined Financial Statements*]; and 3. Form 1
section 12.11 [*interim financial information*]	1. Rule 3.5.1 [*Monthly and Annual*]; 2. Rule 3.5.2 [*Combined Financial Statements*]; and 3. Form 1
section 12.12 [*delivering financial information – dealer*]	1. Rule 3.5.1 *[Monthly and Annual]*
section 13.3 [*suitability determination*]	1. Rule 2.2.1 ["*Know-Your-Client*"]; and 2. Policy No. 2 [*Minimum Standards for Account Supervision*]
section 13.3.1 [*waivers*]	1. Rule 2.2.1 [*"Know-Your-Client"*]; and 2. Policy No. 2 [*Minimum Standards for Account Supervision*]
Section 13.12 [*restriction on borrowing from, or lending to, clients*]	1. Rule 3.2.1 [*Client Lending and Margin*]; and 2. Rule 3.2.3 [*Advancing Mutual Fund Redemption Proceeds*]
section 13.13 [*disclosure when recommending the use of borrowed money*]	1. Rule 2.6 [*Borrowing for Securities Purchases*]
section 13.15 [*handling complaints*]	1. Rule 2.11 [*Complaints*]; 2. Policy No. 3 [*Complaint Handling, Supervisory Investigations and Internal Discipline*]; and 3. Policy No. 6 [*Information Reporting Requirements*]
subsection 14.2(2) [*relationship disclosure information*]	1. Rule 2.2.5 [*Relationship Disclosure*]; and 2. Rule 2.4.3 [*Operating Charges*]
section 14.5.2 [*restriction on self-custody and qualified custodian requirement*]	1. Rule 3.3.1 [*General*]; 2. Rule 3.3.2 [*Cash*]; 3. Rule 3.3.3 [*Securities*]; and 4. Policy No. 4 [*Internal Control Policy Statements – Policy Statement 4: Cash and Securities, and Policy Statement 5: Segregation of Clients' Securities*]
section 14.5.3 [*cash and securities held by a qualified custodian*]	1. Policy No. 4 [*Internal Control Policy Statements – Policy Statement 4: Cash and Securities, and Policy Statement 5: Segregation of Clients' Securities*]

NI 31-103 Provision	MFDA Provision
section 14.6 [*client and investment fund assets held by a registered firm in trust*]	1. Rule 3.3.1 [*General*]; 2. Rule 3.3.2 [*Cash*]; 3. Rule 3.3.3 [*Securities*]; and 4. Policy No. 4 [*Internal Control Policy Statements – Policy Statement 4: Cash and Securities, and Policy Statement 5: Segregation of Clients' Securities*]
section 14.6.1 [*custodial provisions relating to certain margin or security interests*]	1. Rule 3.2.1 [*Client Lending and Margin*]
section 14.6.2 [*custodial provisions relating to short sales*]	1. Rule 3.2.1 [*Client Lending and Margin*]
section 14.8 [*securities subject to a safekeeping agreement*] [***repealed***]	
section 14.9 [*securities not subject to a safekeeping agreement*] [***repealed***]	
section 14.11.1 [*determining market value*]	1. Rule 5.3(1)(f) [*definition of "market value*"]; and 2. Definitions to Form 1 [*definition of "market value of a security*"]
section 14.12 [*content and delivery of trade confirmation*]	1. Rule 5.4.1 [*Delivery of Confirmations*]; 2. Rule 5.4.2 [*Automatic Plans*]; and 3. Rule 5.4.3 [*Content*]
section 14.14 [*account statements*]	1. Rule 5.3.1 [*Delivery of Account Statement*]; and 2. Rule 5.3.2 [*Content of Account Statement*];
section 14.14.1 [*additional statements*]	1. Rule 5.3.1 [*Delivery of Account Statement*]; and 2. Rule 5.3.2 [*Content of Account Statement*];
section 14.14.2 [*security position cost information*]	1. Rule 5.3(1)(a) [*definition of "book cost"*]; 2. Rule 5.3(1)(c) [*definition of "cost"*]; and 3. Rule 5.3.2(c) [*Content of Account Statement – Market Value and Cost Reporting*]
section 14.17 [*report on charges and other compensation*]	1. Rule 5.3.3 [*Report on Charges and Other Compensation*]
section 14.18 [*investment performance report*]	1. Rule 5.3.4 [*Performance Report*]; and 2. Policy No. 7 *Performance Reporting*
section 14.19 [*content of investment performance report*]	1. Rule 5.3.4 [*Performance Report*]; and 2. Policy No. 7 *Performance Reporting*
section 14.20 [*delivery of report on charges and other compensation and investment performance report*]	1. Rule 5.3.5 [*Delivery of Report on Charges and Other Compensation and Performance Report*]

COMPANION POLICY 31-103CP
REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS

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COMPANION POLICY 31-103CP
REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS

PART 1 – DEFINITIONS AND FUNDAMENTAL CONCEPTS

1.1 Introduction

Purpose of this Companion Policy

This Companion Policy sets out how the Canadian Securities Administrators (the CSA or we) interpret or apply the provisions of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) and related securities legislation.

Numbering system

Except for Part 1, the numbering of Parts, Divisions and sections in this Companion Policy corresponds to the numbering in NI 31-103. Any general guidance for a Part or a Division appears immediately after the Part or Division name. Any specific guidance on sections in NI 31-103 follows any general guidance. If there is no guidance for a Part, Division or section, the numbering in this Companion Policy will skip to the next provision that does have guidance.

All references in this Companion Policy to sections, Parts and Divisions are to NI 31-103, unless otherwise noted.

Additional requirements applicable to registrants

For additional requirements that may apply to them, registrants should refer to:

- National Instrument 31-102 *National Registration Database* (NI 31-102) and the Companion Policy to NI 31-102
- National Instrument 33-109 *Registration Information* (NI 33-109) and the Companion Policy to NI 33-109
- National Policy 11-204 *Process for Registration in Multiple Jurisdictions* (NP 11-204), and
- securities and derivatives legislation in their jurisdiction

Registrants that are members of an SRO must also comply with their SRO's requirements.

Disclosure and notices

Delivering disclosure and notices to the principal regulator

Under section 1.3, registrants must deliver all disclosure and notices required under NI 31-103 to the registrant's principal regulator. This does not apply to notices under sections 8.18 [*international dealer*] and 8.26 [*international adviser*].

Registrants must deliver these notices to the regulator in each jurisdiction where they are registered or relying on an exemption from registration.

Electronic delivery of documents

These documents may be delivered electronically. Registrants should refer to National Policy 11-201 *Electronic Delivery of Documents* (NP 11-201).

See Appendix A for contact information for each regulator.

Clear and meaningful disclosure to clients

We expect registrants to present disclosure information to clients in a clear and meaningful manner in order to ensure clients understand the information presented. Registrants should ensure that investors can readily understand the information. These requirements are consistent with the obligation to deal fairly, honestly and in good faith with clients.

1.2 Definitions

Unless defined in NI 31-103, terms used in NI 31-103 and in this Companion Policy have the meaning given to them in the securities legislation of each jurisdiction or in National Instrument 14-101 *Definitions*. See Appendix B for a list of some terms that are not defined in NI 31-103 or this Companion Policy but are defined in other securities legislation.

In this Companion Policy "regulator" means the regulator or securities regulatory authority in a jurisdiction.

Permitted client

The following discussion provides guidance on the term "permitted client", which is defined in section 1.1.

"Permitted client" is used in the following sections:

- 8.18 [*international dealer*]
- 8.22.1 [*short-term debt*]
- 8.26 [*international adviser*]
- 13.2 [*know your client*]
- 13.3 [*suitability determination*]
- 13.3.1 [*waivers*]
- 13.13 [*disclosure when recommending the use of borrowed money*]
- 14.2 [*relationship disclosure information*]
- 14.2.1 [*pre-trade disclosure of charges*]
- 14.4 [*when the firm has a relationship with a financial institution*]
- 14.5.2 [*restriction on self-custody and qualified custodian requirement*]

- 14.14.1 [*additional statements*]
- 14.14.2 [*security position cost information*]
- 14.17 [*report on charges and other compensation*]
- 14.18 [*investment performance report*]

Exemptions from registration when dealing with permitted clients

Sections 8.18 and 8.26 exempt international dealers and international advisers from the registration requirement if they deal with certain permitted clients and meet certain other conditions.

Section 8.22.1 exempts certain financial institutions from the dealer registration requirement when dealing in a short-term debt instrument with permitted clients.

Exemptions from other requirements when dealing with permitted clients

Under section 13.3.1, permitted clients may waive their right to have a registrant determine that a trade is suitable. In order to rely on this exemption, the registrant must determine that a client is a permitted client at the time the client waives their right to suitability.

Under sections 13.13 and 14.4, registrants do not have to provide certain disclosures to permitted clients. In order to rely on these exemptions, registrants must determine that a client is a permitted client at the time the client opens an account. Under sections 14.2, 14.2.1, 14.14.1, 14.14.2, 14.17 and 14.18, registrants do not have to provide certain disclosures or reports to a permitted client that is not an individual.

Under paragraph 14.5.2(7)(d), registered firms are not required to ensure that cash or securities of permitted clients, that are not individuals or investment funds, are held with a qualified custodian if the permitted client has acknowledged in writing that the permitted client is aware that this qualified custodian requirement will not apply to the firm. In order to rely on this exemption, we expect registered firms to determine that the client is a permitted client that is not an individual or investment fund at the time the client acknowledges that its right to a qualified custodian will not apply.

Determining assets

The definition of permitted client includes monetary thresholds based on the value of the client's assets. The monetary thresholds in paragraphs (o) and (q) of the definition are intended to create "bright-line" standards. Investors who do not satisfy these thresholds do not qualify as permitted clients under the applicable paragraph.

Paragraph (o) of the definition

Paragraph (o) refers to an individual who beneficially owns financial assets with an aggregate realizable value that exceeds $5 million, before taxes but net of any related liabilities.

In general, determining whether financial assets are beneficially owned by an individual should be straightforward. However, this determination may be more difficult if financial assets are held in a trust or in other types of investment vehicles for the benefit of an individual.

Factors indicating beneficial ownership of financial assets include:

- possession of evidence of ownership of the financial asset
- entitlement to receive any income generated by the financial asset
- risk of loss of the value of the financial asset, and
- the ability to dispose of the financial asset or otherwise deal with it as the individual sees fit

For example, securities held in a self-directed RRSP for the sole benefit of an individual are beneficially owned by that individual. Securities held in a group RRSP are not beneficially owned if the individual cannot acquire and deal with the securities directly.

"Financial assets" is defined in section 1.1 of National Instrument 45-106 *Prospectus Exemptions* (NI 45-106).

Realizable value is typically the amount that would be received by selling an asset.

Paragraph (q) of the definition

Paragraph (q) refers to a person or company that has net assets of at least $25 million, as shown on its last financial statements. "Net assets" under this paragraph is total assets minus total liabilities.

Definitions related to sections 13.2.01 and 13.19

Appendix G provides guidance on the terms "financial exploitation", "temporary hold", trusted contact person" and "vulnerable client".

1.3 Fundamental concepts

This section describes the fundamental concepts that form the basis of the registration regime:

- requirement to register
- business trigger for trading and advising, and
- fitness for registration

A registered firm is responsible for the conduct of the individuals whose registration it sponsors. A registered firm

- must undertake due diligence before sponsoring an individual to be registered to act on its behalf (see further guidance in Part 4 *due diligence by firms* of the Companion Policy to NI 33-109)
- has an ongoing obligation to monitor, supervise and train its registered individuals in an effective manner (see further guidance in section 11.1 of this Companion Policy)

Failure of a registered firm to take reasonable steps to discharge these responsibilities may be relevant to the firm's own continued fitness for registration.

Requirement to register

The requirement to register is found in securities legislation. Firms must register if they are:

- in the business of trading
- in the business of advising
- holding themselves out as being in the business of trading or advising
- acting as an underwriter, or
- acting as an investment fund manager

Individuals must register if they trade, underwrite or advise on behalf of a registered dealer or adviser, or act as the ultimate designated person (UDP) or chief compliance officer (CCO) of a registered firm. Except for the UDP and the CCO, individuals who act on behalf of a registered investment fund manager do not have to register.

However, all permitted individuals of any registrant must file Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* (Form 33-109F4).

There is no renewal requirement for registration, but fees must be paid every year to maintain registration.

Multiple categories

Registration in more than one category may be necessary. For example, an adviser that also manages an investment fund may have to register as a portfolio manager and an investment fund manager. An adviser that manages a portfolio and distributes units of an investment fund may have to register as a portfolio manager and as a dealer.

Registration exemptions

NI 31-103 provides exemptions from the registration requirement. There may be additional exemptions in securities legislation. Some exemptions do not need to be applied for if the conditions of the exemption are met. In other cases, on receipt of an application, the regulator has discretion to grant exemptions for specified dealers, advisers or investment fund managers, or activities carried out by them if registration is required but specific circumstances indicate that it is not otherwise necessary for investor protection or market integrity.

Business trigger for trading and advising

We refer to trading or advising in securities for a business purpose as the "business trigger" for registration.

We look at the type of activity and whether it is carried out for a business purpose to determine if an individual or firm must register. We consider the factors set out below, among others, to determine if the activity is for a business purpose. For the most part, these factors are from case law and regulatory decisions that have interpreted the business purpose test for securities matters.

Factors in determining business purpose

This section describes factors that we consider relevant in determining whether an individual or firm is trading or advising in securities for a business purpose and, therefore, subject to the dealer or adviser registration requirement.

This is not a complete list. We do not automatically assume that any one of these factors on its own will determine whether an individual or firm is in the business of trading or advising in securities.

(a) Engaging in activities similar to a registrant

We usually consider an individual or firm engaging in activities similar to those of a registrant to be trading or advising for a business purpose. Examples include promoting securities or stating in any way that the individual or firm will buy or sell securities. If an individual or firm sets up a business to carry out any of these activities, we may consider them to be trading or advising for a business purpose.

(b) Intermediating trades or acting as a market maker

In general, we consider intermediating a trade between a seller and a buyer of securities to be trading for a business purpose. This typically takes the form of the business commonly referred to as a broker. Making a market in securities is also generally considered to be trading for a business purpose.

(c) Directly or indirectly carrying on the activity with repetition, regularity or continuity

Frequent or regular transactions are a common indicator that an individual or firm may be engaged in trading or advising for a business purpose. The activity does not have to be their sole or even primary endeavour for them to be in the business.

We consider regularly trading or advising in any way that produces, or is intended to produce, profits to be for a business purpose. We also consider any other sources of income and how

much time an individual or firm spends on all activities associated with the trading or advising.

(d) Being, or expecting to be, remunerated or compensated

Receiving, or expecting to receive, any form of compensation for carrying on the activity, including whether the compensation is transaction or value based, indicates a business purpose. It does not matter if the individual or firm actually receives compensation or in what form. Having the capacity or the ability to carry on the activity to produce profit is also a relevant factor.

(e) Directly or indirectly soliciting

Contacting anyone to solicit securities transactions or to offer advice may reflect a business purpose. Solicitation includes contacting someone by any means, including advertising that proposes buying or selling securities or participating in a securities transaction, or that offers services or advice for these purposes.

Business trigger examples

This section explains how the business trigger might apply to some common situations.

(a) Securities issuers

A securities issuer is an entity that issues or trades in its own securities. In general, securities issuers with an active non-securities business do not have to register as a dealer if they:

- do not hold themselves out as being in the business of trading in securities
- trade in securities infrequently
- are not, or do not expect to be, compensated for trading in securities
- do not act as intermediaries, and
- do not produce, or intend to produce, a profit from trading in securities

During the start-up stage, securities issuers may not yet be actively carrying on their intended business. We consider a start-up securities issuer to have an "active non-securities business" if the entity is raising capital to start a non-securities business. Although the entity does not need to be producing a product or delivering a service, we would expect it to have a bona fide business plan to do so, containing milestones and the time anticipated to reach those milestones. For example, technology companies may raise money with only a business plan for many years before they start producing a product or delivering a service. Similarly, junior exploration companies may raise money with only a business plan long before they find or extract any resources.

However, securities issuers may have to register as dealers if they are in the business of trading. Conduct that would indicate that security issuers are in the business includes frequently trading in securities. While frequent trading is a common indicator of being in the business of trading, we recognize that trading may be more frequent during the start-up stage, as an issuer needs to raise capital to launch and advance the business. If the trading is primarily for the purpose of advancing the issuer's business plan, then the frequency of the activities alone should not result in the issuer being in the business of trading in securities. If the capital raising and use of that capital are not advancing the business, the issuer may need to register as a dealer.

Securities issuers may also have to register as a dealer if they

- employ or contract individuals to perform activities on their behalf that are similar to those performed by a registrant (other than underwriting in the normal course of a distribution or trading for their own account)
- actively solicit investors, subject to the discussion below, or
- act as an intermediary by investing client money in securities

For example, an investment fund manager that carries on the activities described above may have to register as a dealer.

Many issuers actively solicit through officers, directors or other employees. If these individuals' activities are incidental to their primary roles with an issuer, they would likely not be in the business of trading. Factors that would suggest that the issuer and these individuals are in the business of trading are:

- the principal purpose of the individual's employment is raising capital through distributions of the issuer's securities;
- the individuals spend the majority of their time raising capital in this manner
- the individuals' compensation or remuneration is based solely or primarily on the amount of capital they raise for the issuer.

Securities issuers that are distributing securities are subject to the prospectus requirements unless an exemption is available. Regulators have the discretionary authority to require an underwriter for a prospectus distribution.

(b) Venture capital and private equity

This guidance does not apply to labour sponsored or venture capital funds as defined in National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106).

Venture capital and private equity investing are distinguished from other forms of investing by the role played by venture capital and private equity management companies (collectively, VCs). This

type of investing includes a range of activities that may require registration.

VCs typically raise money under one of the prospectus exemptions in NI 45-106, including for trades to "accredited investors". The investors typically agree that their money will remain invested for a period of time. The VC uses this money to invest in securities of companies that are usually not publicly traded. The VC usually becomes actively involved in the management of the company, often over several years.

Examples of active management in a company include the VC having:

- representation on the board of directors
- direct involvement in the appointment of managers
- a say in material management decisions

The VC looks to realize on the investment either through a public offering of the company's securities, or a sale of the business. At this point, the investors' money can be returned to them, along with any profit.

Investors rely on the VC's expertise in selecting and managing the companies it invests in. In return, the VC receives a management fee or "carried interest" in the profits generated from these investments. They do not receive compensation for raising capital or trading in securities.

Applying the business trigger factors to the VC activities as described above, there would be no requirement for the VC to register as:

- a portfolio manager, if the advice provided in connection with the purchase and sale of companies is incidental to the VC's active management of these companies, or
- a dealer, if both the raising of money from investors and the investing of that money by the VC (in securities of companies that are usually not publicly traded) are occasional and uncompensated activities

If the VC is actively involved in the management of the companies it invests in, the investment portfolio would generally not be considered an investment fund. As result, the VC would not need to register as an investment fund manager.

The business trigger factors and investment fund manager analysis may apply differently if the VC engages in activities other than those described above.

(c) One-time activities

In general, we do not require registration for one-time trading or advising activities. This includes trading or advising that:

- is carried out by an individual or firm acting as a trustee, executor, administrator, personal or other legal representative, or
- relates to the sale of a business

(d) Incidental activities

If trading or advising activity is incidental to a firm's primary business, we may not consider it to be for a business purpose.

For example, merger and acquisition specialists that advise the parties to a transaction between companies are not normally required to register as dealers or advisers in connection with that activity, even though the transaction may result in trades in securities and they will be compensated for the advice. If the transaction results in trades in the securities of the company to an acquirer, this is considered incidental to the acquisition transaction. However, if the merger and acquisition specialists also engage in capital raising from prospective investors (including private placements), they will need to consider whether such activity would be in the business of trading and require registration.

Another example is professionals, such as lawyers, accountants, engineers, geologists and teachers, who may provide advice on securities in the normal course of their professional activities. We do not consider them to be advising on securities for a business purpose. For the most part, any advice on securities will be incidental to their professional activities. This is because they:

- do not regularly advise on securities
- are not compensated separately for advising on securities
- do not solicit clients on the basis of their securities advice, and
- do not hold themselves out as being in the business of advising on securities

Registration trigger for investment fund managers

Investment fund managers are subject to a registration trigger. This means that if a firm carries on the activities of an investment fund manager, it must register. However, investment fund managers are not subject to the business trigger.

Fitness for registration

The regulator will only register an applicant if they appear to be fit for registration. Following registration, individuals and firms must maintain their fitness in order to remain registered. If the regulator determines that a registrant has become unfit for registration, the regulator may suspend or revoke the registration. See Part 6 of this Companion Policy for guidance on suspension and revocation of individual registration. See Part 10 of

this Companion Policy for guidance on suspension and revocation of firm registration.

Terms and conditions

The regulator may impose terms and conditions on a registration at the time of registration or at any time after registration. Terms and conditions imposed at the time of registration are generally permanent, for example, in the case of a restricted dealer who is limited to specific activities. Terms and conditions imposed after registration are generally temporary. For example, if a registrant does not maintain the required capital, it may have to file monthly financial statements and capital calculations until the regulator's concerns are addressed.

Opportunity to be heard

Applicants and registrants have an opportunity to be heard by the regulator before their application for registration is denied. They also have an opportunity to be heard before the regulator imposes terms and conditions on their registration if they disagree with the terms and conditions.

Assessing fitness for registration - firms

We assess whether a firm is or remains fit for registration through the information it is required to provide on registration application forms and as a registrant, and through compliance reviews. Based on this information, we consider whether the firm is able to carry out its obligations under securities legislation. For example, registered firms must be financially viable. A firm that is insolvent or has a history of bankruptcy may not be fit for registration.

In addition, when determining whether a firm whose head office is outside Canada is, and remains, fit for registration, we will consider whether the firm maintains registration or regulatory organization membership in the foreign jurisdiction that is appropriate for the securities business it carries out there.

Assessing fitness for registration - individuals

We use three fundamental criteria to assess whether an individual is or remains fit for registration:

- proficiency
- integrity, and
- solvency

(a) Proficiency

Individual applicants must meet the initial proficiency requirements by demonstrating that they have the applicable education, training and experience prescribed by securities legislation as well as knowledge of securities legislation.

Registered individuals should continually update their knowledge and training to keep pace with new securities, services and developments in the industry that are relevant to their business. See Part 3 of this Companion Policy for more specific guidance on proficiency.

(b) Integrity

Registered individuals must conduct themselves with integrity and have an honest character. The regulator will assess the integrity of individuals through the information they are required to provide on registration application forms and as registrants, and through compliance reviews. For example, applicants are required to disclose information about conflicts of interest, such as other employment or partnerships, service as a member of a board of directors, or relationships with affiliates, and about any regulatory or legal actions against them.

(c) Solvency

The regulator will assess the overall financial condition of an individual applicant or registrant. An individual that is insolvent or has a history of bankruptcy may not be fit for registration. Depending on the circumstances, the regulator may consider the individual's contingent liabilities. The regulator may take into account an individual's bankruptcy or insolvency when assessing their continuing fitness for registration.

PART 2 – CATEGORIES OF REGISTRATION FOR INDIVIDUALS

2.1 Individual categories

Multiple individual categories

Individuals who carry on more than one activity requiring registration on behalf of a registered firm must:

- register in all applicable categories, and
- meet the proficiency requirements of each category

For example, an advising representative of a portfolio manager who is also the firm's CCO must register in the categories of advising representative and CCO. They must meet the proficiency requirements of both of these categories.

Individual registered in a firm category

An individual can be registered in both a firm and individual category. For example, a sole proprietor who is registered in the firm category of portfolio manager must also be registered in the individual category of advising representative.

2.2 Client mobility exemption – individuals

Conditions of the exemption

The mobility exemption in section 2.2 allows registered individuals to continue dealing with and advising clients who move to another jurisdiction, without registering in that other jurisdiction.

Section 8.30 *Client mobility exemption – firms* contains a similar exemption for registered firms.

The exemption becomes available when the client (not the registrant) moves to another jurisdiction. An individual may deal with up to five "eligible" clients in each other jurisdiction. Each of the client, their spouse and any children are an eligible client.

An individual may only rely on the exemption if:

- they and their sponsoring firm are registered in their principal jurisdiction
- they and their sponsoring firm only act as a dealer, underwriter or adviser in the other jurisdiction as permitted under their registration in their principal jurisdiction
- they comply with Part 13 *dealing with clients – individuals and firms*
- they act fairly, honestly and in good faith in their dealings with the eligible client, and
- their sponsoring firm has disclosed to the eligible client that the individual and if applicable, their sponsoring firm, are exempt from registration in the other jurisdiction and are not subject to the requirements of securities legislation in that jurisdiction

As soon as possible after an individual first relies on this exemption, their sponsoring firm must complete and file Form 31-103F3 *Use of mobility exemption* (Form 31-103F3) with the other jurisdiction.

Limits on the number of clients

Sections 2.2 and 8.30 are independent of each other: individuals may rely on the exemption from registration in section 2.2 even though their sponsoring firm is registered in the local jurisdiction (and is not relying on the exemption from registration in section 8.30). The limits in sections 2.2 and 8.30 are per jurisdiction.

For example a firm using the exemption in section 8.30 could have 10 clients in each of several local jurisdictions where it is not registered. An individual may also use the exemption in section 2.2 to have 5 clients in each of several jurisdictions where the individual is not registered.

The individual limits are per individual. For example several individuals working for the same firm could each have 5 clients in the same local jurisdiction and each individual could still rely on the exemption in section 2.2. However, the firm may not exceed its 10 client limit if it wants to rely on the exemption in section 8.30. If the firm exceeds the 10 client limit, the firm must be registered in the local jurisdiction.

PART 3 – REGISTRATION REQUIREMENTS – INDIVIDUALS

Division 1 - General proficiency requirements

Application of proficiency requirements

Part 3 sets out the initial and ongoing proficiency requires for

- dealing representatives and chief compliance officers of mutual fund dealers, scholarship plan dealers and exempt-market dealers respectively
- advising representatives, associate advising representatives and chief compliance officers of portfolio managers
- chief compliance officers of investment fund managers

The regulator is required to determine the individual's fitness for registration and may exercise discretion in doing so.

Section 3.3 does not provide proficiency requirements for dealing representatives of investment dealers since the IIROC Rules provide those requirements for the individuals who are approved persons of IIROC member firms.

Exam based requirements

Individuals must pass exams – not courses – to meet the education requirements in Part 3. For example, an individual must pass the Canadian Securities Course Exam, but does not have to complete the Canadian Securities Course. Individuals are responsible for completing the necessary preparation to pass an exam and for proficiency in all areas covered by the exam.

3.3 Time limits on examination requirements

Under section 3.3, there is a time limit on the validity of exams prescribed in Part 3. Individuals must pass an exam within 36 months before they apply for registration. However, this time limit does not apply if the individual:

- was registered in an active capacity (i.e., not suspended), in the same category in a jurisdiction of Canada at any time during the 36-month period before the date of their application; or
- has gained relevant securities industry experience for a total of 12 months during the 36-month period before the date of their application; these months do not have to be consecutive, or with the same firm or organization.

These time limits do not apply to the CFA Charter or the CIM designation, since we do not expect the holders of these designations to have to retake the courses forming part of the requirements applicable to these designations. However, if the individual no longer has the right to use the CFA Charter or the

CIM designation, by reason of revocation of the designation or otherwise, we may consider the reasons for such a revocation to be relevant in determining an individual's fitness for registration. Registered individuals are required to notify the regulator of any change in the status of the CFA Charter or the CIM designation within 10 days of the change, by submitting Form 33-109F5 *Change of Registration Information* in accordance with NI 31-102 *National Registration Database.*

When assessing an individual's fitness for registration, the regulator may consider

- the date on which the relevant examination was passed, and
- the length of time between any suspension and reinstatement of registration during the 36 month period

See Part 6 of this Companion Policy for guidance on the meaning of "suspension" and "reinstatement".

Relevant securities industry experience

The securities industry experience under subsection 3.3(2)(b) should be relevant to the category applied for. It may include experience acquired:

- during employment at a registered dealer, a registered adviser or an investment fund manager
- in related investment fields, such as investment banking, securities trading on behalf of a financial institution, securities research, portfolio management, investment advisory services or supervision of those activities
- in legal, accounting or consulting practices related to the securities industry
- in other professional service fields that relate to the securities industry, or
- in a securities-related business in a foreign jurisdiction

Division 2 - Education and experience requirements

See Appendix C for a chart that sets out the proficiency requirements for each individual category of registration.

Granting exemptions

The regulator may grant an exemption from any of the education and experience requirements in Division 2 if it is satisfied that an individual has qualifications or relevant experience that is equivalent to, or more appropriate in the circumstances than, the prescribed requirements.

Proficiency for representatives of restricted dealers and restricted portfolio managers

The regulator will decide on a case-by-case basis what education and experience are required for registration as:

- a dealing representative or CCO of a restricted dealer, and
- an advising representative or CCO of a restricted portfolio manager

The regulator will determine these requirements when it assesses the individual's fitness for registration.

3.4 Proficiency – initial and ongoing

Proficiency principle

Under section 3.4, registered individuals must not perform an activity that requires registration unless they have the education, training and experience that a reasonable person would consider necessary to perform the activity competently. In the case of CCOs, this includes the knowledge and ability to design and implement an effective compliance system.

Registered individuals should update their knowledge and training to keep pace with new securities, services and developments in the industry that are relevant to their business. Firms are required to provide training on compliance with securities legislation to their registered individuals.

Responsibility of the firm

The responsibility of registered firms to oversee the compliance of registered individuals acting on their behalf extends to ensuring that they are proficient at all times. A registered firm must not permit an individual it sponsors to perform an activity if the proficiency requirements are not met.

3.11 Portfolio manager – advising representative

3.12 Portfolio manager – associate advising representative

The 12 months of relevant investment management experience referred to in section 3.11 and 24 months of relevant investment management experience referred to in section 3.12 do not have to be consecutive, or with the same firm or organization.

For individuals with a CFA charter, the regulator will decide on a case-by-case basis whether the experience they gained to earn the charter qualifies as relevant investment management experience.

Relevant investment management experience

The relevant investment management experience requirement is in addition to the specific course or designation requirements for each category of registration. We will assess whether an individual has acquired relevant investment management

experience on a case-by-case basis. This section describes factors we may consider in assessing certain types of experience.

Relevant investment management experience under sections 3.11 and 3.12 may vary according to the level of specialization of the individual. It may include:

- securities research and analysis experience, demonstrating an ability in, and understanding of, portfolio analysis or portfolio security selection, or
- management of investment portfolios on a discretionary basis, including investment decision making, rebalancing and evaluating performance

Advising representatives

An advising representative may have discretionary authority over investments of others. Accordingly, this category of registration involves the most onerous proficiency requirements. We expect an individual who seeks registration as an advising representative to demonstrate a high quality of experience that is clearly relevant to discretionary portfolio management. This section sets out specific examples of experience that may satisfy the relevant investment management experience requirement for advising representatives.

(a) Discretionary portfolio management

We may consider experience performing discretionary portfolio management in a professional capacity to be sufficient to meet the relevant investment management experience requirement for registration as an advising representative. Such experience may include working at:

- an adviser registered or operating under an exemption from registration in a foreign jurisdiction
- an insurance company
- a pension fund
- a government, corporate, bank or trust company treasury
- an IIROC member firm

(b) Assistant or associate portfolio management

We may consider experience supporting registered portfolio managers or other professional discretionary asset managers to be sufficient to meet the relevant investment management experience requirement for registration as an advising representative. This may include:

- working with portfolio managers to formulate, draft and implement written investment policy statements for clients, and
- researching and analysing individual securities for potential inclusion in investment portfolios

(c) Research analyst with an IIROC member firm or registered adviser

We may consider experience performing research and analysis of individual securities with recommendations for the purpose of determining their suitability for inclusion in client investment portfolios to be sufficient to meet the relevant investment management experience requirement for registration as an advising representative.

Associate advising representatives

This category may be appropriate for individuals who meet the minimum education and experience requirements in section 3.12 but do not meet the more onerous requirements for registration as an advising representative under section 3.11. In evaluating the experience required to obtain registration as an associate advising representative, we take into account that the advice provided by an associate advising representative must be approved by an advising representative in accordance with section 4.2. Experience gained as an associate advising representative does not automatically qualify an individual to be registered as an advising representative.

We will assess on a case-by-case basis whether such experience meets the more stringent quality of experience required for registration as an advising representative. This section sets out specific examples of experience that may satisfy the relevant investment management experience requirement for associate advising representatives.

(a) Client relationship management

We may consider client relationship management experience with a registered portfolio manager firm to be sufficient to meet the relevant investment management experience requirement for registration as an associate advising representative where the applicant has assisted portfolio managers in tailoring strategies for specific clients. This may include experience assisting the portfolio managers in assessing suitability, creating investment policy statements, determining asset allocation, monitoring client portfolios and performing research and analysis on the economy or asset classes generally.

We recognize that many individuals who perform client relationship management services may not provide specific advice and therefore may not trigger the registration requirement. For example, some client services representatives conduct activities such as marketing the services of the firm by providing general information about the registrant firm and its services that do not include a strategy tailored to any specific client. While some client service representatives may accompany advising representatives or associate advising

representatives to meetings with clients and provide assistance with marketing and client development activities, without registration they may not themselves develop an investment policy statement for the client, provide specific information such as recommending a particular model portfolio for the client or explain the implications of discretionary portfolio decisions that were made by the client's advising representative.

(b) Corporate finance

We may consider corporate finance experience involving valuing and analysing securities for initial public offerings, debt and equity financings, takeover bids and mergers to be sufficient to meet the relevant investment management experience requirement for registration as an associate advising representative where this experience demonstrates an ability in, and understanding of, portfolio analysis or portfolio securities selection.

Some types of experience remain highly case-specific

While the quality and nature of the experience discussed above may differ from individual to individual and we assess experience on a case-by-case basis, there are some types of experience that are even more highly case-specific. This section sets out specific examples of case specific experience that may satisfy the relevant investment management experience requirement for advising representatives and associate advising representatives.

(a) IIROC registered representatives

Some registered representatives may offer a broad range of products involving security-specific research and analysis of their own, in addition to meeting with clients to review and discuss know-your-client and investment suitability. We may consider this to be sufficient experience to meet the relevant investment management experience requirement for registration as an advising representative. Other registered representatives may sell mostly or exclusively a limited number of model portfolios or "portfolio solutions" to clients based on their investment objectives, risk profile or other factors unique to the individual client. We may consider this sufficient experience to meet the relevant investment management experience requirement for registration as an associate advising representative.

However, where an individual is restricted to the sale of mutual funds, we may not consider such experience to be sufficient to meet the relevant investment management experience requirement for registration as an advising representative or associate advising representative.

(b) Consultants

Consulting services relating to portfolio manager selection and monitoring may be highly specific to the individual or firm providing the services and may vary greatly among consultants in the sophistication of research and analysis and specificity of advice. Some may be responsible for hiring and ongoing monitoring of advisers or sub-advisers, while others may simply provide a desired asset allocation and list of recommended advisers based on the investment objectives of the client. We would generally expect to see a very high degree of sophistication and specificity in the analysis provided by the consultant and a high degree of investor reliance on the consultant in order for the individual to meet the relevant investment management experience requirement for registration as an advising representative.

Research and analysis to review and monitor the performance of registered portfolio managers, and referring clients for discretionary money management based on that review and monitoring, may meet the relevant investment management experience requirement for registration as an associate advising representative. We would not expect that general financial planning advice and referrals to portfolio managers alone would meet the threshold for relevant investment management experience required for registration as an advising representative or associate advising representative.

In some situations, the activities submitted as relevant investment management experience involve or may involve providing specific advice to clients and therefore may require registration. We also recognize that many individuals who provide portfolio manager selection and monitoring do not provide specific advice and therefore may not trigger the registration requirement. We may consider the following factors in determining whether a consultant is required to register:

- the client contracts directly with the consultant, rather than with the portfolio managers
- the consultant manages the hiring and evaluation of the portfolio managers
- there is reliance by the client on the consultant
- there are client expectations about the services to be provided by the consultant

Division 3 - Membership in a self-regulatory organization

3.16 Exemptions from certain requirements for SRO-approved persons

Section 3.16 exempts registered individuals who are dealing representatives of IIROC or MFDA members from the requirements in NI 31-103 for suitability and disclosure when recommending the use of borrowed money. This is because IIROC and the MFDA have their own rules for these matters.

This exemption does not apply to dealing representatives of a mutual fund dealer registered only in Québec. Those dealing representatives are subject to the suitability determination obligation in section 13.3 and to the disclosure requirement when recommending the use of borrowed money in section 13.13.

This section also exempts registered individuals who are dealing representatives of IIROC from the know your client obligations in section 13.2.

We expect registered individuals who are dealing representatives of IIROC or MFDA members to comply with the by-laws, rules, regulations and policies of IIROC or the MFDA, as applicable (SRO provisions). These individuals cannot rely on the exemptions in section 3.16 unless they are complying with the corresponding SRO provisions specified in NI 31-103. We regard compliance with IIROC or MFDA procedures, interpretations, notices, bulletins and practices as relevant to compliance with the applicable SRO provisions.

For these purposes, an individual that has an exemption from an SRO provision and complies with the terms of that exemption would be considered to have complied with that SRO provision.

PART 4 – RESTRICTIONS ON REGISTERED INDIVIDUALS

4.1 Restriction on acting for another registered firm

We will consider exemption applications on a case by case basis. When reviewing a registered firm's application for relief from this restriction, we will consider if:

- there are valid business reasons for the individual to be registered with both firms
- the individual will have sufficient time to adequately serve both firms
- the applicant's sponsoring firms have demonstrated that they have policies and procedures addressing any conflicts of interest that may arise as a result of the dual registration, and
- the sponsoring firms will be able to deal with these conflicts, including supervising how the individual will deal with these conflicts

In the case of paragraph 4.1(1)(b), namely a dealing, advising or associate advising representative acting for another registered firm, affiliation of the firms may be one of the factors that we would consider in respect of an exemption application.

We note that the prohibitions in section 4.1 are in addition to the conflicts of interest provisions set out in section 13.4 [*identifying and responding to conflicts of interest*]. See section 13.4 for further guidance on individuals who serve on boards of directors.

4.2 Associate advising representatives – pre-approval of advice

The associate advising representative category allows an individual to work at a registered adviser while completing the proficiency requirements for an advising representative. For example, a previously registered advising representative could work in an advising capacity while acquiring the relevant work experience required for an advising representative under section 3.11.

Associate advising representatives are not required to subsequently register as a full advising representative since this category also accommodates individuals who provide specific advice to clients, but do not manage client portfolios without supervision.

As required by section 4.2, registered firms must designate an advising representative to approve the advice provided by an associate advising representative. The designated advising representative must approve the advice before the associate advising representative gives the advice. The appropriate processes for approving the advice will depend on the circumstances, including the associate advising representative's level of experience.

Registered firms that have associate advising representatives must:

- document their policies and procedures for meeting the supervision and approval obligations as required under subsection 11.1(1),
- implement controls as required under subsection 11.1(1),
- maintain records as required under section 11.5, and
- notify the regulator of the names of the advising representative and the associate advising representative whose advice they are approving no later than the seventh day after the advising representative is designated.

PART 5 – ULTIMATE DESIGNATED PERSON AND CHIEF COMPLIANCE OFFICER

Sections 11.2 and 11.3 require registered firms to designate a UDP and a CCO. The UDP and CCO must be registered and perform the compliance functions set out in sections 5.1 and 5.2. While the UDP and CCO have specific compliance functions, they are not solely responsible for compliance – it is the responsibility of the firm as a whole.

The same person as UDP and CCO

The UDP and the CCO can be the same person if they meet the requirements for both registration

categories. We prefer firms to separate these functions, but we recognize that it might not be practical for some registered firms.

UDP or CCO as advising or dealing representative

The UDP or CCO may also be registered in trading or advising categories. For example, a small registered firm might conclude that one individual can adequately function as UDP and CCO, while also carrying on advising and trading activities. We may have concerns about the ability of a UDP or CCO of a large firm to conduct these additional activities and carry out their UDP, CCO and advising responsibilities at the same time.

5.1 Responsibilities of the ultimate designated person

The UDP is responsible for promoting a culture of compliance and overseeing the effectiveness of the firm's compliance system. They do not have to be involved in the day-to-day management of the compliance group. There are no specific education or experience requirements for the UDP. However, they are subject to the proficiency principle in section 3.4.

5.2 Responsibilities of the chief compliance officer

The CCO is an operating officer who is responsible for the monitoring and oversight of the firm's compliance system. This includes:

- establishing or updating policies and procedures for the firm's compliance system, and
- managing the firm's compliance monitoring and reporting according to the policies and procedures

At the firm's discretion, the CCO may also have authority to take supervisory or other action to resolve compliance issues.

The CCO must meet the proficiency requirements set out in Part 3. No other compliance staff have to be registered unless they are also advising or trading. The CCO may set the knowledge and skills necessary or desirable for individuals who report to them.

If a firm is registered in multiple categories, the CCO must meet the most stringent of the proficiency requirements of the firm's categories of registration.

Firms must designate one CCO. However, in large firms, the scale and kind of activities carried out by different operating divisions may warrant the designation of more than one CCO. We will consider applications, on a case-by-case basis, for different individuals to act as the CCO of a firm's operating divisions.

We will not usually register the same person as CCO of more than one firm unless the firms are affiliated, and the scale and kind of activities carried out make it reasonable for the same person to act as CCO of more than one firm. We will consider applications, on a case-by-case basis, for the CCO of one registered firm to act as the CCO of another registered firm.

Paragraph 5.2(c) requires the CCO to report to the UDP any instances of non-compliance with securities legislation that:

- create a reasonable risk of harm to a client or to the market, or
- are part of a pattern of non-compliance

The CCO should report non-compliance to the UDP even if it has been corrected.

Paragraph 5.2(d) requires the CCO to submit an annual report to the board of directors.

PART 6 – SUSPENSION AND REVOCATION OF REGISTRATION - INDIVIDUALS

The requirements for surrendering registration and additional requirements for suspending and revoking registration are found in the securities legislation of each jurisdiction. The guidance for Part 6 relates to requirements under both securities legislation and NI 31-103.

There is no renewal requirement for registration. A registered individual may carry on the activities for which they are registered until their registration is:

- suspended automatically under NI 31-103
- suspended by the regulator under certain circumstances, or
- surrendered by the individual

6.1 If individual ceases to have authority to act for firm

Under section 6.1, if a registered individual ceases to have authority to act on behalf of their sponsoring firm because their working relationship with the firm ends or changes, the individual's registration with the registered firm is suspended until reinstated or revoked under securities legislation. This applies whether the individual or the firm ends the relationship.

If a registered firm terminates its working relationship with a registered individual for any reason, the firm must complete and file a notice of termination on Form 33-109F1 *Notice of Termination of Registered Individuals and Permitted Individuals* (Form 33-109F1) no later than ten days after the effective date of the individual's termination. This includes when an individual resigns, is dismissed or retires.

The firm must file additional information about the individual's termination prescribed in Part 5 of Form

33-109F1 (except where the individual is deceased) no later than 30 days after the date of termination. The regulator uses this information to determine if there are any concerns about the individual's conduct that may be relevant to their ongoing fitness for registration. Under NI 33-109, the firm must provide this information to the individual on request.

Suspension

An individual whose registration is suspended must not carry on the activity they are registered for. The individual otherwise remains a registrant and is subject to the jurisdiction of the regulator. A suspension remains in effect until the regulator reinstates or revokes the individual's registration.

If an individual who is registered in more than one category is suspended in one of the categories, the regulator will consider whether to suspend the individual's registration in other categories or to impose terms and conditions, subject to an opportunity to be heard.

Automatic suspension

An individual's registration will automatically be suspended if:

- they cease to a have working relationship with their sponsoring firm
- the registration of their sponsoring firm is suspended or revoked, or
- they cease to be an approved person of an SRO.

An individual must have a sponsoring firm to be registered. If an individual leaves their sponsoring firm for any reason, their registration is automatically suspended. Automatic suspension is effective on the day that an individual no longer has authority to act on behalf of their sponsoring firm.

Individuals do not have an opportunity to be heard by the regulator in the case of any automatic suspension.

Suspension in the public interest

An individual's registration may be suspended if the regulator exercises its power under securities legislation and determines that it is no longer in the public interest for the individual to be registered. The regulator may do this if it has serious concerns about the ongoing fitness of the individual. For example, this may be the case if an individual is charged with a crime, in particular fraud or theft.

Reinstatement

"Reinstatement" means that a suspension on a registration has been lifted. Once reinstated, an individual may resume carrying on the activity they are registered for. If a suspended individual joins a new sponsoring firm, they will have to apply for reinstatement under the process set out in NI 33-109. In certain cases, the reinstatement or transfer to the new firm will be automatic.

Automatic transfers

Subject to certain conditions set out in NI 33-109, an individual's registration may be automatically reinstated if they:

- transfer directly from one sponsoring firm to another registered firm in the same jurisdiction
- join the new sponsoring firm within 90 days of leaving their former sponsoring firm
- seek registration in the same category as the one previously held, and
- complete and file Form 33 109F7 *Reinstatement of Registered Individuals and Permitted Individuals* (Form 33-109F7)

This allows individuals to engage in activities requiring registration from their first day with the new sponsoring firm.

Individuals are not eligible for an automatic reinstatement if they:

- have new information to disclose regarding regulatory, criminal, civil or financial matters as described in Item 9 of Form 33-109F7, or
- as a result of allegations of criminal activity, breach of securities legislation or breach of SRO rules:
    - were dismissed by their former sponsoring firm, or
    - were asked by their former sponsoring firm to resign

In these cases, the individual must apply to have their registration reinstated under NI 33-109 using Form 33-109F4.

6.2 If IIROC approval is revoked or suspended

6.3 If MFDA approval is revoked or suspended

Registered individuals acting on behalf of member firms of an SRO are required to be an approved person of the SRO.

If an SRO suspends or revokes its approval of an individual, the individual's registration in the category requiring SRO approval will be automatically suspended. This automatic suspension of individuals does not apply to mutual fund dealers registered only in Québec.

If an SRO suspends an individual for reasons that do not involve significant regulatory concerns and subsequently reinstates the individual's approval, the individual's registration will usually be reinstated by the regulator as soon as possible.

Revocation

6.6 Revocation of a suspended registration - individual

If an individual's registration has been suspended under Part 6 but not reinstated, it will be automatically revoked on the second anniversary of the suspension.

"Revocation" means that the regulator has terminated the individual's registration. An individual whose registration has been revoked must submit a new application if they want to be registered again.

Surrender or termination of registration

If an individual wants to terminate their registration in one or more of the non-principal jurisdictions where the individual is registered, the individual may apply to surrender their registration at any time by completing Form 33-109F2 *Change or Surrender of Individual Categories* (Form 33-109F2) and having their sponsoring firm file it.

If an individual wants to terminate their registration in their principal jurisdiction, Form 33-109F1 must be filed by the individual's sponsoring firm. Once Form 33-109F1 is filed, the individual's termination of registration will be reflected in all jurisdictions.

PART 7 – CATEGORIES OF REGISTRATION FOR FIRMS

The categories of registration for firms have two main purposes:

- to specify the type of business that the firm may conduct, and
- to provide a framework for the requirements the registrant must meet

Firms registered in more than one category

A firm may be required to register in more than one category. For example, a portfolio manager that manages an investment fund must register both as a portfolio manager and as an investment fund manager.

Individual registered in a firm category

An individual can be registered in both a firm and individual category. For example, a sole proprietor who is registered in the firm category of portfolio manager must also be registered in the individual category of advising representative.

7.1 Dealer categories

Section 7.1 of NI 31-103 sets out the dealer registration categories and permitted activities for each category. For example, investment dealers may act as a dealer or an underwriter in respect of any security or transaction. All other dealer categories are limited:

- a mutual fund dealer may only act as a dealer in respect of mutual funds and certain other investment funds
- a scholarship plan dealer may only act as a dealer in respect of scholarship plans, educational plans and educational trusts
- a restricted dealer may only act as a dealer or an underwriter in accordance with the terms and conditions of its registration.

Exempt market dealer

Under paragraph 7.1(2)(d), an exempt market dealer may only act as a dealer or an underwriter in the "exempt market". The permitted activities of an exempt market dealer are determined by reference to the prospectus exemptions in securities legislation (e.g., the accredited investor, minimum amount investment and offering memorandum exemptions in NI 45-106).

In short, an exempt market dealer may act as a dealer or underwriter in a distribution by an issuer, including a reporting issuer, if the distribution is being made under an exemption from the prospectus requirement. An exempt market dealer may not act as a dealer or underwriter in a distribution that is being made under a prospectus (a prospectus distribution). The investment dealer category or, in the case of a mutual fund prospectus distribution, the mutual fund dealer category, are the appropriate dealer registration categories for prospectus distributions.

This distinction is explained further below.

Trades that are distributions

Under subparagraph 7.1(2)(d)(i), exempt market dealers are permitted to trade in securities if the trade is a distribution made under a prospectus exemption. This includes trading in securities of investment funds and reporting issuers provided the securities are distributed under an exemption from the prospectus requirement. For example, where a reporting issuer is making a prospectus offering through an investment dealer, an exempt market dealer may participate in a private placement of securities of the same class, if those securities are actually distributed by the reporting issuer under a prospectus exemption. Certain form and fee requirements may apply to the private placement of securities under exemptions from the prospectus requirement.

Permitted activities under subparagraph 7.1(2)(d)(i) also include participating in a resale of securities, where the resale is *deemed* to be a distribution under National Instrument 45-102 *Resale of Securities* (**NI 45-102**). For example, if a reporting issuer makes a private placement of common shares to an accredited investor in reliance on the accredited investor exemption in NI 45-106, the shares will generally be subject to a four-month restricted period. If the accredited

investor wishes to resell the shares to another accredited investor within the four-month restricted period, the resale will be deemed to be a distribution under NI 45-102. An exempt market dealer may participate in this resale if made in reliance on a prospectus exemption. However, once the four-month restricted period has expired, and the shares become freely trading, an exempt market dealer may not participate in the resale if common shares of the issuer are listed, quoted or traded on a marketplace, whether the transaction is on-exchange or off-exchange, due to the restriction in subparagraph 7.1(2)(d)(ii). Secondary trading in listed securities should be conducted through an investment dealer in accordance with the rules and requirements applicable to investment dealers.

Trades that are not distributions

Exempt market dealers are permitted to participate in a resale of securities, if all the conditions in subparagraph 7.1(2)(d)(ii) are met. These include that a prospectus exemption would have been available to the seller if the trade were a distribution and the class of securities is not listed, quoted or traded on a domestic or foreign marketplace. In determining whether a prospectus exemption is available for the purposes of subparagraph 7.1(2)(d)(ii), it is necessary to consider the terms of the prospectus exemption. For example, if the terms of the exemption provide that the exemption is only available to an issuer, it is not available for the resale of securities (e.g., offering memorandum exemption).

In short, exempt market dealers are permitted to:

- trade or underwrite securities if the trade is a distribution made under a prospectus exemption
- participate in the resale of securities that are subject to resale restrictions
- participate in the resale of securities if a prospectus exemption would be available to the seller if the trade were a distribution and the class of securities is not listed, quoted or traded on a marketplace.

Exempt market dealers are not permitted to

- establish an omnibus account with an investment dealer and trade listed securities through the investment dealer on behalf of their clients, since this activity is trading in listed securities contrary to subparagraph 7.1(2)(d)(ii)
- participate in a distribution of securities offered under a prospectus in any capacity, including as a dealer (agent, finder, selling group member) or underwriter. This includes participating in the sale of special warrants convertible into prospectus qualified securities, since this activity is an "act in furtherance" of the trade of a prospectus qualified security contrary to subparagraph 7.1(2)(d)(i).

Restricted dealer

The restricted dealer category in paragraph 7.1(2)(e) permits specialized dealers that may not qualify under another dealer category, to carry on a limited trading business. It is intended to be used only if there is a compelling case for the proposed trading to take place outside the other registration categories.

The regulator will impose terms and conditions that restrict the dealer's activities. The CSA will co-ordinate terms and conditions for restricted dealers.

7.2 Adviser categories

The registration requirement in section 7.2 applies to advisers who give "specific advice". Advice is specific when it is tailored to the needs and circumstances of a client or potential client. For example, an adviser who recommends a security to a client is giving specific advice.

Restricted portfolio manager

The restricted portfolio manager category in subsection 7.2(2)(b) permits individuals or firms to advise in specific securities, classes of securities or securities of a class of issuers.

The regulator will impose terms and conditions on a restricted portfolio manager's registration that limit the manager's activities. For example, a restricted portfolio manager might be limited to advising in respect of a specific sector, such as securities of oil and gas issuers.

7.3 Investment fund manager category

Investment fund managers direct the business, operations or affairs of an investment fund. They organize the fund and are responsible for its management and administration. If an entity is uncertain about whether it must register as an investment fund manager, it should consider whether the fund is an "investment fund" for the purposes of securities legislation. See section 1.2 of the Companion Policy to NI 81-106 for guidance on the general nature of investment funds.

For additional guidance on the investment fund manager registration requirement in Alberta, British Columbia, Manitoba, Nova Scotia, New Brunswick, Northwest Territories, Nunavut, Prince Edward Island, Saskatchewan and Yukon see Multilateral Policy 31-202 *Registration Requirement for Investment Fund Manager*. Newfoundland and Labrador, Ontario and Québec have adopted Multilateral Instrument 32-102 *Registration Exemptions for Non-Resident Investment Fund Managers* and Companion

Policy 32-102CP *Registration Exemptions for Non-Resident Investment Fund Managers*, which provide limited exemptions from, and guidance on, the investment fund manager registration requirement for non-resident investment fund managers.

An investment fund manager may:

- advertise to the general public a fund it manages without being registered as an adviser, and
- promote the fund to registered dealers without being registered as a dealer

If an investment fund manager acts as portfolio manager for a fund it manages, it should consider whether it may have to be registered as an adviser. If it distributes units of the fund directly to investors, it should consider whether it may have to be registered as a dealer.

In most fund structures, the investment fund manager is a separate legal entity from the fund itself. However, in situations where the board of directors or the trustee(s) of an investment fund direct the business, operations or affairs of the investment fund, the fund itself may be required to register in the investment fund manager category. To address the investor protection concerns that may arise from the investment fund manager and the fund being the same legal entity, and the practical issues of applying the ongoing requirements of a registrant on the fund, terms and conditions may be imposed.

An investment fund manager may delegate or outsource certain functions to other service providers. However, the investment fund manager is responsible for these functions and must supervise the service provider. See Part 11 of this Companion Policy for more guidance on outsourcing.

Investment fund complexes or groups with more than one investment fund manager

Determining whether investment fund registration is necessary involves applying a functional test that examines the activities being carried out to determine whether an entity is directing the business, operations or affairs of an investment fund. Typically an investment fund has only one investment fund manager. However, there may be limited circumstances where investment fund complexes or groups may have more than one entity within the fund complex that is acting as an investment fund manager. Although the investment fund manager functions are often delegated to one entity within the fund complex, there may be more than one entity in the group subject to investment fund manager registration, absent an exemption from registration in appropriate circumstances.

PART 8 – EXEMPTIONS FROM THE REQUIREMENT TO REGISTER

NI 31-103 provides several exemptions from the registration requirement. There may be additional exemptions in securities legislation. If a firm is exempt from registration, the individuals acting on its behalf are also exempt from registration. A person or company cannot rely on the exemptions in Divisions 1, 2 and 3 of this Part in a local jurisdiction if the person or company is registered to conduct the activities covered by the exemption in that jurisdiction. We expect registrants to conduct activities within a jurisdiction under their category of registration, in full compliance with securities legislation, including the requirements of NI 31-103.

Division 1 - Exemptions from dealer and underwriter registration

We provide no specific guidance for the following exemptions because there is guidance on them in the Companion Policy to NI 45-106:

- 8.12 [*mortgages*]
- 8.17 [*reinvestment plan*]

8.5 Trades through or to a registered dealer

No solicitation or contact

Section 8.5 provides an exemption from the dealer registration requirement for trades made

- through an appropriately registered dealer, or
- to an appropriately registered dealer that is purchasing for the dealers account.

The exemption in paragraph 8.5(1)(a) for trades made through a registered dealer is not available if the person relying on it solicits or contacts purchasers of the securities directly. For example, if an individual acts in furtherance of a trade by soliciting or contacting potential purchasers of securities (sometimes referred to as a finder) and then the sale to the purchaser is executed through a registered dealer, the individual would not qualify for this exemption.

A person may utilize the exemption for acts in furtherance of a trade in relation to working with issuers or appropriately registered dealers, provided they do not directly solicit or contact purchasers.

Cross-border trades (jitneys)

Section 8.5 provides an exemption from the dealer registration requirement if the trade is made through a registered dealer, provided the person relying on the exemption has no direct contact with the purchaser of the security. On that basis, the execution of a trade through or to an appropriately registered dealer by a dealer located in another jurisdiction would qualify under this exemption.

However, if for example, a dealer in the United States that is not registered in Alberta contacts a potential purchaser in Alberta to solicit the purchase of securities, this trade does not qualify for this exemption. The dealer in the United States must instead contact a dealer registered in Alberta, and have that dealer contact potential purchasers in Alberta.

Plan administrators

A plan administrator can rely on this exemption to place sell orders with dealers in respect of shares of issuers held by plan participants. Section 8.16 [*plan administrator*] covers the activity of the plan administrator receiving sell orders from plan participants.

8.5.1 Trades through a registered dealer by registered adviser

Section 8.5.1 provides that the dealer registration requirement does not apply to a registered adviser for incidental trading activities. The exemption is only available if the trade is made through a registered dealer or a dealer exempt from registration. For example, a portfolio manager may not use the exemption to trade units of a pooled fund it manages, without involving a registered dealer or having another exemption available, including the exemption in section 8.6.

8.6 Investment fund trades by adviser to managed account

Registered advisers often use investment funds which they or their affiliates have created as a way to efficiently invest their clients' money. In issuing units of those funds to managed account clients, they are in the business of trading in securities. Under the exemption in section 8.6, a registered adviser does not have to register as a dealer for a trade in a security of an investment fund if:

- the adviser or an affiliate of the adviser acts as the fund's adviser,
- the adviser or an affiliate of the adviser acts as the fund's investment fund manager, and
- the distribution of units of the fund is made only into the adviser's clients' managed accounts.

Subsection 8.6(2) limits the availability of this exemption to legitimate managed accounts. The exemption is not available in respect of accounts that are in substance non-discretionary accounts and that have been created primarily for the purpose of distributing investment funds of the adviser to an investor without the involvement of a registered dealer.

An adviser relying on this exemption is required to provide written notice of its reliance on the exemption.

The exemption in section 8.6 is also available to those who qualify for the international adviser exemption under section 8.26.

8.18 International dealer

General principle

This exemption allows international dealers to provide limited services to permitted clients without having to register in Canada. The term "permitted client" is defined in section 1.1. International dealers that seek wider access to Canadian investors must register in an appropriate category.

Notice requirement

If a firm is relying on the exemption in more than one jurisdiction, it must provide an initial notice by filing a Form 31-103F2 *Submission to Jurisdiction and Appointment of Agent for Service* (Form 31-103F2) with the regulator in each jurisdiction where it relies on the exemption. If there is any change to the information in the firm's Form 31-103F2, it must update it by filing a replacement Form 31-103F2 with them.

So long as the firm continues to rely on the exemption, it must file an annual notice with each regulator. Subsection 8.18(5) does not prescribe a form of annual notice. An email or letter will therefore be acceptable.

In Ontario, compliance with the filing and fee payment requirements applicable to an unregistered exempt international dealer under Ontario Securities Commission Rule 13-502 *Fees* satisfies the annual notification requirement in subsection (5).

8.19 Self-directed registered education savings plan

We consider the creation of a self-directed registered education savings plan, as defined in section 8.19, to be a trade in a security, whether or not the assets held in the plan are securities. This is because the definition of "security" in securities legislation of most jurisdictions includes "any document constituting evidence of an interest in a scholarship or educational plan or trust".

Section 8.19 provides an exemption from the dealer registration requirement for the trade when the plan is created but only under the conditions described in subsection 8.19(2).

8.22.1Short-term debt

This exemption allows specified financial institutions to trade short-term debt instruments with permitted clients, without having to register. The exemption is available in all jurisdictions of Canada, except Ontario. In Ontario, there are alternate exemptions that may be available for trading in short-term debt instruments, including the exemptions in section 35.1 of the *Securities Act* (Ontario) and section 4.1 of the Ontario

Securities Commission Rule 45-501 *Ontario Prospectus and Registration Exemptions*.

Division 2 - Exemptions from adviser registration

8.24 IIROC members with discretionary authority

Section 8.24 contains an exemption from the requirement to register as an adviser for registered dealers that are members of IIROC and their dealing representatives. The exemption is available when they act as an adviser in respect of a client's managed account. The term "managed account" is defined in section 1.1 of NI 31-103. This exemption is available for all managed accounts, including where the client is a pooled fund or investment fund.

8.25 Advising generally

Section 8.25 contains an exemption from the requirement to register as an adviser if the advice is not tailored to the needs of the recipient.

In general, we would not consider advice about specific securities to be tailored to the needs of the recipient if it:

- is a general discussion of the merits and risks of the security
- is delivered through investment newsletters, articles in general circulation newspapers or magazines, websites, e-mail, Internet chat rooms, bulletin boards, television or radio, and
- does not claim to be tailored to the needs and circumstances of any recipient

This type of general advice can also be given at conferences. However, if a purpose of the conference is to solicit the audience and generate specific trades in specific securities, we may consider the advice to be tailored or we may consider the individual or firm giving the advice to be engaged in trading activity.

Under subsection 8.25(3), if an individual or firm relying on the exemption has a financial or other interest in the securities they recommend, they must disclose the interest to the recipient when they make the recommendation.

8.26 International adviser

This exemption allows international advisers to provide limited services to certain permitted clients without having to register in Canada. International advisers that seek wider access to Canadian investors must register in an appropriate category.

Incidental advice on Canadian securities

An international adviser relying on the exemption in section 8.26 may advise in Canada on foreign securities without having to register. It may also advise in Canada on securities of Canadian issuers, but only to the extent that the advice is incidental to its acting as an adviser for foreign securities.

However, this is not an exception or a "carve-out" that allows some portion of a permitted client's portfolio to be made up of Canadian securities chosen by the international adviser without restriction. Any advice with respect to Canadian securities must be directly related to the activity of advising on foreign securities. Permissible incidental advice would include, for example:

- an international adviser, when advising on a portfolio with a particular investment objective, such as gold mining companies, could advise on securities of a Canadian gold mining company within that portfolio, provided that the portfolio is otherwise made up of foreign securities
- an international adviser, having a mandate to advise on equities traded on European exchanges could advise with respect to the securities of a Canadian corporation traded on a European exchange, to the extent the Canadian corporation forms part of the mandate

Revenue derived in Canada

An international adviser is only permitted to undertake a prescribed amount of business in Canada. In making the calculation required under paragraph 8.26(4)(d), it is necessary to include all revenues derived from portfolio management activities in Canada, which would include any sub-adviser arrangements. However, the calculation of aggregate consolidated gross revenue derived in Canada does not include the gross revenue of affiliates that are registered in a jurisdiction of Canada.

An international adviser is not required to monitor Canadian revenue on an ongoing basis. Eligibility for the exemption is assessed with reference to revenues as of the end of the adviser's last financial year. The 10% threshold in paragraph 8.26(4)(d) is determined by looking back at the revenue of the firm and its affiliates "during its most recently completed financial year".

Notice requirement

If a firm is relying on the exemption in more than one jurisdiction, it must provide an initial notice by filing a Form 31-103F2 with the regulator in each jurisdiction where it relies on the exemption. If there is any change to the information in the firm's Form 31-103F2, it must update it by filing a replacement Form 31-103F2 with them.

So long as the firm continues to rely on the exemption, it must file an annual notice with each regulator. Subsection 8.26(5) does not prescribe a form of annual notice. An email or letter will therefore be acceptable.

In Ontario, compliance with the filing and fee payment requirements applicable to an unregistered exempt international firm under Ontario Securities Commission Rule 13-502 *Fees* satisfies the annual notification requirement in subsection (5).

8.26.1 International sub-adviser

This exemption permits a foreign sub-adviser to provide advice to certain registrants, without having to register as an adviser in Canada. In these arrangements, the registrant is the foreign sub-adviser's client, and it receives the advice, either for its own benefit or for the benefit of its clients. One of the conditions of this exemption is that the registrant has entered into an agreement with its client that it is responsible for losses that arise out of certain failures by the sub-adviser.

We expect that a registrant taking on this liability will conduct appropriate initial and ongoing due diligence on the sub-adviser and ensure the investments are suitable for the registrant's client. We also expect that the registrant will maintain records of the due diligence conducted. See Part 11 of this Companion Policy for more guidance.

Division 4 - Mobility exemption – firms

8.30 Client mobility exemption - firms

The mobility exemption in section 8.30 allows registered firms to continue dealing with and advising clients who move to another jurisdiction, without registering in that other jurisdiction. Section 2.2 c*lient mobility exemption – individuals* contains a similar exemption for registered individuals.

The exemption becomes available when the client (not the registrant) moves to another jurisdiction. A registered firm may deal with up to 10 "eligible" clients in each other jurisdiction. Each of the client, their spouse and any children are an eligible client.

A firm may only rely on the exemption if:

- it is registered in its principal jurisdiction
- it only acts as a dealer, underwriter or adviser in the other jurisdiction as permitted under its registration in its principal jurisdiction
- the individual acting on its behalf is eligible for the exemption in section 2.2
- it complies with Parts 13 *dealing with clients - individuals and firms* and 14 *handling client accounts - firms*, and
- it acts fairly, honestly and in good faith in its dealings with the eligible client

Firm's responsibilities for individuals relying on the exemption

In order for a registered individual to rely on the exemption in section 2.2, their sponsoring firm must disclose to the eligible client that the individual and if applicable, the firm, are exempt from registration in the other jurisdiction and are not subject to the requirements of securities legislation in that jurisdiction.

As soon as possible after an individual first relies on the exemption in section 2.2, their sponsoring firm must complete and file Form 31-103F3 in the other jurisdiction.

The registered firm must have appropriate policies and procedures for supervising individuals who rely on a mobility exemption. Registered firms must also keep appropriate records to demonstrate they are complying with the conditions of the mobility exemption.

See the guidance in section 2.2 of this Companion Policy on the client mobility exemption available to individuals.

PART 9 – MEMBERSHIP IN AN SRO

9.3 Exemptions from certain requirements for IIROC members

9.4 Exemptions from certain requirements for MFDA members

NI 31-103 has two distinct sections, section 9.3 and 9.4, which distinguish the exemptions which are available on the basis of whether or not the member of IIROC or the MFDA is registered in another category. This clarifies our intent with respect to the exemptions for SRO members and recognizes that IIROC and the MFDA have rules in these areas.

Sections 9.3 and 9.4 contain exemptions from certain requirements for investment dealers that are IIROC members and for mutual fund dealers that are MFDA members. However, if an SRO member is registered in another category, these sections do not exempt them from their obligations as a registrant in that category. For example, if a firm is registered as an investment fund manager and as an investment dealer with IIROC, section 9.3 does not exempt them from their obligations as an investment fund manager under NI 31-103.

However, SRO members that are registered in multiple categories may use the forms prescribed by the SROs, on certain conditions. See sections 12.1, 12.12 and 12.14 for requirements on calculating working capital and the delivery of working capital calculations for SRO members that are registered in multiple categories.

We expect registered firms that are members of IIROC or the MFDA to comply with the by-laws, rules, regulations and policies of IIROC or the

MFDA, as applicable (SRO provisions). These firms cannot rely on the exemptions in Part 9 unless they are complying with the corresponding SRO provisions specified in NI 31-103. We regard compliance with IIROC or MFDA procedures, interpretations, notices, bulletins and practices as relevant to compliance with the applicable SRO provisions.

For these purposes, a firm that has an exemption from an SRO provision and complies with the terms of that exemption would be considered to have complied with that SRO provision.

Subsection 9.4(1.2) lists the provisions of section 9.4 which do not apply in Québec. Subsection 9.4(1.3) provides that mutual fund dealers registered in that category in Québec that are MFDA members are exempt from section 12.12 relating to the delivery of financial information, as well as sections 14.5.2 to 14.6.2 relating to the custody of assets, to the extent the registered firm complies with relevant MFDA requirements, as applicable.

PART 10 – SUSPENSION AND REVOCATION OF REGISTRATION – FIRMS

The requirements for surrendering registration and additional requirements for suspending and revoking registration are found in the securities legislation of each jurisdiction. The guidance for Part 10 relates to requirements under both securities legislation and NI 31-103.

There is no renewal requirement for registration but firms must pay fees every year to maintain their registration and the registration of individuals acting on their behalf. A registered firm may carry on the activities for which it is registered until its registration is:

- suspended automatically under NI 31-103
- suspended by the regulator under certain circumstances, or
- surrendered by the firm

Division 1 When a firm's registration is suspended

Suspension

A firm whose registration has been suspended must not carry on the activity it is registered for. The firm otherwise remains a registrant and is subject to the jurisdiction of the regulator. A suspension remains in effect until the regulator reinstates or revokes the firm's registration.

If a firm that is registered in more than one category is suspended in one of the categories, the regulator will consider whether to suspend the firm's registration in other categories or to impose terms and conditions, subject to an opportunity to be heard.

Automatic suspension

A firm's registration will automatically be suspended if:

- it fails to pay its annual fees within 30 days of the due date
- it ceases to be a member of IIROC, or
- except in Québec, it ceases to be a member of the MFDA

Firms do not have an opportunity to be heard by the regulator in the case of any automatic suspension.

10.1 Failure to pay fees

Under section 10.1, a firm's registration will be automatically suspended if it has not paid its annual fees within 30 days of the due date.

10.2 If IIROC membership is revoked or suspended

Under section 10.2, if IIROC suspends or revokes a firm's membership, the firm's registration as an investment dealer is suspended until reinstated or revoked.

10.3 If MFDA membership is revoked or suspended

Under section 10.3, if the MFDA suspends or revokes a firm's membership, the firm's registration as a mutual fund dealer is suspended until reinstated or revoked. Section 10.3 does not apply in Québec.

Suspension in the public interest

A firm's registration may be suspended if the regulator exercises its power under securities legislation and determines that it is no longer in the public interest for the firm to be registered. The regulator may do this if it has serious concerns about the ongoing fitness of the firm or any of its registered individuals. For example, this may be the case if a firm or one or more of its registered or permitted individuals is charged with a crime, in particular fraud or theft.

Reinstatement

"Reinstatement" means that a suspension on a registration has been lifted. Once reinstated, a firm may resume carrying on the activity it is registered for.

Division 2 - Revoking a firm's registration

Revocation

10.5 Revocation of a suspended registration - firm

10.6 Exception for firms involved in a hearing or proceeding

Under sections 10.5 and 10.6, if a firm's registration has been suspended under Part 10 and has not been reinstated, it is revoked on the second anniversary of the suspension, except if a hearing or proceeding concerning the suspended

registrant has commenced. In this case the registration remains suspended.

"Revocation" means that the regulator has terminated the firm's registration. A firm whose registration has been revoked must submit a new application if it wants to be registered again.

Surrender

A firm may apply to surrender its registration in one or more categories at any time. There is no prescribed form for an application to surrender. A firm should file an application to surrender registration with its principal regulator. If Ontario is a non-principal jurisdiction, it should also file the application with the regulator in Ontario. See the Companion Policy to Multilateral Instrument 11-102 *Passport System* for more details on filing an application to surrender.

Before the regulator accepts a firm's application to surrender registration, the firm must provide the regulator with evidence that the firm's clients have been dealt with appropriately. This evidence does not have to be provided when a registered individual applies to surrender registration. This is because the sponsoring firm will continue to be responsible for meeting obligations to clients who may have been served by the individual.

The regulator does not have to accept a firm's application to surrender its registration. Instead, the regulator can act in the public interest by suspending, or imposing terms and conditions on, the firm's registration.

When considering a registered firm's application to surrender its registration, the regulator typically considers the firm's actions, the completeness of the application and the supporting documentation.

The firm's actions

The regulator may consider whether the firm:

- has stopped carrying on activity requiring registration
- proposes an effective date to stop carrying on activity requiring registration that is within six months of the date of the application to surrender, and
- has paid any outstanding fees and submitted any outstanding filings at the time of filing the application to surrender

Completeness of the application

Among other things, the regulator may look for:

- the firm's reasons for ceasing to carry on activity requiring registration
- satisfactory evidence that the firm has given all of its clients reasonable notice of its intention to stop carrying on activity requiring registration, including an explanation of how it will affect them in practical terms, and
- satisfactory evidence that the firm has given appropriate notice to the SRO, if applicable

Supporting documentation

The regulator may look for:

- evidence that the firm has resolved all outstanding client complaints, settled all litigation, satisfied all judgments or made reasonable arrangements to deal with and fund any payments relating to them, and any subsequent client complaints, settlements or liabilities
- confirmation that all money or securities owed to clients has been returned or transferred to another registrant, where possible, according to client instructions
- up-to-date audited financial statements with an auditor's comfort letter
- evidence that the firm has satisfied any SRO requirements for withdrawing membership, and
- an officer's or partner's certificate supporting these documents

PART 11 – INTERNAL CONTROLS AND SYSTEMS

General business practices – outsourcing

Registered firms are responsible and accountable for all functions that they outsource to a service provider. Firms should have a written, legally binding contract that includes the expectations of the parties to the outsourcing arrangement.

Registered firms should follow prudent business practices and conduct a due diligence analysis of prospective third-party service providers. This includes third-party service providers that are affiliates of the firm. Due diligence should include an assessment of the service provider's reputation, financial stability, relevant internal controls and ability to deliver the services.

Firms should also:

- ensure that third-party service providers have adequate safeguards for keeping information confidential and, where appropriate, disaster recovery capabilities
- conduct ongoing reviews of the quality of outsourced services
- develop and test a business continuity plan to minimize disruption to the firm's business and its clients if the third-party service provider does not deliver its services satisfactorily, and
- note that other legal requirements, such as privacy laws, may apply when entering into outsourcing arrangements

The regulator, the registered firm and the firm's auditors should have the same access to the work

product of a third-party service provider as they would if the firm itself performed the activities. Firms should ensure this access is provided and include a provision requiring it in the contract with the service provider, if necessary.

Division 1 - Compliance

11.1 Compliance system and training

General principles

Subsection 11.1(1) requires registered firms to establish, maintain and apply policies and procedures that establish a system of controls and supervision (a compliance system) that:

- provides assurance that the firm and individuals acting on its behalf comply with securities legislation, and
- manages the risks associated with the firm's business in accordance with prudent business practices

Operating an effective compliance system is essential to a registered firm's continuing fitness for registration. It provides reasonable assurance that the firm is meeting, and will continue to meet, all requirements of applicable securities laws and SRO rules and is managing risk in accordance with prudent business practices. A compliance system should include internal controls and monitoring systems that are reasonably likely to identify non-compliance at an early stage and supervisory systems that allow the firm to correct non-compliant conduct in a timely manner.

The responsibilities of the UDP are set out in section 5.1 and those of the CCO in section 5.2. However, compliance is not only a responsibility of a specific individual or a compliance department of the firm, but rather is a firm-wide responsibility and an integral part of the firm's activities. Everyone at the firm should understand the standards of conduct for their role. This includes the board of directors, partners, management, employees and agents, whether or not they are registered.

Having a UDP and CCO, and in larger firms, a compliance group and other supervisory staff, does not relieve anyone else in the firm of the obligation to report and act on compliance issues. A compliance system should identify those who will act as alternates in the absence of the UDP or CCO.

Elements of an effective compliance system

While policies and procedures are essential, they do not make an acceptable compliance system on their own. An effective compliance system also includes internal controls, day to day and systemic monitoring, and supervision elements.

Internal controls

Internal controls are an important part of a firm's compliance system. They should mitigate risk and protect firm and client assets. They should be designed to assist firms in monitoring compliance with securities legislation and managing the risks that affect their business, including risks that may relate to:

- safeguarding of client and firm assets
- accuracy of books and records
- trading, including personal and proprietary trading
- conflicts of interest
- referral arrangements
- money laundering
- business interruption
- hedging strategies
- marketing and sales practices, including the use of titles and designations by the firm's registered individuals, and
- the firm's overall financial viability

Internal controls should also be specifically designed to assist firms in monitoring compliance with the know your client, know your product and suitability determination obligations.

Monitoring and supervision

Monitoring and supervision are essential elements of a firm's compliance system. They consist of day to day monitoring and supervision, and overall systemic monitoring.

(a) Day to day monitoring and supervision

In our view, an effective monitoring and supervision system includes:

- monitoring to identify specific cases of non-compliance or internal control weaknesses that might lead to non-compliance
- referring non-compliance or internal control weaknesses to management or other individuals with authority to take supervisory action to correct them
- taking supervisory action to correct them, and
- minimizing the compliance risk in key areas of a firm's operations

In our view, effective day to day monitoring should include, among other things

- approving new account documents
- reviewing and, in some cases, approving transactions

- approving marketing materials, and
- preventing inappropriate use or disclosure of non-public information.

Firms can use a risk-based approach to monitoring, such as reviewing an appropriate sample of transactions.

The firm's management is responsible for the supervisory element of correcting non-compliance or internal control weaknesses. However, at a firm's discretion, its CCO may be given supervisory authority, but this is not a necessary component of the CCO's role.

Anyone who supervises registered individuals has a responsibility on behalf of the firm to take all reasonable measures to ensure that each of these individuals:

- deals fairly, honestly and in good faith with their clients
- addresses conflicts of interest in the best interest of their clients
- puts the client's interests first when making suitability determinations for their clients
- complies with securities legislation
- complies with the firm's policies and procedures, and
- maintains an appropriate level of proficiency

(b) Systemic monitoring

Systemic monitoring involves assessing, and advising and reporting on the effectiveness of the firm's compliance system. This includes ensuring that:

- the firm's day to day supervision is reasonably effective in identifying and promptly correcting cases of non-compliance and internal control weaknesses
- policies and procedures are enforced and kept up to date, and
- everyone at the firm generally understands and complies with the policies and procedures, and with securities legislation

Specific elements

More specific elements of an effective compliance system include:

(a) Visible commitment

Senior management and the board of directors or partners should demonstrate a visible commitment to compliance.

(b) Sufficient resources

The firm should have sufficient resources to operate an effective compliance system. Qualified individuals (including anyone acting as an alternate during absences) should have the responsibility and authority to monitor the firm's compliance, identify any instances of non-compliance and take supervisory action to correct them.

(c) Detailed policies and procedures

The firm should have detailed written policies and procedures that:

- identify the internal controls the firm will use to ensure compliance with legislation and manage risk
- set out the firm's standards of conduct for compliance with securities and other applicable legislation and the systems for monitoring and enforcing compliance with those standards
- clearly outline who is expected to do what, when and how
- are readily accessible by everyone who is expected to know and follow them
- are updated when regulatory requirements and the firm's business practices change,
- take into consideration the firm's obligation under securities legislation to deal fairly, honestly and in good faith with its clients,
- take into consideration the firm's obligation to address conflicts of interest in the best interest of its clients, and
- take into consideration the firm's obligation to put the client's interest first when making suitability determinations for its clients.

Registered firms should have compliance systems that are effective in all business locations of the firm, not just the firm's head office.

(d) Detailed records

The firm should keep records of activities conducted to identify compliance deficiencies and the action taken to correct them.

Setting up a compliance system

It is up to each registered firm to determine the most appropriate compliance system for its operations. Registered firms should consider the size and scope of their operations, including products, types of clients or counterparties, risks and compensating controls, and any other relevant factors.

For example, a large registered firm with diverse operations may require a large team of compliance professionals with several divisional heads of compliance reporting to a CCO dedicated entirely to a compliance role.

All firms must have policies, procedures and systems to demonstrate compliance. However,

some of the elements noted above may be unnecessary or impractical for smaller registered firms.

We encourage firms to meet or exceed industry best practices in complying with regulatory requirements.

Firm's obligation to provide compliance training

Under subsection 11.1(2), firms must provide compliance training. We expect firms to implement, maintain and document their compliance training program to ensure that everyone at the firm understands the standards of conduct when dealing with clients, and understands their role in the compliance system.

In particular, registered individuals should be trained in relation to their conflicts of interest, know your client, know your product and suitability determination obligations. We expect the firm to provide examples of:

- how to identify existing and reasonably foreseeable material conflicts of interest between a registered individual and their client
- how to address material conflicts of interest in the best interest of their client, and
- how to put the client's interest first when making suitability determinations for their client.

We expect the firm's compliance training program to include ongoing communication and training on changes in regulatory requirements or the firm's policies and procedures.

We recognize that the scope of a firm's compliance training will depend on the nature, size and complexity of its business. We also recognize that training materials do not necessarily have to be in writing. We expect a firm to use its professional judgment when evaluating the effectiveness of its compliance training program, including the identification of any gaps.

We expect all registered firms to be able to demonstrate that they have all the required elements of an effective compliance system, regardless of their size or any other consideration. However, we recognize that formal compliance training programs may not be necessary or practical for small firms. We expect a small firm to exercise professional judgment in determining what training is appropriate to its operations, taking into consideration how many registered individuals work at the firm and how much relevant experience each of them has accumulated.

Training to support the know your product obligation

Consistent with the know your product obligation in section 13.2.1, firms should also assess whether any additional training or proficiency requirements are necessary in order for their registered individuals to understand the securities and make appropriate suitability determinations. See section 13.2.1 of this Companion Policy for additional guidance on the know your product obligation.

Outsourcing of training

Although a firm may outsource elements of its training program, the firm remains responsible for demonstrating that its registered individuals have been trained on the firm's policies and procedures.

11.2 Designating an ultimate designated person

Under subsection 11.2(1), registered firms must designate an individual to be the UDP. Firms should ensure that the individual understands and is able to perform the obligations of a UDP under section 5.1. The UDP must be:

- the chief executive officer (CEO) of the registered firm or the individual acting in a similar capacity, if the firm does not have a CEO. The person acting in a similar capacity to a CEO is the most senior decision maker in the firm, who might have the title of managing partner or president, for example
- the sole proprietor of the registered firm, or
- the officer in charge of a division of the firm that carries on all of the registerable activity if the firm also has significant other business activities, such as insurance, conducted in different divisions. This is not an option if the core business of the firm is trading or advising in securities and it only has some other minor operations conducted in other divisions. In this case, the UDP must be the CEO or equivalent.

To designate someone else as the UDP requires an exemptive relief order. Given that the intention of section 11.2 is to ensure that responsibility for its compliance system rests at the very top of a firm, we will only grant relief in rare cases.

We note that in larger organizations, the UDP is sometimes supported by an officer who has a compliance oversight role and title within the organization and who is more senior than the CCO. We have no objection to such arrangements, but it must be understood that they can in no way diminish the UDP's regulatory responsibilities.

If the person designated as the UDP no longer meets these requirements, and the registered firm is unable to designate another UDP, the firm

should promptly advise the regulator of the actions it is taking to designate a new UDP who meets these requirements.

11.3 Designating a chief compliance officer

Under subsection 11.3(1), registered firms must designate an individual to be the CCO. Firms should ensure that the individual understands and is able to perform the obligations of a CCO under section 5.2.

The CCO must meet the applicable proficiency requirements in Part 3 and be:

- an officer or partner of the registered firm, or
- the sole proprietor of the registered firm

If the CCO no longer meets any of the above conditions and the registered firm is unable to designate another CCO, the firm should promptly advise the regulator of the actions it is taking to designate an appropriate CCO.

Division 2 Books and records

Under securities legislation, the regulator may access, examine and take copies of a registered firm's records. The regulator may also conduct regular and unscheduled compliance reviews of registered firms.

11.5 General requirements for records

Under subsection 11.5(1), registered firms must maintain records to accurately record their business activities, financial affairs and client transactions, and demonstrate compliance with securities legislation.

The following discussion provides guidance for the various elements of the records described in subsection 11.5(2).

Financial affairs

The records required under paragraphs 11.5(2)(a), (b) and (c) are records firms must maintain to help ensure they are able to prepare and file financial information, determine their capital position, including the calculation of excess working capital, and generally demonstrate compliance with the capital and insurance requirements.

Client transactions

The records required under paragraphs 11.5(2)(g), (h), (i), (l) and (n) are records firms must maintain to accurately and fully document transactions entered into on behalf of a client. We expect firms to maintain notes of communications that could have an impact on the client's account or the client's relationship with the firm. These communications include

- oral communications
- all e-mail, regular mail, fax and other written communications

While we do not expect registered firms to save every voicemail or e-mail, or to record all telephone conversations with clients, we do expect that registered firms maintain records of all communications relating to orders received from their clients.

The records required under paragraph 11.5(2)(g) should document buy and sell transactions, referrals, margin transactions and any other activities relating to a client's account. They include records of all actions leading to trade execution, settlement and clearance, such as trades on exchanges, alternative trading systems, over-the-counter markets, debt markets, and distributions and trades in the prospectus-exempt market.

Examples of these records are:

- trade confirmation statements
- summary information about account activity
- communications between a registrant and its client about particular transactions, and
- records of transactions resulting from securities a client holds, such as dividends or interest paid, or dividend reinvestment program activity

Know your client

Paragraph 11.5(2)(l) requires firms to maintain records that demonstrate compliance with the know your client obligations in section 13.2, the know your product obligations in section 13.2.1 and the suitability determination obligations in section 13.3.

We expect firms to establish, maintain and apply policies, procedures and controls relating to the know your client process, in accordance with their category of registration, their business model, their client's type of account and the nature of the relationship with their clients. We also expect firms to maintain adequate documentation to support their supervision of the know your client process.

Among these policies, procedures and controls, firms should consider including a process for:

- determining the appropriate level of know your client information to be collected in the circumstances
- determining how the subjective elements of the client's information collected under paragraph 13.2(c), including investment time horizon, investment objectives and risk profile, are established
- determining what is a significant change to the client's information, and

- obtaining and recording the client's confirmation of the accuracy of their know your client information.

Know your product

We expect firms to establish, maintain and apply policies, procedures and controls relating to the know your product process, in accordance with the firm's business model, the types of securities offered, the proficiency of its registered individuals, and the nature of the relationships that the firm and its registered individuals have with clients. These policies, procedures and controls should include appropriate processes for assessing and approving, as well as monitoring for significant changes to, securities that are made available to clients. See section 13.2.1 of this Companion Policy for more guidance on the know your product obligation.

Suitability determinations

Registrants should document the basis upon which they make a suitability determination. We expect registrants to maintain records documenting all relevant facts, including key assumptions, the scope of data considered, and the analysis performed in making each suitability determination.

We expect registered firms to:

- establish policies and procedures for making a suitability determination (including the criteria used and when it is performed) and demonstrate that the suitability process is consistently applied across the firm
- maintain adequate documentation of each suitability determination, and
- establish a process to periodically review a sample of client files to ensure that the suitability process is consistently applied throughout the firm.

Firms must also maintain records for measures taken in respect of client instructions referred to in subsection 13.3(2.1).

In our view, a pattern of unsuitable trades that are reported as having been directed by a client may be an indication that a registrant does not comply with the obligation to make a suitability determination. We expect firms to establish, maintain and apply policies, procedures and controls to identify and respond to any pattern of unsuitable trades.

Client relationship

The records required under paragraph 11.5(2)(k) and (m) should document information about a registered firm's relationship with its client and relationships that any representatives have with that client.

These records include:

- communication between the firm and its clients, such as disclosure provided to clients and agreements between the registrant and its clients
- account opening information
- change of status information provided by the client
- disclosure and other relationship information provided by the firm
- margin account agreements
- communications regarding a complaint made by the client
- actions taken by the firm regarding a complaint
- communications that do not relate to a particular transaction, and
- conflicts records

Each record required under paragraph 11.5(2)(k) should clearly indicate the name of the accountholder and the account the record refers to. A record should include information only about the accounts of the same accountholder or group. For example, registrants should have separate records for an individual's personal accounts and for accounts of a legal entity that the individual owns or jointly holds with another party.

Where applicable, the financial details should note whether the information is for an individual or a family. This includes spousal income and net worth. The financial details for accounts of a legal entity should note whether the information refers to the entity or to the owner(s) of the entity.

If the registered firm permits clients to complete new account forms themselves, the forms should use language that is clear and avoids terminology that may be unfamiliar to unsophisticated clients.

Conflicts of interest

General principles

The records required under paragraphs 11.5(2)(p), (q) and (r) are records that registered firms must maintain to demonstrate compliance with their obligations in Part 13, Division 2 *[conflicts of interest*]. Specifically, paragraph 11.5(2)(p) requires registered firms to demonstrate how they have complied with the obligations to identify, address, and disclose material conflicts of interest.

The level of detail expected in records relating to conflicts

We expect firms to use their professional judgement when deciding how much detail to

provide when maintaining records that demonstrate compliance with conflicts obligations. As the materiality of a conflict increases, there should be greater detail in the records maintained to demonstrate compliance. For example, we expect to see more detailed records for material conflicts related to sales practices, compensation arrangements, incentive practices, referral arrangements, the use of proprietary products and services, and product-shelf development conflicts.

If the materiality of a particular conflict of interest is relatively low, the registered firm may record that conflict in a more general way, such as by category or type of conflict as opposed to recording each instance of such a conflict and how the firm has addressed this conflict in each instance. For example, subject to compliance with applicable securities legislation or SRO rules, if a firm has established a code of conduct or policy that limits the receipt of gifts or promotional items from third parties then, depending on the circumstances, it may be sufficient for that firm to record the details of its policy and the related procedures and controls, and how violations of that policy are addressed.

Referral arrangements

(a) Documenting referral arrangements

Registered firms must document all referral arrangements between the registered firm, its registered individuals, and another person or company, as well as all fees paid or received by the registered firm or its registered individuals pursuant to such arrangements.

We expect that the registered firm will also document its due diligence analysis of the parties to which it is referring clients in compliance with section 13.9.

(b) Monitoring and supervising all referral arrangements

As noted under Part 13, Division 3 Referral Arrangements, and as part of a registered firm's responsibility under subsection 11.1(1), registered firms have a responsibility to monitor and supervise all of their referral arrangements to ensure that they comply with the requirements of NI 31-103 and other applicable securities laws and continue to comply for so long as the arrangement remains in place. This includes monitoring and supervising on an ongoing basis their own conduct and that of their registered representatives in connection with these referral arrangements, as well as taking reasonable steps to satisfy themselves that the other parties to the referral arrangements (from which they are receiving referral fees or to which they are paying referral fees) are also complying with their obligations under the referral arrangements. We expect this to include maintaining any necessary registrations and, where parties are not registered, complying with any limitations on their activities in connection with the referral arrangements. Registered firms must document their oversight of all such referral arrangements.

(c) Demonstrating how material conflicts of interest resulting from referral arrangements are addressed

As part of its obligations under paragraph 11.5(2)(p), the registered firm must demonstrate how it has addressed or plans to address, conflicts related to referral arrangements in the client's best interest, and why the registered firm has determined that the specific referral is in the client's best interest. Paragraph 13.8(b) also requires firms to record all referral fees. Our expectations for records of referral fees are discussed in the guidance below relating to section 13.8.

Sales practices, compensation arrangements and incentive practices

As part of a firm's obligations under paragraph 11.5(2)(q) we expect registered firms to document, where applicable:

- sales practices set by the firm, including sales targets and revenue quotas to which its registered individuals are subject, and sales targets and revenue quotas for the sale of proprietary products
- compensation arrangements set by the firm including how the firm compensates its registered individuals
- other compensation arrangements that the registered firm or its registered individuals benefit from, including how issuers, related or connected parties to those issuers, related or connected parties to the registered firm, or investment fund managers compensate the registered firm, including through embedded commissions
- incentive practices set by the firm, including monetary and non-monetary benefits provided by the registered firm to its registered individuals as incentives
- other incentive practices that the registered firm or its registered individuals benefit from, including monetary and non-monetary benefits that the registered firm or its registered individuals receive from issuers, related or connected parties to those issuers, related or connected parties to the registered firm, or investment fund managers. This includes:
    - a list of issuers, or related or connected parties to those issuers, that have provided incentives such as shelf fees, due diligence fees, shares, options,

warrants, performance fees, or production bonuses, and

- how the registered firm tracks and oversees such benefits. Misleading business titles and designations

Misleading business titles and designations

Registered firms are required to maintain records to demonstrate compliance with section 13.18, which prohibits registrants from using titles or designations that could reasonably be expected to deceive or mislead existing and prospective clients. We expect the registered firm to have policies and procedures relating to the use of titles and designations designed to avoid confusion or misleading existing and prospective clients, including more vulnerable and less sophisticated investors.

These policies and procedures should include guidance on what titles and designations may be used and describe any restrictions or prohibitions related to them, including the requirement for pre-approval of registered individuals' use of titles and designations. The registered firm should clearly communicate these policies and procedures to their registered individuals and enforce them accordingly.

Internal controls

The records required under paragraphs 11.5(2)(d), (e), (f), (j), (o), (p) and (q) are records firms must maintain to support the internal controls and supervision components of their compliance system.

11.6 Form, accessibility and retention of records

Third party access to records

Paragraph 11.6(1)(b) requires registered firms to keep their records in a safe location. This includes ensuring that no one has unauthorized access to information, particularly confidential client information. Registered firms should be particularly vigilant if they maintain books and records in a location that may be accessible by a third party. In this case, the firm should have a confidentiality agreement with the third party.

Division 3 - Certain business transactions

11.8 Tied selling

Section 11.8 prohibits an individual or firm from engaging in abusive sales practices such as selling a security on the condition that the client purchase another product or service from the registrant or one of its affiliates. These types of practices are known as "tied selling". In our view, this section would be contravened if, for example, a financial institution agreed to lend money to a client only if the client acquired securities of mutual funds sponsored by the financial institution.

However, section 11.8 is not intended to prohibit relationship pricing or other beneficial selling arrangements similar to relationship pricing. Relationship pricing refers to the practice of industry participants offering financial incentives or advantages to certain clients.

11.9 Registrant acquiring a registered firm's securities or assets

Notice requirement

Under section 11.9, registrants must give the regulator notice if they propose to acquire an ownership interest in voting securities (or securities convertible into voting securities) or assets of another registered firm or the parent of another registered firm. This notice must be delivered to the principal regulator of the registrant proposing to make the acquisition and to the principal regulator of the registered firm they propose to acquire, if that firm is registered in Canada. If the principal regulator of both firms is the same, only one notice is required.

Registrants acquiring securities or assets of another registered firm for a client in nominee name do not need to provide notice under section 11.9. For purposes of this section, a substantial part of the assets of the registered firm would include a registered firm's book of business, a business line or a division of the firm, among other things. This notice gives the regulator an opportunity to consider ownership issues that may affect a firm's fitness for registration.

Filing of the notice with the principal regulator

It is intended that the notice filed with the principal regulator(s) will be shared with other regulators with an interest in the proposed acquisition. Therefore, although only the principal regulator(s) will receive a notice, other jurisdictions may object to the proposed acquisition under subsections 11.9(4) and 11.9(5). The registrant will have an opportunity to be heard in any jurisdiction that has objected to the proposed acquisition. It is our intent, however, to coordinate the review of these notices and any decisions to object to these proposed acquisitions.

Subsection 11.9(4) does not apply in British Columbia. However, the regulator in British Columbia may exercise discretion under section 36 or 161 of the BC *Securities Act* (BCSA) to impose conditions, restrictions or requirements on the registrant's registration or to suspend or revoke the registration if it decides that an acquisition would affect the registrant's fitness for registration or be prejudicial to the public interest. In these circumstances, the registrant would be entitled to an opportunity to be heard, except if the regulator issues a temporary order under section 161 of the BCSA.

Content of the notice

When preparing the notice under section 11.9, registrants should consider including the following information to help the regulator assess the proposed transaction:

- the proposed closing date for the transaction
- the business reasons for the transaction
- the corporate structure, both before and after the closing of the proposed transaction, including all affiliated companies and subsidiaries of the acquirer and any registered firm involved in the proposed transaction whether interests in a company, partnership or trust are held directly or through a holding company, trust or other entity
- information on the operations and business plans of the acquirer and any registered firm involved in the proposed transaction, including any changes to Item 3.1 of Form 33-109F6 *Firm Registration* such as primary business activities, target market, and the products and services provided to clients of any registered firm involved in the proposed transaction
- any significant changes to the business operations of any registered firm involved in the proposed transaction, including changes to the CCO, the UDP, key management, directors, officers, permitted individuals or registered individuals
- whether the registered firms involved in the proposed transaction have written policies and procedures to address conflicts of interest that may arise following the transaction and information on how such conflicts of interest have been or will be addressed.
- whether the registered firms involved in the proposed transaction have adequate resources to ensure compliance with all applicable conditions of registration
- a confirmation that any registered firm involved in the proposed transaction will comply with section 4.1 following the transaction
- details of any client communications in connection with the transaction that have been made or are planned or an explanation of why no communications to clients are anticipated
- whether a press release will be issued in relation to the proposed transaction

11.10 Registered firm whose securities are acquired

Notice requirement

Under section 11.10, registered firms must notify their principal regulator if they know or have reason to believe that any individual or firm is about to acquire 10% or more of the voting securities (or securities convertible into voting securities) of the firm or the firm's parent. This notice gives the regulator an opportunity to consider ownership issues that may affect a firm's fitness for registration. We expect this notice to be sent as soon as the registered firm knows or has reason to believe such an acquisition is going to take place.

Filing of the notice with the principal regulator

It is intended that the notice filed with the principal regulator(s) will be shared with other regulators with an interest in the proposed acquisition. Therefore, although only the principal regulator(s) will receive a notice, other jurisdictions may object to the proposed acquisition under subsections 11.10(5) and 11.10(6). The registered firm will have an opportunity to be heard in any jurisdiction that has objected to the proposed acquisition. It is our intent, however, to coordinate the review of these notices and any decisions to object to these proposed acquisitions.

Application for registration

We expect any individual or firm that acquires assets of a registered firm and is not already a registrant will have to apply for registration. We will assess their fitness for registration when they apply.

Subsection 11.10(5) does not apply in British Columbia. However, the regulator in British Columbia may exercise discretion under section 36 or 161 of the BCSA to impose conditions, restrictions or requirements on the registrant's registration or to suspend or revoke the registration if it decides that an acquisition would affect the registrant's fitness for registration or be prejudicial to the public interest. In these circumstances, the registrant would be entitled to an opportunity to be heard, except if the regulator issues a temporary order under section 161 of the BCSA.

Content of the notice

Refer to the guidance in section 11.9.

PART 12 – FINANCIAL CONDITION

Division 1 - Working capital

12.1 Capital requirements

Frequency of working capital calculations

Section 12.1 requires registered firms to notify the regulator as soon as possible if their excess working capital is less than zero.

Registered firms should know their working capital position at all times. This may require a firm to calculate its working capital every day. The frequency of working capital calculations depends on many factors, including the size of the firm, the nature of its business and the stability of the components of its working capital. For example, it may be sufficient for a sole proprietor firm with a dedicated and stable source of working capital to do the calculation on a monthly basis.

Form 31-103F1 – *Calculation of excess working capital*

Application of NI 52-107 Acceptable Accounting Principles and Auditing Standards

Form 31-103F1 – *Calculation of Excess Working Capital* (Form 31-103F1) must be prepared using the accounting principles used to prepare financial statements in accordance with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107). Refer to section 12.10 of this Companion Policy and Companion Policy 52-107 *Acceptable Accounting Principles and Auditing Standards* (52-107CP) for further guidance on audited financial statements.

IIROC and MFDA member firms that are also registered in another category

IIROC and MFDA member firms that are also registered in a category that does not require SRO membership must still comply with the financial filing requirements in Part 12 *financial condition*, even if they are relying on the exemptions in sections 9.3 and 9.4. Provided certain conditions are met, SRO members that are registered in other categories may be permitted to calculate their working capital in accordance with the SRO forms and file the SRO forms instead of Form 31-103F1.

For example, if the SRO firm is also an investment fund manager, it will need to report any net asset value (NAV) adjustments quarterly in order to comply with the investment fund manager requirements, notwithstanding that its SRO has no such requirements. However, they may be permitted to calculate their working capital in accordance with the SRO forms and file the SRO forms instead of Form 31-103F1. See sections 12.1, 12.12 and 12.14 for the requirements on delivery of working capital calculations for SRO members that are registered in multiple categories.

Working capital requirements are not cumulative

The working capital requirements for registered firms set out in section 12.1 are not cumulative. If a firm is registered in more than one category, it must meet the highest capital requirement of its categories of registration, except for those investment fund managers who are also registered as portfolio managers and meet the requirements of the exemption in section 8.6. These investment fund managers need only meet the lower capital requirement for portfolio managers.

If a registrant becomes insolvent or declares bankruptcy

The regulator will review the circumstances of a registrant's insolvency or bankruptcy on a case-by-case basis. If the regulator has concerns, it may impose terms and conditions on the registrant's registration, such as close supervision and delivering progress reports to the regulator, or it may suspend the registrant's registration.

12.2 Subordination agreement

Non-current related party debt must be deducted from a firm's working capital on Form 31-103F1, unless the firm and the lender have executed a subordination agreement in the form set out in Appendix B of NI 31-103 and delivered a copy of that agreement to the regulator. A portion of the non-current loan becoming current would not impact the original subordination agreement; the firm would have to notify the regulator if the firm repays the loan or any part of the non-current portion of the loan. However, the current portion of the originally-intended non-current subordinated loan would have to be included in Line 4 of Form 31-103F1, and could not be included in Line 5 of Form 31-103F1. This may not be the total amount of the original loan as set out in the subordination agreement, and as such the amount in the subordination agreement would not agree to Line 5 of Form 31-103F1.

Related party debt due on demand or repayable by the firm at any time, including pursuant to a revolving line of credit, is an example of a current liability. These types of liabilities are not eligible to be subordinated for the purposes of calculating excess working capital. The amount of current related party debt must be included in line 4 – *Current liabilities* of Form 31-103F1.

Firms must deliver subordination agreements to the regulator on the earlier of 10 days after the execution of the agreement or the date on which the firm excludes the amount of the related party debt from its excess working capital calculation. A firm may not exclude the amount until the subordination agreement is executed and delivered to the regulator.

The firm's obligations under section 12.2 to notify the regulator 10 days before it repays the loan or terminates the subordination agreement apply regardless of the terms of any loan agreement. Firms should ensure the terms of their loan agreements do not conflict with their regulatory requirements.

If a subordinated related party debt is being increased and the incremental increase is to be

subordinated, the subordination agreement submitted to the regulator should only report the incremental increase. Firms should not report the full balance of the related party debt, as noted on the statement of financial position, on the new subordination agreement unless the previous subordination agreement is terminated and notification of this termination is made in accordance with section 12.2.

In conjunction with the submission of a new subordination agreement, the regulator may request that the firm provide a schedule detailing the total outstanding subordinated debt.

The regulator may request that additional documentation be provided in conjunction with the firm's notice of repayment of a subordinated debt in order to assess whether the firm will have sufficient excess working capital following the repayment. This may include updated interim financial information and a completed Form 31-103F1.

At the time the firm submits a notice of repayment, the firm should provide an updated schedule to the regulator, detailing the total outstanding subordinated debt following the repayment.

Division 2 - Insurance

Insurance coverage limits

Registrants must maintain bonding or insurance that provides for a "double aggregate limit" or a "full reinstatement of coverage" (also known as "no aggregate limit"). The insurance provisions state that the registered firm must "maintain" bonding or insurance in the amounts specified. We do not expect that the calculation would differ materially from day to day. If there is a material change in a firm's circumstances, it should consider the potential impact on its ability to meet its insurance requirements.

Most insurers offer aggregate limit policies that contain limits based on a single loss and on the number or value of losses that occur during the coverage period.

Double aggregate limit policies have a specified limit for each claim. The total amount that may be claimed during the coverage period is twice that limit. For example, if an adviser maintains a financial institution bond of $50,000 for each clause with a double aggregate limit, the adviser's coverage is $50,000 for any one claim and $100,000 for all claims during the coverage period.

Full reinstatement of coverage policies and no aggregate limit policies have a specified limit for each claim but no limit on the number of claims or losses during the coverage period. For example, if an adviser maintains a financial institution bond of $50,000 for each clause with a full reinstatement of coverage provision, the adviser's maximum coverage is $50,000 for any one claim, but there is no limit on the total amount that can be claimed under the bond during the coverage period.

Insurance requirements are not cumulative

Insurance requirements are not cumulative. For example, a firm registered in the categories of portfolio manager and investment fund manager need only maintain insurance coverage for the higher of the amounts required for each registration category. Despite being registered as both a portfolio manager and an investment fund manager, when calculating the investment fund manager insurance requirement under subsection 12.5(2), an investment fund manager should only include the total assets under management of its own investment funds. It is only with respect to its own funds that the registrant is acting as an investment fund manager.

12.4 Insurance - adviser

The insurance requirements for advisers depend in part on whether the adviser holds or has access to client assets.

An adviser will be considered to hold or have access to client assets if they do any of the following:

- hold client securities or cash for any period
- accept funds from clients, for example, a cheque made payable to the registrant
- accept client money from a custodian, for example, client money that is deposited in the registrant's bank or trust accounts before the registrant issues a cheque to the client
- have the ability to gain access to client assets
- have, in any capacity, legal ownership of, or access to, client funds or securities
- have the authority, such as under a power of attorney, to withdraw funds or securities from client accounts
- have authority to debit client accounts to pay bills other than investment management fees
- act as a trustee for clients
- act as fund manager or general partner for investment funds, or
- use a custodian that is not functionally independent of the adviser and that, if used, allows the registered firm to access client assets

A registered firm will generally be considered to have access to client assets through the use of a custodian that is not functionally independent of the firm when any of the following apply:

- the registered firm and the custodian share the same mind and management such that the registered firm and the custodian would not reasonably be considered to be operating independently
- the custodial activities are performed by personnel that are not separate from, or are unable to act independently from, personnel of the registered firm
- there is a lack of systems and controls to ensure the functional independence of personnel performing the custodial function

12.6 Global bonding or insurance

Registered firms may be covered under a global insurance policy. Under this type of policy, the firm is insured under a parent company's policy that covers the parent and its subsidiaries or affiliates. Firms should ensure that the claims of other entities covered under a global insurance policy do not affect the limits or coverage applicable to the firm.

Division 4 - Financial reporting

12.10 Annual financial statements

12.11 Interim financial information

Accounting Principles

Registrants are required to deliver annual financial statements and interim financial information that comply with NI 52-107. Depending on the financial year, a registrant will look to different parts of NI 52-107 to determine which accounting principles and auditing standards apply:

- Part 3 of NI 52-107 applies for financial years beginning on or after January 1, 2011;
- Part 4 of NI 52-107 applies to financial years beginning before January 1, 2011.

Part 3 of NI 52-107 refers to Canadian GAAP applicable to publicly accountable enterprises, which is IFRS as incorporated into the Handbook. Under Part 3 of NI 52-107, annual financial statements and interim financial information delivered by a registrant must be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises except that any investments in subsidiaries, jointly controlled entities and associates must be accounted for as specified for separate financial statements in International Accounting Standard 27 Consolidated and Separate Financial Statements. Separate financial statements are sometimes referred to as non-consolidated financial statements.

Subsection 3.2(3) of NI 52-107 requires annual financial statements to include a statement and description about this required financial reporting framework. Section 2.7 of 52-107CP provides guidance on subsection 3.2(3). We remind registrants to refer to these provisions in NI 52-107 and 52-107CP in preparing their annual financial statements and interim financial information.

Part 4 of NI 52-107 refers to Canadian GAAP for public enterprises, which is Canadian GAAP as it existed before the mandatory effective date for the adoption of IFRS, included in the Handbook as Part V. Under Part 4 of NI 52-107, annual financial statements and interim financial information delivered by a registrant must be prepared in accordance with Canadian GAAP for public enterprises except that the financial statements and interim financial information must be prepared on a non-consolidated basis.

12.14 Delivering financial information – investment fund manager

NAV errors and adjustments

Section 12.14 requires investment fund managers to periodically deliver to the regulator, among other things, a completed Form 31-103F4 *Net Assets Value Adjustments* if any NAV adjustment has been made. A NAV adjustment is necessary when there has been a material error and the NAV per unit does not accurately reflect the actual NAV per unit at the time of computation.

Some examples of the causes of NAV errors are:

- mispricing of a security
- corporate action recorded incorrectly
- incorrect numbers used for issued and outstanding units
- incorrect expenses and income used or accrued
- incorrect foreign exchange rates used in the valuation, and
- human error, such as inputting an incorrect value

We expect investment fund managers to have policies that clearly define what constitutes a material error that requires an adjustment, including threshold levels, and how to correct material errors. If an investment fund manager does not have a threshold in place, it may wish to consider the threshold in IFIC Bulletin Number 22 *Correcting Portfolio NAV Errors* or adopt a more stringent policy.

PART 13 – DEALING WITH CLIENTS – INDIVIDUALS AND FIRMS

Division 1 - Know your client, know your product and suitability determination

13.2 Know your client

General principles

Registrants act as gatekeepers of the integrity of the capital markets. They should not, by act or omission, facilitate conduct that brings the market

into disrepute. As part of their gatekeeper role, registrants are required to establish the identity of, and conduct due diligence on, their clients under the know your client (or KYC) obligation in section 13.2. KYC information is essential for determining suitability, in order to protect the client, the registrant and the integrity of the capital markets. The KYC obligation requires registrants to take reasonable steps to obtain and periodically update information about their clients. The KYC process is an ongoing one which does not end after the initial KYC analysis is complete.

Establishing the identity and reputation of the client

Clients that are individuals

Registrants must collect information to establish the identity of the clients that are individuals. Registrants must take reasonable steps to confirm the accuracy of the information they collect in order to form a reasonable belief that they know the identity of an individual.

Verifying a client's reputation

Paragraph 13.2(2)(a) requires registrants to make inquiries if they have cause for concern about a client's reputation and to make all reasonable inquiries necessary to resolve the concern. This includes making a reasonable effort to determine, for example, the nature of the client's business or the identity of beneficial owners where the client is a corporation, partnership or trust. See subsection 13.2(3) for additional guidance on identifying clients that are corporations, partnerships or trusts.

Identifying insiders

Under paragraph 13.2(2)(b), a registrant must take reasonable steps to establish whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded. We consider "reasonable steps" to include explaining to the client what an insider is and what it means for securities to be publicly traded.

For purposes of this paragraph, "reporting issuer" has the meaning given to it in securities legislation and "other issuer" means any issuer whose securities are traded in any public market. This includes domestic, foreign, exchange-listed and over-the-counter markets, but does not include issuers whose securities have been distributed through a private placement and are not freely tradeable.

A registrant need not ascertain whether the client is an insider if the only securities traded for the client are mutual fund securities and scholarship plan securities referred to in paragraphs 7.1(2)(b) and (c). However, we encourage firms, when selling highly concentrated pooled funds, to enquire as to whether a client is an insider of the issuer of any securities held by the fund, notwithstanding the exemption provided in subsection 13.2(7). In addition, we remind registrants that they remain subject to the requirement in paragraph 13.2(2)(b) when they trade any other securities than those listed in paragraphs 7.1(2)(b) and (c).

This exemption does not change an insider's reporting and conduct responsibilities.

Clients that are corporations, partnerships or trusts

Subsection 13.2(3) requires registrants to establish the identity of any person who owns or controls 25% or more of the shares of a client that is a corporation or exercises control over the affairs of a client that is a partnership or trust. We remind registrants that this is in addition to the requirement in paragraph 13.2(2)(a) which requires registrants to make inquiries if they have cause for concern about a client's reputation. If a registrant has cause for concern about a particular client that is a corporation, partnership or trust, they may need to identify all beneficial owners of such entity.

KYC for conducting a suitability determination

We expect a registrant's KYC process to result in it having sufficient understanding of its clients to be able to discharge its suitability obligations under section 13.3. See below for a discussion of the extent to which the depth of KYC enquiries may vary depending on the relationship with the client and the securities and services offered by the registrant. We stress that KYC information must not be made to correspond or match with a security, account or portfolio or otherwise be manipulated to lead to a pre-determined outcome.

Registrants should take the opportunity on the initial KYC collection to explain the client's role in keeping KYC information current with the registrant. Some clients may be reluctant to provide relevant KYC information or may delay responding to update requests. The refusal of a client to provide or update all of the information requested by a registrant does not automatically prevent the registrant from servicing the client. A registrant should use professional judgment to consider whether it has collected enough information and whether the information remains sufficiently current.

Meaningful interaction with the client regardless of tools or technology

The process of collecting and updating a client's KYC information must amount to a meaningful interaction between the client and the registrant. Although standardized questionnaires or other tools may be used to facilitate the collection of KYC information and to document that information, the registrant remains responsible for the KYC process. The KYC obligation does not vary depending on the medium through which a registrant interacts with its client to gather the necessary information.

KYC obligations cannot be delegated

Responsibilities arising from the KYC obligation cannot be delegated. A registrant may not rely on a third party, such as a referral agent, for KYC information.

Providing assistance to clients

While some of the information collected can be readily obtained from the client, other elements may require explanation and further discussion with the client. For example, clients may need assistance in articulating their investment needs and objectives. Clients may also provide instructions that are unclear or give inconsistent responses to KYC questions. In these situations, the registrant should make further enquiries of the client. We expect particular care to be exercised by registrants concerning less sophisticated clients and those who may be vulnerable due to considerations such as age or disability. The registrant should not simply assume that the client will understand KYC questions and technical terms used in related discussions or interactions. KYC questions and client communications should be in plain language and supported with explanations of what each question or item relates to and what relevant terms and expressions mean.

Tailoring the KYC process

Although paragraph 13.2(2)(c) sets out a prescribed list of factors that a registrant must take into consideration in order to obtain sufficient KYC information, the depth of the enquiries that a registrant must make with regard to a client will vary. A registrant should tailor its KYC process to reflect its business model, including the nature of its relationships with clients and the securities and services it offers to them. For example, extensive KYC information will be required if the registrant offers an ongoing and fully-customized service or is a portfolio manager with discretionary authority for a client with relatively complex financial circumstances. Less extensive enquiries may be sufficient where a registrant offers model portfolios made up of investment funds to clients with relatively simple financial circumstances. Where the securities being sold to a client are illiquid or highly risky, more information on a client's financial circumstances, including investments held elsewhere, may need to be gathered by the registrant to sufficiently support a suitability determination.

KYC information to support use of prospectus exemptions

Registrants should develop a KYC process that provides for the collection of sufficient information about the client to allow the registrant to determine if the client meets the requirements of a prospectus exemption that is proposed to be relied on.

Client's personal circumstances

Subparagraph 13.2(2)(c)(i) requires the registrant to ensure that it has sufficient information about the client's personal circumstances. For individuals, this includes:

- date of birth
- address and contact information
- civil status or family situation
- number of dependants
- employment status and occupation
- whether someone other than the client is authorized to provide instructions on the account, and
- whether someone other than the client has a financial interest in the account.

For non-individuals, this includes:

- legal name
- head office address and contact information
- type of legal entity, i.e. corporation, trust, or other entity
- form and details regarding the organization of the legal entity, i.e. articles of incorporation, trust deed, or other constating documents
- nature of business
- persons authorized to provide instructions on the account and details of any restrictions on their authority, and
- whether someone other than the client has a financial interest in the account.

Client's financial circumstances

Subparagraph 13.2(2)(c)(ii) requires the registrant to ensure that it has sufficient information on the client's financial circumstances. A client's financial circumstances include, where applicable:

- annual income
- liquidity needs
- financial assets
- net worth, and
- whether the client is using leverage or borrowing to finance the purchase of securities.

- Client's liquidity needs

Liquidity needs are an important aspect of a client's financial circumstances. Registrants should consider ascertaining the extent to which a client wishes or needs to access all or a portion of their investments to meet their ongoing and short-term expenses and financial obligations or fund major

planned expenditures. When assessing a client's liquidity needs, a registrant should also consider whether the client has any other means to cover their expenditures, whether the needs are expected or unexpected, and whether, once the need materializes, the money will be withdrawn on a regular basis, such as once a month or once a year.

- Client's financial assets and net worth

Registrants should take reasonable steps to obtain a breakdown of financial assets, including deposits and type of securities such as mutual funds, listed securities and exempt securities. We also expect a registrant to take reasonable steps to determine a client's net worth, which includes all types of assets and liabilities. In some cases, a registrant may need to enquire about investments the client holds outside of the registrant to have a better understanding of a client's financial circumstances to sufficiently support its suitability determination. This information may be particularly important to a registrant's ability to assess whether an investment might lead a client to become over-concentrated in a security or sector.

- Leverage or borrowing to finance the purchase of securities

Understanding a client's financial circumstances includes whether or not a client is using leverage or is borrowing to finance the purchase of securities. When a client uses leverage or borrows money to invest, or borrows against the value of their investments, we expect the registrant to gather additional details regarding the client's ability to meet debt obligations. This will help the registrant with their suitability determination for an investment funded or carried through borrowing.

Client's investment needs and objectives

Subparagraph 13.2(2)(c)(iii) requires the registrant to ensure that it has sufficient information on the client's investment needs and objectives. A client's investment needs may include liquidity, discussed above as an aspect of financial circumstances. A client's investment objectives are the results they want to achieve when investing, such as capital preservation, income generated by invested capital, capital growth or speculation. The questions used by the registrant to ascertain most clients' investment objectives should include an opportunity for the client to express them in nontechnical terms that are meaningful to them, such as saving for retirement to maintain a certain lifestyle, increasing wealth by a certain percentage in a specific number of years, investing for purchase of a home, or investing for the post-secondary education of their children.

Understanding a client's overall investment needs and objectives informs a registrant's ability to make suitability determinations for a client. Depending on the nature of the relationship with the client, and the securities and services offered by the registrant, it may be appropriate to set out investment goals for a client's account or portfolio which may be done by developing an investment policy statement. Where investment goals are agreed upon with a client, they should be set out in terms that are specific and measurable. A registrant should consider setting out investment return assumptions that would be required to meet the client's investment needs and objectives. A registrant should also periodically update the client on progress towards any goals set for their account or portfolio.

Client's investment knowledge

Subparagraph 13.2(2)(c)(iv) requires the registrant to ensure that it has sufficient information about the client's investment knowledge. This includes the client's understanding of financial markets, the relative risk and limitations of various types of investments, and how the level of risk taken affects potential returns. This information also plays a role in the registrant's assessment of the client's risk profile under subparagraph 13.2(2)(c)(v).

We expect registrants to inquire about a client's level of awareness and previous experiences with finances and investments. Some registrants may use self-assessment questionnaires for this purpose. Registrants should always make further inquiries if the information provided by a client appears to be inconsistent with their apparent level of investment knowledge. For example, a client may indicate that they have limited investment knowledge and experience, while also indicating a willingness to accept a high level of risk.

Client's risk profile

Determination of the client's risk profile

Subparagraph 13.2(2)(c)(v) requires the registrant to have sufficient information about the client's risk profile. Establishing a client's risk profile involves understanding the client's willingness to accept risk, sometimes referred to as risk tolerance, and their ability to endure potential financial loss, sometimes referred to as risk capacity. Risk tolerance and risk capacity are separate considerations that together make up the client's overall risk profile.

Registrants should have in place a process for assessing a client's risk profile that includes:

- assessing a client's willingness to accept risk (risk tolerance) and a client's ability to endure potential financial loss (risk capacity),
- appropriately interpreting client responses to questions and not attributing inappropriate weight to certain answers, and
- identifying clients that are more suited to placing their money in cash deposits or guaranteed products because they are

unwilling or unable to accept the risk of loss of capital.

Assessing a client's capacity for loss involves the registrant having an understanding of the other factors prescribed in paragraph 13.2(2)(c), particularly the client's financial circumstances, including liquidity needs, debts, income and assets. Another consideration in determining risk capacity is how much of a client's total investments an account or a particular securities position represents. Age and life stage can also be important considerations when assessing a client's capacity to withstand loss. The risk profile for a client should reflect the lower of (a) the client's willingness to accept risk and (b) the client's ability to endure potential financial loss.

The process for developing a client's risk profile should be supportable and reliable. Tools such as questionnaires should be designed to arrive at a meaningful risk profile for the client. The questions and answers that are used to establish the level of risk a client is willing and able to accept should be documented. The questions should be fair, clear and not misleading. A client's risk profile should not be manipulated to justify recommending higher-risk products, for example, by only having a single category for risk tolerance. Clients should not be influenced by a representative as to the way they respond to questions related to their risk tolerance or risk capacity.

Resolving conflicts between a client's expectations and risk profile

A client's expectations for returns in line with their investment needs and objectives may conflict with the level of risk that they are willing and able to accept on their account. A desire to meet unrealistic expectations may lead such clients to ask the registrant to invest in higher-risk products that are unsuitable for them. A detailed discussion of the relationship between risk and return may be necessary to reconcile such conflicts and establish more realistic expectations.

Registrants should not override the risk a client is willing and able to accept on the basis that the client's expectations for returns cannot otherwise be met given the risk profile associated with their KYC responses. The registrant should identify any mismatches between the client's investment needs and objectives, risk tolerance and capacity for loss. The questions at the source of this conflict should be revisited with the client. If a client's goals or return objectives cannot be achieved without taking greater risk than they are able or willing to accept, alternatives should be clearly explained such as saving more, spending less or retiring later.

Where after discussion, it is determined that the client does not have the capacity or tolerance to sustain the potential losses and volatility associated with a higher risk portfolio, the registrant should explain to the client that their need or expectation for a higher return cannot realistically be met, and as a result, the higher risk portfolio is unsuitable. The interaction with the client and end results should be properly documented.

Client's investment time horizon

Subparagraph 13.2(2)(c)(vi) requires the registrant to ascertain the client's investment time horizon. When a client identifies their investment time horizon, the registrant has the responsibility to assess its feasibility and reasonableness relative to the client's liquidity needs, age, investment objectives, risk profile, and other particular circumstances. The length of the client's investment time horizon impacts the types of investments that may be suitable for the client. Investors with a longer investment time horizon may have a greater degree of flexibility when building a portfolio, whereas a short investment time horizon may mean that conservative investments may be the only suitable option.

Client's confirmation

Under section 13.2(3.1), the registrant must take reasonable steps to obtain the client's confirmation of the accuracy of the information collected under subsection 13.2(2), including any significant changes to the client's information. This confirmation may be evidenced by obtaining the client's signature (handwritten, electronic or digital signature) or, alternatively, by maintaining notes in the client file detailing the client's instructions to change the information. It should also be verified by providing written confirmation to the client with details of the instructions for change and providing an opportunity for the client to correct any changes that have been made. A registrant should consider implementing additional controls to evidence any change in client name, address or banking information since these changes may bring about an increased potential for fraud. Controls could include obtaining the client's handwritten, electronic or digital signature.

We expect registrants to record the date on which information is collected under subsection 13.2(2) and updated under subsections 13.2(4) or 13.2(4.1). The books and records required to be maintained under section 11.5 should include maintaining evidence of a client's confirmation of the accuracy of their KYC information.

Keeping KYC information current

Under subsection 13.2(4), registrants are required to make reasonable efforts to keep their clients' KYC information current. We consider information to be current if it is sufficiently up-to-date to support a suitability determination. At a minimum, registrants must review KYC information collected under subsection 13.2(2)(c) at the frequency set out in subsection 13.2(4.1). If an exempt market dealer is also registered in another dealer registration category, we expect KYC information

collected under subsection 13.2(2)(c) to have been reviewed within the last 12 months prior to recommending or trading in an exempt security.

Registrants should review and refresh the KYC information on record for a client after having a meaningful and documented interaction with the client. Registrants are not expected to re-collect all of the client's information, at every review, or in all circumstances of a potential change. There may be situations in which a more fulsome inquiry process (including re-collection of all of a client's KYC information) might be required, depending on how long it has been since all of the client's KYC information has been updated. We expect registrants to be proactive in determining that KYC information is current and, at a minimum, to periodically confirm with clients that the information they have on file remains current.

Significant change to client information

We expect registrants to make reasonable enquiries to determine if there has been a significant change to a client's KYC information. For purposes of section 13.2, a "significant change" to a client's information includes changes to their risk profile, investment time horizon or investment needs and objectives, as well as any other change that would reasonably be expected to have a significant impact on the net worth or income of the client. A significant change to the client's KYC information may result in the information no longer being sufficient to enable the registrant to meet its suitability determination obligations. In those circumstances, registrants should consider restricting activities in the client's account to liquidating trades, transfers or disbursements.

13.2.01 Know your client – trusted contact person

Appendix G sets out how we interpret the requirements under 13.2.01 and 13.19 relating to trusted contact persons and temporary holds. It also provides general commentary and guidance surrounding issues of financial exploitation of vulnerable clients, and concerns about clients' mental capacity to make decisions involving financial matters.

13.2.1 Know your product

General obligations of registrants

Section 13.2.1 sets out know your product (or KYP) requirements for both firms and individuals. Registrants must have an understanding of the securities that are purchased and sold for, or recommended to, their clients, obtained through a robust KYP process, in order to make the suitability determination that is required by section 13.3.

Making securities available to clients

Registered firms must ensure that KYP obligations are met in respect of securities they make available to clients. A registered firm makes a security available to clients by:

- purchasing or selling it for a client,
- recommending it to a client, or
- placing the security on the firm's shelf or product list, as applicable.

We also take the view that a registered adviser or registered dealer makes a security available to clients by advertising or promoting the security in any medium, including distributing marketing material about the security to a client.

Involvement of multiple registrants

We do not expect a duplication of the KYP review, approval and monitoring processes where multiple registrants are involved with securities, such as investment funds, fund of fund structures, model portfolios, and situations where sub-advisers have been engaged. We expect that registered firms will comply with their KYP obligations with respect to the securities involved at the level they are making those securities available to clients, or, in the case of registered individuals, understand those securities at the level they are purchasing them for or recommending them to clients.

For example, a registrant purchasing securities of an investment fund would discharge its KYP obligations on the fund itself, and it would be the responsibility of the registered adviser responsible for the fund's investments to discharge its KYP obligations on the securities held within the fund's portfolio. Where a portfolio manager has engaged a sub-adviser, it is the sub-adviser that must comply with the specific KYP obligations in respect of the securities it advises on. For registered individuals whose clients invest in model portfolios, the KYP obligation is to take reasonable steps to understand how the model portfolios are composed, their features and risks, and who they would be suitable for, while the adviser(s) responsible for selecting the securities within the model portfolios must discharge their KYP obligations in respect of those securities.

While we do not expect a duplication of the KYP process, registrants must use their professional judgement to ensure they have completed a sufficient assessment, and obtained a sufficient understanding, of the securities they are making available to clients to meet their suitability obligations in section 13.3.

Transfers in and client directed trades

Registrants must take reasonable steps to assess and understand those securities transferred into the firm from another registrant, as well as those that are a result of a client directed trade, within a reasonable time after the transfer or trade. Registered individuals are required to have an understanding of all securities held in a client's account, including those that are held as a result of a transfer in or a client directed trade, in order to make the required periodic suitability determination

under section 13.3. We recognize that the depth of the understanding required may vary depending on the nature of the securities, the client's circumstances and investment objectives, and the relationship between the client and the registrant. Firms are not required to approve securities that are transferred in or those that are held as a result of a client directed trade if they do not otherwise make those securities available to clients.

Securities of related and connected issuers

Registrants are not relieved of their KYP obligations in respect of securities of related and connected issuers. Where a firm offers securities of related and connected issuers as well as other securities, we expect that the securities of related and connected issuers will be subject to the same KYP process as those of other issuers. We remind registrants of the requirements in Part 13, Division 2 [conflicts of interest] and their obligation to address conflicts in the best interest of their clients, including those that arise as a result of making securities of related and connected issuers available to clients.

KYP process for firms

To comply with subsection 13.2.1(1), firms should establish a KYP process to ensure that securities that they are considering making available to clients are assessed and approved, and that they are monitored on an ongoing basis for significant changes once they are made available to clients.

The KYP process put in place by the firm may vary depending on the business model of the firm, the types of securities offered, the proficiency of its registered individuals, and the nature of the relationships that the firm and its registered individuals have with clients. For example, in the case of portfolio managers that permit their registered advising representatives to choose from the universe of securities rather than from a shelf or product list, the process put in place by the firm may reflect that the individual advising representatives are responsible for carrying out the assessment of those securities on behalf of the firm. Where a firm maintains a shelf or product list, the firm's process may reflect that it is the responsibility of the firm to carry out the assessment of the securities included on that shelf or product list.

In addition, the extent of the assessment, approval and monitoring processes required may vary depending on the structure, features and risks of securities being considered or made available by the firm. Firms may tailor their processes to the types of securities being considered and the complexity and risks of those securities, and their policies and procedures should set out the different levels of assessment, approval and monitoring for different types of securities, as appropriate. A security by security process will not be required in all circumstances.

For example, a firm's KYP process for less complex and risky types of securities may be less extensive than the process for more complex and risky types of securities, such as those that are novel, not transparent in structure, or involve leverage, options or other derivatives. Securities sold under a prospectus exemption may require a more extensive review and approval process because of the limited disclosure available about them and the less liquid nature of the securities.

KYP requirements for registered individuals

To comply with subsection 13.2.1(2), registered individuals must take reasonable steps to understand securities purchased or sold for, or recommended to, clients, including the structure, features and risks of the securities as well as the initial and ongoing costs of the securities and the impact of those costs. Securities that are more complex or risky may require a more detailed consideration by registered individuals. An understanding of all securities that registered individuals purchase or sell for, or recommend to, clients is necessary in order for registered individuals to make the suitability determination that is required by section 13.3.

We also expect registered individuals to have, based on their proficiency, a general understanding of the types of securities that are available through the registered firm for the registered individuals to purchase or sell for, or recommend to, clients. This is required in order for the registered individuals to meet their obligations under subsection 13.3(1), including the requirement to consider a reasonable range of alternatives as part of making a suitability determination for a client.

We expect that firms will provide their registered individuals with access to the information gathered about securities that have been assessed and approved to be made available to clients, to assist the registered individuals in complying with their KYP obligations. We expect that firms will provide their registered individuals with any necessary training and tools, for example, as well as take any other steps necessary to assist their registered individuals complying with their KYP obligations.

Under subsection 13.2.1(3), registered individuals must not purchase securities for or recommend securities to clients unless those securities have been approved by the firm to be made available to clients. However, the fact that a security is "approved" by the firm is not enough to discharge a registered individual's obligation to take reasonable steps to understand the security being purchased or sold for, or recommended to, a client by the registered individual.

Elements to be considered in the assessment of securities

The following elements should be considered when assessing securities (although, as noted above, the

depth of the inquiry on each element may vary depending, for example, on the types of securities and the complexity and risks of those securities):

- the general structure and features of the security, including the overall complexity, transparency and uniqueness of the security, the basis of the security's return and the likelihood of achieving its investment objectives and any expected returns, the time horizon and liquidity restrictions, and the use of leverage;
- the conflicts of interest, if any, inherent in the security, arising for example from the compensation structure, related party issues or other factors, including an assessment of how any conflicts of interest are being addressed by the issuer;
- the parties involved, for example, management of the issuer, portfolio manager, product manufacturer or sponsor, guarantors or significant counterparties;
- the risks of the security;
- the initial and ongoing costs of acquiring, owning and disposing of the security, as well as the impact of those costs on performance, client returns or otherwise, including:
    - fees paid to registrants or other parties, such as commissions, sales charges, trailer fees, management fees, incentive fees, referral fees and redemption fees;
    - embedded costs in, such as expenses or bid-ask spreads

Firms are expected to have the appropriate skills and experience to perform the necessary assessment of all securities to be made available to clients.

Additional due diligence may be necessary where there are reasons to question the validity of an issuer's information or where information provided about the securities is not sufficient to permit a meaningful assessment of the securities. An in-depth assessment of a security should take place where any issues are identified during the review process.

Firms should consider whether any restrictions or controls, such as concentration limits or controls on the use of the security in client portfolios, are required for any securities they are considering making available to clients.

Firms should also assess whether any modifications need to be made to their compliance or other systems to support particular securities, and whether additional training or proficiency requirements are necessary in order for their registered individuals to understand the securities and make appropriate suitability determinations.

Where securities to be sold pursuant to exemptions from the prospectus requirements under securities legislation are made available to clients, we expect that firms will consider training their registered individuals on the characteristics and concerns related to exempt securities to ensure that their registered individuals understand those securities and recommend them only in appropriate circumstances.

Approving securities to be made available to clients

Firms are required to establish appropriate approval processes for securities they make available to clients. As noted above, what constitutes an appropriate process for a firm may vary depending on the business model of the firm, the types of securities offered, the proficiency of its registered individuals, and the nature of the relationships that the firm and its registered individuals have with clients.

The approval process may also vary based on the complexity and risks of the securities. Less complex and risky types of securities may only require a high level or less detailed or extensive approval process, while the approval process for more complex securities may be more detailed and extensive and may, for example, involve individuals from a firm's senior management, compliance or risk management areas, as appropriate.

It is up to the firm to determine the appropriate approval process for the types of securities that it makes available to clients and the appropriate controls to have on its registered individuals to ensure that those individuals purchase or recommend only securities that have been approved to be made available to clients.

Any necessary restrictions or controls, compliance or other system modification, or training programs should be put in place before the security is made available to clients.

Monitoring securities made available to clients

A firm's KYP process should include an appropriate process for monitoring for significant changes to securities that have been approved by the firm and continue to be made available to clients. As noted above, what constitutes an appropriate monitoring process may vary depending on the type or complexity of the security, as well as on the business model of the firm, the proficiency of its registered individuals, and the nature of the relationships that the firm and its registered individuals have with clients. It is the responsibility of the firm to determine how and at what frequency the monitoring will take place.

Where there are significant changes to securities that the firm has approved and continues to make available to clients, firms should consider revisiting their approval of or restrictions or controls on the securities as appropriate, and firms and their

registered individuals should also consider whether or not the change would require new suitability determinations for clients holding that security where appropriate, as required under subsection 13.3(2)(b).

We remind registrants of the requirement under section 13.3 for periodic suitability determinations in connection with clients' accounts and the securities within those accounts. At these times, we expect that registrants will also consider whether there have been any changes to the securities, or any significant changes to the business environment or market conditions that would affect the risks or other aspects of the securities.

A firm should also consider whether its process in respect of specific securities requires monitoring for significant changes to the business environment or market conditions that would affect the risks or other aspects of the securities.

13.3 Suitability determination

Scope of the suitability determination

(a) Meaning of "suitability determination"

"Suitability determination" refers to a determination made by a registrant that satisfies the criteria in paragraphs 13.3(1)(a) and (b). The obligation to make a suitability determination is a fundamental obligation owed by registered firms and registered individuals to their clients and is critical to ensuring investor protection. It is a cornerstone of the registration regime and an extension of the duty to deal fairly, honestly and in good faith which registered firms and their registered individuals owe to their clients. However, meeting the criteria for a suitability determination does not imply a guarantee of any particular client outcome.

(b) Meeting prior KYC and KYP obligations

Suitability cannot be determined without having first complied with the KYC and KYP obligations. We expect registrants to gather sufficient information through the KYC process to support a suitability determination. For example, while a client's risk profile is an essential element of the client's KYC information, using the risk rating of a security as the only input in determining its suitability for a client is not in itself sufficient to meet the requirements in subsection 13.3(1). Registrants must also understand all securities that are purchased and sold for, or recommended to, their clients to support a suitability determination.

(c) Meaning of "investment action"

An "investment action" includes opening an account for a client, purchasing, selling, depositing, exchanging or transferring securities for a client's account, and taking any other investment action for a client, or making a recommendation or decision to take any such action. An investment action for a client also includes a recommendation or decision to continue to hold securities, which may be the case, for example, upon a review of a client's account and the securities in the client's account under subsection 13.3(2).

(d) Transfers in and other circumstances

We recognize that in some cases, such as when securities are transferred in from another registrant, it may not be possible for registrants to complete the suitability determination required in advance of opening an account for the client. In these circumstances, we expect the registrant to:

- complete the suitability determination within a reasonable time period after the account is opened, and
- have a process in place to restrict investment actions that can be taken by or on behalf of a client until the suitability determination has been completed (for example, by restricting the accounts to liquidating trades, transfers or disbursement).

Interests of the client come first

(a) General principle

The client's interests, as distinguished from those of the registrant or any other party, are at the core of the obligations under section 13.3. The fact that a recommendation or decision is determined by the registrant, on a reasonable basis, to be suitable for a client pursuant to paragraph 13.3(1)(a) will therefore not be considered to be enough to meet this obligation; the registrant must also determine that the action puts the client's interest first pursuant to paragraph 13.3(1)(b).

(b) Range of possible suitable recommendations

We recognize that there may be several options or courses of action for a registrant to take when recommending securities or services to clients, or when making decisions for clients, that can meet the criteria for a suitability determination. An assessment by a registrant of the specific suitability factors outlined in paragraph 13.3(1)(a) may result in a range of possible suitable recommendations or decisions for the client. However, when making a suitability determination, registrants must put the client's interest first, ahead of their own interests and any other competing considerations, such as a higher level of remuneration or other incentives, and must exercise their professional judgement when opting for one recommendation or decision among other suitable options.

(c) Account type suitability

The suitability determination criteria set out in paragraphs 13.3(1)(a) and (b) apply broadly to all investment actions taken by or recommended to a client by a registrant, including opening an account for a client. When opening an account, we expect registrants to:

- ensure that the type of account recommended, the dealer or adviser compensation option and the nature of the service offered to the client, including the use of investment strategies such as leveraging, are both suitable for the client and put the client's interest first, and
- explain the features and associated costs of different types of accounts that are available to the client at the registered firm, such as, for example, fee-based and commission-based accounts, and recommend the type of account that puts the client's interest first.

The suitability determination of the account type should be made prior to the opening of the account, subject to the exception noted above where securities are transferred in from another registrant and it is not possible to complete the suitability determination of the account type in advance of opening an account for the client. In this case, we expect the registrant to complete the suitability determination of the account type within a reasonable time period after the account is opened.

(d) Periodic reviews of client's account

The suitability determination criteria set out in paragraphs 13.3(1)(a) and (b) also apply to:

- all periodic reviews of a client's account and the securities within the account that a registrant completes under subsection 13.3(2), including decisions or recommendations to continue to hold securities, and
- determinations about how much cash to leave uninvested in a client's account.

(e) Client instructions and liquidating securities

The suitability determination criteria also apply upon receiving a client instruction, as well as to liquidating securities for clients, such as those transferred in from another registrant. Registrants must use their professional judgement when liquidating such securities for clients, and must do so in a way that puts the client's interest first, being mindful of any tax or other consequences to the client.

(f) Circumstances where appropriate accounts, securities and services are not available

If the registrant cannot recommend an account, services or securities to the client that meet the criteria set out in paragraphs 13.3(1)(a) and (b) because these are not available at the firm, the registrant should decline to open an account or provide the securities or the services to the client.

Portfolio approach to suitability

To meet the criteria in paragraph 13.3(1)(b) to put the client's interest first, suitability cannot be determined only on a trade by trade basis, but must be determined on the basis of the client's overall circumstances, given the relationship between the client and the registrant, and the securities and services offered by the registrant. Where a client has multiple investment accounts with the registrant, the registrant must take into consideration whether a recommendation or decision for one account would materially affect the concentration and liquidity of the client's investments across all their accounts held with the firm. As noted below, we expect registrants to determine appropriate concentration thresholds for their clients.

Suitability determination cannot be delegated

Registrants may not: delegate their obligations under section 13.3 to an unregistered individual, such as an administrative assistant or a referral agent or a registrant at another firm.

Factors for determining suitability

Specific factors are indicated

Paragraph 13.3(1)(a) indicates specific factors upon which a registrant must base its suitability determination. However, we recognize that, depending on the circumstances, such as the securities and services offered by the firm and the client's particular circumstances, the factors in paragraph 13.3(1)(a) may not be equally applicable to every suitability determination. In these situations, we expect registrants to use their professional judgement to determine the weight to put on each of the specific factors in paragraph 13.3(1)(a) and, overall, to put the client's interest first when making a suitability determination.

Concentration and liquidity in a client's account

Over-concentration in any one security, sector or industry can have a significant impact on the risk and liquidity in a client's account. Depending on the circumstances, such as the securities and services offered by the firm and the client's particular circumstances, we expect registrants to determine appropriate concentration and liquidity thresholds for their clients and to have processes in place to calculate, monitor and manage concentration in a client's account. Registrants should consider a number of factors when determining the appropriate concentration and liquidity, for example, the type of security, market conditions, and redemption or other liquidity restrictions. Generally, the higher the concentration in a particular type of security, sector or industry, the more steps the registrant should take, and appropriately document, to demonstrate that the investment was suitable for the client.

For example, registrants should assess whether the client's investments are over-concentrated in:

- illiquid exempt market securities as compared to more liquid publicly traded securities,

- securities of a single issuer, or group of related issuers, as compared to a broadly-based portfolio of issuers, or
- securities of an issuer, or group of related issuers, that provides exposure to a single industry or asset class, for example, real estate, as compared with a broadly-based portfolio of issuers that provide exposure to diversified industries or asset classes.

Potential and actual impact of costs

Cost as referred to in subparagraph 13.3(1)(a)(iv) is interpreted broadly and includes all direct and indirect costs, fees, commissions and charges, including trailing commissions and any other kind of direct and indirect registrant compensation which may be associated with a client purchasing, selling, holding or exchanging a security, or a registrant making a decision for a client's managed account.

Costs can have a significant impact on a client's return over time. Registrants must assess the relative costs of the options available to clients at the firm when making a suitability determination, as well as the impact of those costs. This includes assessing the impact on the client's overall return of any compensation paid, directly or indirectly, to the registrant, whether by the client, a registered individual's sponsoring firm, or a third party. Registered individuals must put their client's interest first when selecting from multiple suitable options available to the client, and must document the reasonable basis for their suitability determinations.

Consideration of a reasonable range of alternatives

Registrants have an obligation to consider a reasonable range of alternative recommendations or decisions available to the registered individual through the registered firm when making a suitability determination. What constitutes a reasonable range of alternative recommendations or decisions for a client will depend upon the circumstances, including the securities and services offered to the client, the degree of skill and proficiency of the registered individual, and the client's particular circumstances. For example, where a firm offers only a limited range of model portfolios, we would not expect the representative to conduct an in-depth consideration of alternatives if it is clear that only a limited number of options, or a single option, would be suitable for the client.

Reassessing suitability

A suitability determination is required upon the occurrence of an event in subsection 13.3(2), including upon the required periodic review of client's information in accordance with subsections 13.2(4) or (4.1), when the registrant becomes aware of the change. We expect the suitability determination to take place in a timely manner, and the determination of a reasonable time period will depend on the nature of the event itself and the circumstances surrounding the event.

The extent of the requirement to make a new suitability determination in respect of the client's account and the securities within the account is dependent on the particular circumstances, such as what type of event triggered the obligation to reassess suitability, the relationship between the client and the registrant and the services and securities offered, and the types of the securities within the account. For example:

- pre-authorized purchases or systematic withdrawals pursuant to established plans do not require a suitability determination prior to each purchase or withdrawal; however, a suitability determination must be made prior to establishing a systematic plan as well as upon the occurrence of a triggering event;
- when a client's account contains illiquid securities that have no redemption features, such as many of the exempt market securities distributed by exempt market dealers, we recognize that the extent of the reassessment of the suitability determination may be limited due to the illiquid nature of the securities. However, we expect that the registrant will take this fact into account when making future recommendations for the client, including any additional investments;
- when there is a change to a registered individual designated as responsible for a client's account, the extent of the suitability determination required will depend on the circumstances, and may be limited depending on the relationship between the client and the registrant and the securities held by the client. For example, where the client invests in a model portfolio managed by an online adviser, we would not expect a change to the registered individual responsible for the account, if any, to necessarily result in an in-depth reassessment of suitability or any changes to the composition of the client's account;
- we do not expect that registrants will necessarily undertake a reassessment of the client's account type on each periodic review. Rather, we expect that registrants will reflect on the nature of the particular change or event triggering the suitability determination and will use their professional judgement in determining whether the client's account type needs to be reassessed to ensure that it continues to be suitable for the client and puts the client's interest first. For example, it may be appropriate to consider a new account type for a client if there have been significant changes to a client's circumstances, or, if on a periodic review under paragraph 13.3(2)(d), there have been changes to a registrant's

offerings such that a new account type may be more appropriate for the client.

Dealing with client instructions (unsolicited orders)

A registrant has no obligation to accept a client order or instruction that does not, in the registrant's view, meet the criteria for a suitability determination. In our view, marking the order as unsolicited is not sufficient. The registrant must take the measures set out in subsection 13.3(2.1) and advise the client in a timely manner against proceeding.

Should the client choose to keep an investment that does not meet or no longer meets the criteria for a suitability determination, it may be appropriate to recommend changes to other investments held by the client at the firm in order to maintain the suitability of the overall account. Any advice given should be documented if the client declines to follow the registrant's recommendation.

Exemptions for certain types of clients

There are exemptions from the requirement to make suitability determinations:

- in subsection 13.3(3), for clients that are registered firms, Canadian financial institutions or Schedule III banks,
- in subsection 13.3.1(1) for permitted clients that are not individuals and that have waived, in writing, the suitability determination requirement for all trades, and
- in subsection 13.3.1(2) for permitted clients with non-managed accounts that are individuals and that have waived, in writing, the suitability determination requirement for all trades.

SRO rules may also provide conditional exemptions from the obligations under section 13.3, for example, for dealers who offer order execution only services.

Review by the regulator of the suitability determination

Registrants should make their suitability determinations based on the information reasonably available to them at the time. If we review a suitability determination, we will do so based on what a reasonable registrant with a similar business model would have done under the same circumstances. We will not review whether the suitability determination has been met based on events subsequent to the determination by the registrant, nor do we expect that there is only one best decision, recommendation or course of action: there could be several decisions or recommendations that the registrant has a reasonable basis for concluding are equally suitable and that puts the interest of the client first.

Division 2 - Conflicts of interest

13.4 Identifying, addressing and disclosing material conflicts of interest - registered firm

13.4.1 Identifying, reporting and addressing material conflicts of interest - registered individual

Responsibility to identify material conflicts of interest

What is a conflict of interest?

A conflict of interest includes any circumstance where:

- the interests of different parties, such as the interests of a client and those of a registrant, are inconsistent or divergent
- a registrant may be influenced to put their interests ahead of their client's interests, or
- monetary or non-monetary benefits available to a registrant, or potential detriments to which a registrant may be subject, may compromise the trust that a reasonable client has in their registrant.

When is a conflict of interest "material"?

Registrants must determine whether a conflict is material. The materiality of a conflict will depend on the circumstances. When determining whether a conflict is material, registrants should consider whether the conflict may be reasonably expected to affect either of the following or both:

- the decisions of the client in the circumstances,
- the recommendations or decisions of the registrant in the circumstances.

Identifying material conflicts of interest

A registered firm cannot properly address a material conflict in the best interest of its clients unless it has adopted robust policies and procedures to, among other things, accurately identify the conflict in a timely way. Pursuant to sections 13.4 and 13.4.1, both a registered firm and its registered individuals must take reasonable steps to identify existing and reasonably foreseeable material conflicts of interest. Reasonable steps to identify such conflicts could include:

- taking proactive measures to anticipate reasonably foreseeable conflicts;
- implementing policies and procedures to identify existing conflicts; and
- assessing the materiality of those conflicts to distinguish between those conflicts that are material and those that are not.

Addressing material conflicts in the best interest of the client

When addressing material conflicts of interest in the best interest of clients, a registered firm and its registered individuals must put the interests of their clients first, ahead of their own interests and any other competing considerations. Registrants must address material conflicts of interest by either avoiding those conflicts or by using controls to mitigate those conflicts sufficiently so that the conflict has been addressed in the client's best interest. We provide guidance below on examples of controls that registrants could consider when addressing various conflicts in the best interest of clients.

To comply with subsections 13.4(2) and 13.4.1(2), registrants must avoid a material conflict of interest if there are no appropriate controls available in the circumstances that would be sufficient to otherwise address the conflict in the best interest of the client. Similarly, if a particular conflict is capable of being addressed by using controls, but the specific controls being used by a registered firm are not sufficiently mitigating the effect of the conflict, the firm must avoid that conflict until it has implemented controls sufficient to address the conflict in the best interest of the client.

Registered firms must avoid a conflict if that is the only reasonable response in the circumstances that is consistent with the obligation to address conflicts in the best interest of clients. Registered firms must avoid such conflicts even if this means foregoing an otherwise attractive business opportunity or type of compensation for the firm or its registered individuals.

Examples of conflicts of interest and controls

The first step for registered firms to address material conflicts in the best interest of clients is to promote a tone from the top, set by the firm's board of directors (or equivalent), UDP and senior management, that emphasizes the importance of integrity when dealing with clients.

Registered firms could consider the following practices when determining how to address material conflicts in the best interest of clients:

- policies and procedures to identify and address material conflicts of interest that include:
  - a broad definition of "conflicts of interest" that enables the registered firm, and each individual acting on its behalf, to understand and identify conflicts of interest that may arise
  - a defined escalation procedure for handling potential conflict situations, for example, an internal requirement that when individuals acting on a registered firm's behalf become aware of an existing or reasonably foreseeable conflict of interest, the individual should promptly report the conflict to the CCO of the firm
  - a clear delineation of firm and representatives' responsibilities with respect to identifying and addressing material conflicts of interest appropriate resources, independence, and authority to the CCO and other internal control functions
  - regular reporting of material conflicts of interest by the CCO to the firm's UDP, executive management, and board of directors (or equivalent), including how the firm is addressing such conflicts in the best interest of clients
  - periodic testing of the firm's conflicts management framework, and
- a system for confirming that effective disclosure of material conflicts of interest is provided to clients.

Conflicts arising from proprietary products

It is an inherent conflict of interest for a registered firm to trade in, or recommend, proprietary products and this conflict is, in our experience, almost always a material conflict of interest. Firms that do so must be able to demonstrate that they are addressing this conflict in the best interest of their clients.

Registered firms who trade in, or recommend, proprietary products in addition to non-proprietary products could consider the following examples of controls when determining how to address such conflicts in the best interest of their clients:

- prohibiting monetary or non-monetary benefits at the firm that could bias individual recommendations towards proprietary products over non-proprietary products
- demonstrating that proprietary products are subject to the same know your product processes and selection criteria, as well as ongoing performance and other monitoring, as non-proprietary products
- clearly documenting how proprietary products fit within the firm's business model and strategy, and how they are aligned with client interests
- monitoring the use and level of proprietary products in client portfolios to assist in evaluating whether the conflict is being addressed in the best interests of clients
- making non-proprietary products offered by the firm as easy to access for its registered

individuals and its clients as proprietary products offered by the firm

- clearly disclosing to clients the nature of the firm's product and service offerings and the extent to which proprietary products may be included in client portfolios, and
- obtaining independent advice on, or an independent evaluation of, the effectiveness of the firm's policies, procedures, and controls to address this conflict.

Registered firms who only trade in, or recommend, proprietary products could consider the following examples of controls when determining how to address this conflict in the best interest of their clients:

- clearly documenting how the proprietary products fit within the firm's business model and strategy, and how they are aligned with client's interests
- providing clear disclosure to clients about the nature of the firm's product and service offerings and that only proprietary products will be included in client portfolios
- developing client profiles setting out the types of investors for whom the proprietary products may be suitable, including concentration or other limits for such securities where appropriate, and turning away any potential clients who do not fit the profile for that product
- establishing a robust oversight process for compliance with Part 13 Division 1 [*know your client, know your product and suitability determination*] in respect of proprietary products
- establishing a robust know your product process for the proprietary products, including subsequent performance and other monitoring of the securities, and an ongoing evaluation of the suitability of the securities for client portfolios
- conducting periodic due diligence on comparable non-proprietary products available in the market and evaluating whether the proprietary products are competitive with the alternatives available in the market, and
- obtaining independent advice on, or an independent evaluation of, the effectiveness of the firm's policies, procedures, and controls to address this conflict.

Conflicts arising from third-party compensation

It is an inherent conflict of interest for a registrant to receive third-party compensation. We also consider circumstances where registrants receive greater third-party compensation for the sale or recommendation of certain securities relative to others to be an inherent conflict of interest. In our experience, these are almost always material conflicts of interest.

Registered firms should be able to demonstrate that both product shelf development and client recommendations are based on the quality of the security without influence from any third-party compensation associated with the security. Registered firms could consider the following examples of controls when considering how to address these conflicts in the best interest of their clients:

- confirming that securities which provide lower levels of third-party compensation or no third-party compensation are included in the evaluation process, and that such process is free from bias towards securities that provide third-party compensation or higher third-party compensation. For example, by evaluating securities before the application of third-party compensation, or by ensuring that securities providing third-party compensation or higher third-party compensation are subject to the same know your product processes and selection criteria as other similar securities providing lower levels of third-party compensation or no third-party compensation
- as part of the firm's product shelf development, conducting periodic due diligence on securities on the firm's shelf that provide third-party compensation to determine whether such securities are competitive with comparable alternatives available in the market (including those that do not provide third-party compensation)
- clearly documenting how securities that provide third-party compensation fit within the firm's business model and strategy, and how they are aligned with client interests and the services provided to clients. Registrants should in particular take the following factors into account:
  - the range of ongoing investment and financial services provided to clients
  - the extent of such services, and
  - controls to confirm that the services are provided;
- developing client profiles setting out the types of investors for whom securities that provide third-party compensation may be suitable
- maintaining internal compensation arrangements for registered individuals that do not solely tie the registered individual's compensation, either directly or indirectly, to

commission revenue that is based on securities recommended or sold

- monitoring registered individuals' recommendations to determine whether predominance is given to securities that provide third-party compensation or higher third-party compensation, and to assist in evaluating whether the conflict is being addressed in the best interest of clients, and
- imposing consequences on registered individuals for breaches of the firm's conflict of interest policies and procedures that are sufficiently robust to counteract the potential incentives that registered individuals might have to put their own interests ahead of their clients' interests.

Conflicts arising from internal compensation arrangements and incentive practices

It is an inherent conflict of interest for registered firms to create incentives to sell or recommend certain products or services over others. It is also an inherent conflict of interest for registered individuals to receive greater compensation from their sponsoring firm for the sale or recommendation of certain products or services over others. In our experience these are almost always material conflicts of interest.

In our experience, sales and revenue targets almost always create material conflicts of interest between registered individuals and their clients because such targets may cause some registered individuals to put their interests ahead of their clients' interests. Also, as the negative consequences for failing to meet a sales or revenue target become more severe, the risk increases that registered individuals will put their interests ahead of their clients' interests.

Registered firms must be able to demonstrate that they are addressing these conflicts in the best interest of their clients. If a registrant is not controlling these conflicts in the best interest of its clients, the registrant must avoid these conflicts. Registered firms could consider the following examples of controls when considering how to address such conflicts in the best interest of their clients:

- applying consequences for conflicts violations that are proportionate to the potential benefit that could be achieved for reaching the sales or revenue target or the compensation or incentive threshold. For example:
  - prohibiting the registered individual from future participation in the compensation arrangement or incentive practice
  - requiring that the registered individual be compensated in a way that does not vary depending on the amount of revenue that they generate for the firm or the product or service that they recommend
  - requiring that a portion of the benefits or bonus be repaid to the registered firm, and
  - demotion or termination of employment;
- tying a portion of the registered individual's variable compensation to the absence of valid client complaints against the registrant, or to the registered individual's compliance with the registered firm's policies and procedures
- limiting the registered individual's variable compensation to a lower portion of their total compensation
- deferring payment of a portion of the compensation or incentive for a reasonable amount of time, and
- maintaining internal compensation arrangements that do not differ by product or service sold to the client, or by account or client type.

In addition to controlling these conflicts in the best interest of clients, registrants must comply with the suitability determination obligation under section 13.3. If certain products or services available at a firm compensate its registered individuals better than others, in addition to determining that the recommendation is suitable, registered individuals must put their clients' interest first when deciding which product or service to recommend. As a result, the client's interests, not the registrant's interests, must guide the recommendations made by a registrant to its clients. Registrants must not recommend a product or service just because it pays them better than the alternatives. This is also consistent with a registrant's obligation to deal fairly, honestly and in good faith with its clients.

Conflicts of interest at supervisory level

If a registered firm's compliance or supervisory staff's compensation is tied to the sales or revenue generation of the firm overall or the registered individuals that they supervise, there is an inherent conflict of interest that may cause them to put their interests ahead of clients' interests. In our experience, it is almost always a material conflict of interest as compliance and supervisory staff may not be able to properly oversee these registered individuals when compensated in this manner.

In firms where dealing or advising representatives also take on compliance roles, this conflict may be practically unavoidable. In such circumstances, we expect registered firms to address this conflict in the best interest of clients by implementing

policies and procedures sufficient to mitigate the risk to clients' interests and to closely monitor for compliance with these policies and procedures.

Conflicts in fee-based accounts

In our experience, there is almost always a material conflict of interest if a client is in a fee-based account and that account holds securities with embedded commissions. In all cases where there is a material conflict of interest, it must be addressed in the best interests of the client.

Registrants should also evaluate on an ongoing basis whether a fee-based compensation arrangement is in the best interest of the client, given the client's circumstances, investment needs and objectives, and the level of account activity. Registrants offering fee-based accounts should have controls in place to confirm that clients are receiving services consistent with the terms of the account or agreement with their clients.

Addressing conflicts between clients

We recognize that there can be competing interests among clients, and that a registrant may have difficulty trying to address these conflicts in the best interest of all their clients simultaneously. Addressing such conflicts in the best interest of clients means that the conflict must be addressed fairly and transparently between the clients. Firms should have internal systems to evaluate and document the balancing of competing client interests.

Conflicts related to referral arrangements

Paid referral arrangements are inherent conflicts of interest which, in our experience, are almost always material conflicts of interest, and must be addressed in the best interest of the client. Before a registrant refers a client, in exchange for a referral fee, to another party, the registrant must determine that making the referral is in the client's best interest. In making that determination, we expect registrants to consider the benefits to the client of making the particular referral over alternatives or at all.

In making a referral, registered firms and individuals must be guided only by the client's interests. We therefore expect that a registrant will not make a client referral to a party solely because of the referral fee that they will receive from that party, or because the amount or duration of the referral fee that they will receive from that party may be greater than the amount or duration of the referral fee that they would receive from a competitor to that party. If a client pays more for the same, or substantially similar, products or services as a result of a referral arrangement, we would not consider the inherent conflict of interest to have been addressed in the best interest of the client. This is also consistent with a registrant's obligation to deal fairly, honestly and in good faith with its clients.

See sections 11.5 and 13.8 of this Companion Policy for guidance on books and records obligations relating to referral arrangements and the specific obligations relating to these arrangements.

Purchasing assets from a client outside the normal course of business

The purchase of an asset from a client outside the normal course of a registrant's business may create a material conflict of interest that we expect registrants to avoid unless the registrant can clearly demonstrate that the purchase is in the client's best interest.

Full control or authority over the financial affairs of a client

Having full control or authority over the financial affairs of a client who is an individual (for example, through a power of attorney), or acting as an executor for a client's estate, is an inherent conflict of interest for a registered individual. In our experience, this is almost always a material conflict of interest. We expect registered firms to have policies and procedures in place to ensure that these conflicts are identified and are either avoided or otherwise addressed in the client's best interest.

Individuals who serve on a board of directors

(a) Board of directors of another registered firm

Under section 4.1, a registered individual must not act as a director of another registered firm that is not an affiliate of the individual's sponsoring firm.

(b) Board of directors of non-registered persons or companies

Section 4.1 does not apply to registered individuals who act as directors of unregistered firms. However, material conflicts of interest can arise when a registered individual serves on a board of directors. Examples include conflicting fiduciary duties owed to the company and to a registered firm or client, possible receipt of inside information and conflicting demands on the representative's time.

Conflicts of interest are further exacerbated when a registered individual acts as a director, officer, shareholder, owner or partner of an issuer whose securities the registered individual also recommends to clients. In such situations the responsibility to the firm and the registered individual to address the conflicts of interest is heightened due to the severity of the risk to the client.

The regulator will take into account the potential conflicts of interest that may arise when an

individual serves on a board of directors when assessing that individual's application for registration or continuing fitness for registration.

(c) Board of directors of reporting issuers

A representative of a registrant acting as a director of or adviser to a reporting issuer raises concerns with respect to conflicts of interest, particularly in relation to issues of insider information, trading and timely disclosure. All registrants should be conscious of their responsibilities in these situations and weigh the burden of dealing in an ethical manner with the conflicts of interest against the advantages of acting as a director of a reporting issuer.

Directors of a reporting issuer have an obligation not to reveal any confidential information about the issuer until there is full public disclosure of the information, particularly when the information might have a bearing on the market price or value of the securities of the issuer.

Any director of a reporting issuer who is a partner, director, officer, employee or agent of a registrant should recognize that the director's first responsibility with respect to confidential information is to the reporting issuer. A director should meticulously avoid any disclosure of inside information to partners, directors, officers, employees or agents of the registrant or to its clients.

If a partner, director, officer, employee or agent of a registrant is not a director but is acting in an advisory capacity to a reporting issuer and discussing confidential matters, the same care should be taken as if that person were a director. Should the matter require consultation with other personnel of the registrant, adequate measures should be taken to guard the confidential nature.

Individuals who have activities outside of the sponsoring firm

(a) Firm oversight of outside activity and reportable outside activity

The regulator will take into account and require reporting of certain outside activities of a registered individual when assessing that individual's application for registration or continuing fitness for registration, as well as the firm's fitness for registration. Please see the Companion Policy to National Instrument 33-109 *Registration Information* for more information.

Registered firms, on the other hand, are required to have policies and procedures to identify and address material conflicts of interest and risks arising from all outside activities that their registered individuals may participate in. This assessment by registrants should not be limited to only the outside activities reportable by registered firms to regulators. In particular, registered firms and registered individuals must determine whether an outside activity is a conflict of interest and determine whether the conflict of interest is material in the circumstances. Please refer to other areas in section 13.4 of this Companion Policy for more information.

(b) Conflicts and other risks arising from outside activities

Registered individuals' activities outside of their sponsoring firm may impact a registered individual's and a registered firm's ability to deal fairly, honestly and in good faith with their clients and to meet their obligations as a registrant, and may give rise to risks in the following areas:

- Outside activities may create material existing or potential conflicts of interest between a registered individual and the registered individual's clients, for example, because the compensation they receive for these activities, or the nature of the relationship between the individual and the outside entity, may cause some registered individuals to put their interests ahead of their clients' interests.
- Outside activities could interfere with the registered individual's ability to properly carry out the registrable activities. For example, if the outside activity requires the registered individual to work full-time during day-time hours, this could lead to insufficient time to properly service clients or to properly carry out the registrable activities, including remaining current on securities law and product knowledge.
- Outside activities could lead to client confusion, particularly where the outside activity relates to financial services (such as financial and estate planning, tax preparation, insurance, mortgage brokerage). The client may view the outside activity as part of the registered firm's activities. This may occur where the same premises, email address, business cards, mailing address, or telephone numbers are used. The outside business activity could expose the registered firm to complaints and litigation.
- When a registered individual in a position of influence deals with or advises clients or potential clients who may be susceptible to that influence, investor protection concerns arise. For example, the registered individual may use the position of influence to cause another individual to become a client or the other individual may be persuaded to purchase a security based upon their opinion of the registered individual and not upon the merits of the security or the other individual's investment needs and objectives. Such registrants must comply with additional requirements set out in section 13.4.3 [*Restrictions on a registered individual who is in a position of influence*].

- The outside activity may be prohibited by law or regulation. For example, section 4.1 prohibits a registered individual from acting for another registered firm in certain circumstances and section 11.8 prohibits tied selling.
- Where a registered individual has outside activities, the individual may improperly use information obtained from the registered firm in the outside activity. Clients may have only provided confidential information for the purposes of dealing with the registered individual at the registered firm and not for use in the outside activity. If this information is privileged, confidential or insider information, the registered individual's use of this information in the outside activities may impact the registered firm's ability to comply with securities laws.
- Outside activities may reveal registrable activities being carried on by the registered individual outside of the registered individual's firm or with other unregistered persons. They may also reveal non-compliance with securities laws or otherwise objectionable conduct.

In order to be able to assess the conflicts and other risks, we expect registered firms to establish a reporting mechanism that requires their registered individuals to report their outside activities. Before approving any outside activities, registered firms are required to consider existing or potential material conflicts of interest and other risks that arise from outside activities. If the firm cannot properly address a material conflict of interest in the best interest of the client and manage the risks in accordance with prudent business practices, it should not permit the outside activity.

In addition, registered individuals are required to promptly report to their sponsoring firm any material conflict which arises between a registered individual and the registered individual's client in accordance with subsection 13.4.1(2). The registered individual must avoid carrying out the outside activities if controls are not enough to address the conflict in the best interest of clients and must not engage in the outside activity until the registered firm has given its approval for the outside activity.

(c) Monitoring and supervising individuals' outside activities

A registered firm is responsible for monitoring and supervising their registered individuals. This includes the activities outside of their sponsoring firm that the registered individuals participate in.

Monitoring and supervising registered individuals' outside activities helps registered firms meet their regulatory obligations, including:

- compliance with the requirement to operate an effective compliance system under section 11.1 [*Compliance system and training*],
- the conflicts of interest provisions set out in section 13.4 [*Identifying, addressing and disclosing material conflicts of interest – registered firm*], and
- the restrictions on clients set out in section 13.4.3 [*Restrictions on a registered individual who is in a position of influence*].

When the regulator reviews how a registered firm monitors and supervises their registered individuals' outside activities, we expect firms to:

- have appropriate policies and procedures to identify material conflicts of interest arising from outside activities and address these conflicts of interest in the best interest of clients, and that include a broad definition of "outside activities".
- require registered individuals to disclose to their firm and require the firm to review and approve all outside activities prior to the activities commencing.
- have policies and procedures to determine that outside activities do not:
    - involve activities that are inconsistent with securities legislation, IIROC requirements or MFDA requirements, as applicable,
    - interfere with the registered individual's ability to perform their regulatory obligations and to update the registered individual's knowledge and training to keep pace with new securities, services and developments in the industry that are relevant to the registered individual's business, and
    - interfere with the registered individual's ability to properly service clients.
- provide training or education on outside activities, including the need to report on changes in outside activities and the restrictions on a registered individual who is in a position of influence as to the clients the registered individual can deal with or advise.
- require registered individuals to disclose to any new sponsoring firm, and require that new sponsoring firm to review and approve, all outside activities prior to the registered individual joining the new sponsoring firm.
- assess whether the registered firm has the necessary information and is able to properly supervise and monitor the outside activities.
- maintain records documenting its supervision of its individuals' outside activities and store

these records so that they are available for review by regulators.

- take appropriate supervisory actions when the registered firm identifies noncompliance with its policies on outside activities, such as no or late reporting of an outside activity.
- identify existing and reasonably foreseeable material conflicts of interest and take appropriate steps to address such conflicts in the best interest of clients.
- permit only outside activities that do not impair the ability to provide adequate client service, including, where necessary, having an alternate representative available for the client.
- make a determination that the outside activity is consistent with the registrant's duty to deal fairly, honestly and in good faith with its clients.
- implement risk management, including proper separation of the outside activity and the registerable activity.
- assess the exposure of the registered firm to complaints and litigation arising from the outside activities.
- assess whether the registered firm's knowledge of its registered individual's lifestyle is commensurate with its knowledge of the registered individual's activities and stay alert to other indicators of possible fraudulent activity. For example, if information comes to the registered firm's knowledge (including through a client complaint) that a registered individual's lifestyle is not commensurate with the registered individual's compensation by the firm, we would expect the registered firm to make further inquiries to assess the situation.

Failure to fulfil these responsibilities may be taken into consideration in assessing the firm's continued fitness for registration.

Registered firms should consider the following additional practices in relation to the monitoring and supervision of their registered individuals' outside activities:

- using standard forms and/or questionnaires to collect and assess their registered individuals' outside activities.
- having an intake method for registered individuals to disclose these outside activities to the firm.
- providing guidelines that describe what an outside activity is and the types of outside activities that are restricted or prohibited by securities laws or by the registered firm.
- having active involvement of the appropriate staff of the registered firm in the oversight of outside activities.
- performing internet searches or branch reviews to identify non-disclosed outside activities.
- having their registered individuals provide annual certifications for attesting compliance with policies relating to outside activities.
- providing monthly or quarterly reminders to their registered individuals to report changes to their outside activities.
- disclosing outside activities to clients using a standard form that is tailored for each outside activity.
- obtaining acknowledgement from clients that they do not fall within the class of individuals that a registered individual who is in a position of influence may not trade for or advise.

Because the nature of outside activities as well as the individual's registered activities may evolve over time, the registered firm is responsible to monitor and supervise outside activities in such a way that material conflicts are continually addressed in the best interest of clients and the risks are managed in accordance with prudent business practices.

Registered individual's responsibility to report and address material conflicts of interest

Under subsection 13.4.1(2), the registered individual must promptly report to his or her sponsoring firm any material conflict which arises between a registered individual and their client. The registered individual must not proceed with the activity in question until their sponsoring firm has given its consent to proceed. A firm can provide that consent in a number of ways.

For example, if a registered individual's activity is done in accordance with their sponsoring firm's policies and procedures related to that conflict then that may be sufficient consent for the purposes of paragraph 13.4.1(5)(b), unless the firm chooses to require its representatives to obtain express consent before proceeding with the particular activity. However, if the registered firm considers that the conflict must be avoided, the registered individual is prohibited from proceeding with the activity in question. Prior to a firm giving its consent to an individual to proceed with an activity, the firm should put necessary controls in place.

However, the registered firm's consent does not automatically mean that the registered individual has satisfied their obligation to address the conflict in the best interest of their client. Registered individuals and their sponsoring firms each have a distinct obligation to address material conflicts in the best interest of the client.

Conflicts disclosure

Disclosing conflicts of interest

Under subsections 13.4(4), (5) and (6), a registered firm must provide disclosure about conflicts in all cases where prescribed by securities legislation or SRO rules applicable to it. We stress however that disclosure alone is not sufficient to address a material conflict of interest in the best interest of clients. Not only does disclosure sometimes fail to mitigate the risks related to conflicts of interest, but in some instances disclosure of conflicts may aggravate the potential risks to a client's interests.

We expect that clients will use disclosure about material conflicts of interest to help inform their decision when evaluating the registrant's business practices, conflicts management and overall performance on an ongoing basis. As a result, the disclosure that clients receive is critical to their ability to make an informed decision about how to manage and evaluate their relationship with the registrant. Disclosure regarding material conflicts of interest must therefore be fulsome in content as set out in NI 31-103, must be prominent, specific and written in plain language, and must be disclosed at the appropriate time in order to be meaningful to the client.

See section 13.10 [Disclosing referral arrangements to clients] for guidance on the specific disclosure requirements relating to referral arrangements.

When disclosure is appropriate

Registered firms should ensure that their clients are adequately informed about material conflicts of interest that may affect the products and services provided to them.

Timing of disclosure

If a reasonable client would expect to be informed of a material conflict of interest, a registered firm must disclose that conflict during the account opening process. If a conflict was not identified prior to account opening, that conflict must be disclosed, in a timely manner, after it has been identified. These timing requirements are designed to give clients a reasonable amount of time to assess the conflict before making an investment decision.

If a conflict has been identified and it has not yet been disclosed to clients, we would not consider the disclosure "timely" if that disclosure only occurs after a related trade has been completed. Similarly, if there has been a significant change in respect of conflicts disclosure previously provided to a client, the registered firm must notify the client of that significant change, in compliance with subsection 14.2(4).

Although subsection 13.4(7) does not require registered firms to remind clients of conflicts disclosure that has already been provided to them, registrants should consider their obligation to deal fairly, honestly and in good faith with clients in the case of a transaction that presents a conflict which was disclosed a long time ago.

For example, if the registrant provided disclosure of the conflict of interest to the client with the client's account opening documentation months or years earlier, we expect that a registered representative would also disclose the transaction-related conflict to the client shortly before the transaction or at the time the transaction is recommended. However, there is no requirement in subsection 13.4(7) that such reminders be provided to the client in writing.

When disclosure is not appropriate

Disclosure may not be appropriate if a conflict of interest involves confidential or commercially sensitive information, or the information amounts to "inside information" under insider trading provisions in securities legislation.

In these situations, registered firms will need to assess whether there are other methods to adequately address the conflict of interest. If not, the firm may have to decline to provide the service to avoid the conflict of interest.

Registered firms should also have specific procedures for responding to conflicts of interest that involve inside information and for complying with insider trading provisions.

How to disclose a conflict of interest

Disclosure about a material conflict of interest should not:

- be generic disclosure;
- give partial disclosure that could mislead their clients; or
- obscure the conflicts of interest in overly detailed disclosure or buried in the middle of a large disclosure document.

In order to help make conflicts disclosure more prominent, firms should consider using a stand-alone, and succinct, conflicts disclosure document.

Examples of conflicts of interest disclosure

(a) Proprietary product disclosure

If a registrant is trading in, or recommending, proprietary products, it is an inherent conflict of interest. In our experience, it is almost always a material conflict that a reasonable client would expect to be informed of. The registrant should disclose if they only offer proprietary products or whether they offer a mix of proprietary products and non-proprietary products on their shelf and recommended product list.

With respect to the potential impact of this conflict and the risk it could pose to clients' interests, if the registrant is only offering proprietary products then the registrant should consider making the following disclosure prior to opening an account for the client:

> *The suitability determination conducted by the firm and its representatives will not consider the larger market of non-proprietary products or whether those non-proprietary products would be better, worse, or equal in meeting the client's investment needs and objectives.*

The firm must also disclose how they are addressing this conflict in the best interest of their clients.

When providing disclosure about proprietary products, a registered firm may also choose to maintain a list of the related or connected issuers for which it acts as a dealer or adviser. It may make the list available to clients by

- posting the list on its website and keeping it updated
- providing the list to the client at the time of account opening, or
- explaining to the client at the time of account opening how to contact the firm to request a copy of the list free of charge.

The list may include examples of the types of issuers that are related or connected and the nature of the firm's relationship with those issuers. For example, a firm could describe the nature of its relationship with an investment fund within a family of investment funds. This would mean that the firm may not have to update the list when a new fund is added to that fund family.

As noted above, information regarding proprietary product conflicts should be made available to clients before the advice or trade giving rise to the conflict so that clients have a reasonable amount of time to assess it. Registrants should use their professional judgement for the best way and time to inform clients about these conflicts. Previous disclosure may no longer be relevant to, or remembered by, a client, while disclosure of the same conflict more than once in a short time may be unnecessary and confusing.

Firms do not have to disclose to clients their relationship with a related or connected issuer that is a mutual fund managed by an affiliate of the firm if the names of the firm and the fund are similar enough that a reasonable person would conclude they are affiliated.

(b) Relationships with other issuers

Firms should assess whether conflicts of interest may arise in relationships with issuers that do not fall within the definitions of related or connected issuers. Examples include non-corporate issuers such as a trust, partnership or special purpose entity or conduit issuing asset-backed commercial paper. This is especially important if a registered firm or its affiliates are involved in sponsoring, manufacturing, underwriting or distributing these securities.

The registered firm should disclose the relationship with these types of issuers if those relationships give rise to a material conflict of interest.

(c) Compensation conflicts

Prior to entering into a transaction with a client, a registrant must disclose any commissions or other compensation that they will be receiving in respect of the transaction.

If a representative's compensation differs depending on the products or services provided, then this is a material conflict that must be disclosed to clients. With respect to the nature and extent of the conflict, the registrant should disclose a summary of the compensation conflict in plain language. For example, if particular products pay a larger percentage-commission than other products available to the client, the extent of the compensation difference should be explained.

Registrants must explain the potential impact of this conflict and the risk it could pose to clients' interests, including an explanation of the increased risk that the firm's representatives may be influenced to recommend a product that provides them better compensation, even though another product available at the firm may be just as good, or better, at meeting the client's investment needs and objectives. The firm must also disclose how it is addressing this conflict in the best interest of its clients.

13.4.3 Individuals in a position of influence

When considering the approval of a registered individual's outside activity, registered firms are expected to understand the nature of the activity and determine if the activity puts the registered individual in a position of influence. Additional regulatory requirements apply where the activity of a registered individual is a position of influence. These requirements do not apply where the individual is solely a permitted individual (i.e., the individual is not registered).

A registered firm is expected to have appropriate policies and procedures in place

- to identify all registered individuals who are in a position of influence,
- to provide reasonable assurance that the registered individual does not trade or advise in securities or derivatives with clients who are subject to that influence, and

- to report the position of influence as a reportable activity to regulators.

Where a registered firm has assessed that a position is not a position of influence, we expect registered firms to have documented their assessment at the time the assessment is made and have this documentation available to regulators upon request. Additionally, the conflicts of interest requirements set out in section 13.4 and 13.4.1 continue to apply to these activities. Only the requirements in section 13.4.3 would not apply.

Under section 13.4.3, certain specific roles are considered positions of influence. For example, a leader in a religious organization or other similar organization is a person who provides leadership or guidance on the faith in a recognized capacity in the organizational structure of the faith, such as a priest, deacon, rabbi, cantor or imam. It may be a position appointed by the faith's organization or selected by the congregation. It does not include any person who is responsible for only clerical or administrative duties, or any person who is only a member of the congregation. Other roles within the faith's organization that extend beyond clerical and administrative duties should be assessed on a case-by-case basis as to whether they are positions of influence. If a registered individual is known to the client or potential client through the registered individual's role as a religious authority figure, it could influence the client's perceptions of the risks of the security or investment strategy, or of the duty of care owed by the registered individual.

An assessment of other positions is required. Registered firms could consider the following non-exhaustive factors to determine whether the outside activity puts the registered individual in a position of influence:

- the degree of influence that the registered individual has through that position due to the functions of the position, the prestige of the position or the training or specialized knowledge required for the position,
- the degree to which a person may be confused as to whether the registered individual is acting in the capacity as a registrant or in another capacity, and
- the degree of susceptibility another person has to the registered individual in that position due to the other person's reliance on or perception of the registered individual's specialized knowledge, expertise, or trustworthiness associated with the role.

If both the degree of influence by the registered individual in the position of influence and the confusion or susceptibility of a person subject to that influence are considered significant, a registered firm is expected to consider the outside activity to be a position of influence.

The determination of whether the registered individual is in a position of influence will be based on the specific facts and will be determined in light of all relevant considerations and the surrounding circumstances. A position that would not normally be a position of influence could be in certain circumstances. We expect firms to be sufficiently aware of their sponsored individual's activities to determine whether a particular activity may rise to the level of a position of influence.

For example, an individual who is a primary care physician would be viewed as being in a position of influence. The physician has specialized medical knowledge and training that patients would not have. Patients see the physician when they are unwell, are reliant on the physician for their health, and may view the physician favourably based on the medical treatment they received, which may make them susceptible to influence. In this scenario, the physician would not be permitted to trade or advise in securities or derivatives with current or ongoing patients of the physician.

However, an assessment of other health care roles is required to determine if it is a position of influence. For example, dentists, optometrists, and technical workers at a medical facility, such as X-ray technicians and data health management coordinators, are not considered to be positions of influence because the degree of susceptibility is not significant.

A caregiver in an assisted living facility may be a position of influence. The caregiver's primary role is to provide care to residents in the assisted living facility, which includes making care decisions. The residents and their family members would be reliant on the caregiver for the quality of care received and would not easily be able to change facilities.

Below are other examples of activities that registered firms may consider as positions of influence due to the influence they carry in their specialized role, coupled with the susceptibility of the persons who receive the services:

- A correctional officer working in the criminal justice system
- A youth mentor in an organized program
- Social workers who serve a vulnerable client base (e.g., substance abuse programs, mental health care)
- An immigration consultant

An example of an activity that may not be a position of influence is an instructor for a hobby or recreational course, such as learning to paint or dance, as opposed to a university or college course in finance required for a degree or diploma. While the instructor of a hobby or recreational course may grade students' work, the instructor does not have influence because the course is being taken

for recreational or hobby purposes. The students are also not susceptible since the instructor is not grading the students for the purposes of granting a degree or diploma and the students do not rely on the grades for future education and employment opportunities.

Some elected officials, such as school trustees, would also not be considered positions of influence. While they may be influential, generally, they serve a broad base of people and may not use their position unilaterally. Therefore, the degree of susceptibility of their constituents does not rise to the level present in the examples above and in the expressly identified positions set out in paragraphs 13.4.3(2)(a) to (f) of the definition of position of influence.

However, there may be circumstances where an elected official may be in a position of influence. More prominent elected officials might be in a position of influence, as a potential client might be under the impression that specific securities or portfolio advice are being endorsed or approved by a governmental body. In particular, potential clients might view products offered by a prominent elected official to be of lower risk by virtue of the identity of the registered individual. Similarly, the perceived risk of an investment might be influenced if the registered individual is known to the client through the registered individual's role as a caregiver or, as noted above, as a religious authority figure.

A landlord would not be considered to be in a position of influence. While the landlord has power over their tenant in relation to the tenant's ability to continue to rent the accommodation, we would not view the degree of power of the landlord and the degree of susceptibility of the tenant to meet the level of a position of influence.

Individuals who are an executor or trustee of an estate or hold a power of attorney over another person would not, in our view, be in a position of influence. In these cases, the individual has been appointed to act on behalf of an estate or another person. The registered individual's influence is limited only to that estate or person and the individual has a fiduciary duty to act in the best interest of the estate or person. However, there is an inherent conflict of interest for a registrant to have full control or authority over the financial affairs of a client. In our experience, this is almost always a material conflict of interest. SRO rules only permit an individual to act as an executor, trustee, or power of attorney in certain circumstances. Registrants that are members of an SRO must comply with their SRO requirements. Where the individual is not subject to SRO rules, we expect registered firms to have policies and procedures in place such that these conflicts are identified and are either avoided or otherwise addressed in the client's best interest.

13.5 Restrictions on certain managed account transactions

Section 13.5 prohibits a registered adviser from engaging in certain transactions in investment portfolios it manages for clients on a discretionary basis where the relationship may give rise to a conflict of interest or a perceived conflict of interest. The prohibited transactions include trades in securities in which a responsible person or an associate of a responsible person may have an interest or over which they may have influence or control.

Disclosure when responsible person is partner, director or officer of issuer

Paragraph 13.5(2)(a) prohibits a registered adviser from purchasing securities of an issuer in which a responsible person or an associate of a responsible person is a partner, officer or director for a client's managed account. The prohibition applies unless the conflict is disclosed to the client and the client's written consent is obtained prior to the purchase.

If the client is an investment fund, the disclosure should be provided to, and the consent obtained from, each security holder of the investment fund in order for it to be meaningful. This disclosure may be provided in the offering memorandum that is provided to security holders. Like all disclosure about conflicts, it should be prominent, specific, clear and meaningful to the client. Consent may be obtained in the investment management agreement signed by the clients of the adviser that are also security holders of the investment fund.

This approach may not be practical for prospectus qualified mutual funds. Investment fund managers and advisers of these funds should also consider the specific exemption from the prohibition under section 6.2 of National Instrument 81-107 *Independent Review Committee for Investment Funds* (NI 81-107) for prospectus-qualified investment funds.

Restrictions on trades with certain investment portfolios

Paragraph 13.5(2)(b) prohibits certain trades, including, for example, those between the managed account of a client and the managed account of:

- a spouse of the adviser
- a trust for which a responsible person is the trustee, or
- a corporation in which a responsible person beneficially owns 10% or more of the voting securities

It also prohibits inter-fund trades. An inter-fund trade occurs when the adviser for an investment fund knowingly directs a trade in portfolio securities to another investment fund that it acts for or

instructs the dealer to execute the trade with the other investment fund. Investment fund managers and their advisers should also consider the exemption from the prohibition that exists for inter-fund trades by public investment funds under section 6.1 of NI 81-107.

Paragraph 13.5(2)(b) is not intended to prohibit a responsible person from purchasing units in the investment fund itself, nor is it intended to prohibit one investment fund from purchasing units of another fund in situations where they have the same adviser.

In instances where an IIROC dealer, who is also an adviser to a managed account, trades between its inventory account and the managed account, the dealer is expected to have policies and procedures that sufficiently mitigate the conflicts of interest inherent in such transactions. Generally, we expect these policies and procedures to ensure that:

- the trades achieve best execution as referenced in National Instrument 23-101 *Trading Rules*, while ensuring that the trades are consistent with the objectives of the managed account
- reasonable steps are taken to access information, including marketplace quotations or quotes provided by arms-length parties, to ensure that the trade is executed at a fair price
- there is appropriate oversight and a compliance mechanism to monitor this trading activity in order to ensure that it complies with applicable regulatory requirements, including the requirements referred to above.

13.6 Disclosure when recommending related or connected securities

Section 13.6 restricts the ability of a registered firm to recommend a trade in a security of a related or connected issuer. The restrictions apply to recommendations made in any medium of communication. This includes recommendations in newsletters, articles in general circulation, newspapers or magazines, websites, e-mail, Internet chat rooms, bulletin boards, television and radio.

It does not apply to oral recommendations made by registered individuals to their clients. These recommendations are subject to the requirements of Part 13 Division 2 [*Conflicts of interest*].

Division 3 - Referral arrangements

Division 3 sets out the requirements for permitted referral arrangements. The purpose of these requirements is to ensure that under any referral arrangements:

- individuals and firms that engage in registerable activities are appropriately registered ,
- the roles and responsibilities of the parties to the written agreement are clear, including responsibility for compliance with securities legislation, and
- clients are provided with disclosure about the referral arrangement to help them evaluate the referral arrangement and the extent of any conflicts of interest.

As discussed above in *Examples of conflicts of interest and controls - Conflicts related to referral arrangements*, paid referral arrangements are inherent conflicts of interest which are, in our experience, almost always material conflicts of interest. We expect registered firms to have policies and procedures in place to ensure that these conflicts are identified and are either avoided or otherwise addressed in the best interest of the client.

Registered firms have a responsibility to monitor and supervise all of their referral arrangements to ensure that they comply with the requirements of NI 31-103 and other applicable securities laws and continue to comply for so long as the arrangement remains in place. We expect firms to have in place effective policies and procedures for monitoring and supervising all referral arrangements the firm has entered into.

Obligations to clients

A client who is referred to an individual or firm becomes the client of that individual or firm for the purposes of the services provided under the referral arrangement. The registrant receiving a referral must meet all of its obligations as a registrant toward its referred clients, including know your client, know your product, and suitability determinations. The registrant cannot rely on the referring party to discharge any part of these obligations, nor should a registrant knowingly participate in a referral arrangement where the other party is engaged in registerable activity without being appropriately registered or exempt from registration.

13.7 Definitions – referral arrangements

Section 13.7 defines “referral arrangement” in broad terms. Referral arrangement means an arrangement in which a registrant agrees to provide or receive a referral fee. The definition is not limited to referrals for providing investment products, financial services or services requiring registration. It also includes receiving a referral fee for providing a client name and contact information to an individual or firm.

Section 13.7 also defines “referral fee” in broad terms. It includes sharing or splitting any commission resulting from the purchase or sale of

a security. We will examine, on a case-by-case basis, whether a given payment is a referral fee or not.

13.8 Permitted referral arrangements

Under section 13.8, parties to a referral arrangement are required to set out the terms of the arrangement in a written agreement. This is intended to ensure that each party's roles and responsibilities are made clear. This includes obligations for registered firms involved in referral arrangements to keep records of referral fees. Payments do not necessarily have to go through a registered firm, but a record of all payments related to a referral arrangement must be kept. This record should include:

- the name(s) of the client(s) referred
- the amount of the fee
- the person or company paying the fee, and
- who provides the disclosure to referred clients.

We expect referral agreements to include:

- the roles and responsibilities of each party
- limitations on any party that is not a registrant (to ensure that it is not engaging in any activities requiring registration)
- the disclosure to be provided to referred clients, and
- who provides the disclosure to referred clients.

Registrants receiving referrals are responsible for:

- carrying out all activity requiring registration that results from the referral arrangement, and
- communicating with referred clients.

Registered firms are required to be parties to referral agreements. This ensures that they are aware of these arrangements so they can adequately supervise their representatives and monitor compliance with the agreements. This does not preclude the individual registrant from also being a party to the agreement. Registered individuals cannot enter into referral arrangements independently of their sponsoring firms or without their knowledge.

A party to a referral arrangement may need to be registered depending on the activities that the party carries out. Registrants cannot use a referral arrangement to assign, contract out of or otherwise avoid their regulatory obligations.

Registrants may wish to refer their clients to other registrants for services that they are not authorized to perform under their category of registration. In making referrals, registrants should ensure that the referral does not itself constitute an activity that the registrant is not authorized to engage in under its category of registration.

We would consider the referral of a client by a registrant to a registered dealer to constitute trading in securities by the referring registrant for a business purpose if, in the referral:

- the referring registrant makes any statement to the client about the merits of a specific security or trade,
- the referring registrant makes any recommendation or otherwise represents to the client that a specific trade is suitable for that client or another person or company, or
- the referring registrant accepts any instructions from the client in respect of trades to be made by the registered dealer.

13.9 Verifying the qualifications of the person or company receiving the referral

Section 13.9 requires a registrant making a referral to take reasonable steps to satisfy itself that the other party to the referral arrangement is appropriately qualified to perform the contemplated services, and if applicable, is appropriately registered. The registrant is responsible for determining the due diligence steps that are necessary in the particular circumstances. We expect that, at a minimum, they will include

- an assessment of the types of clients that the referred services would be appropriate for, and
- an assessment by the registrant of the qualifications of the referral party, including taking reasonable steps to determine whether the referral party has been the subject of any civil actions, regulatory or professional disciplinary matters conducted under any legislation, or client complaints, relating to his, her or its professional activities.

13.10 Disclosing referral arrangements to clients

The disclosure of information to clients required under section 13.10 is intended to help clients make an informed decision about the referral arrangement and to assess any conflicts of interest. The disclosure must be provided to clients before or at the time the referred services are provided. A registered firm, and any registered individuals who are directly participating in the referral arrangement, should take reasonable steps to ensure that clients understand:

- with which entity they are dealing
- what they can expect that entity to provide to them
- the registrant's key responsibilities to them
- the limitations of the registrant's registration category

- any relevant terms and conditions imposed on the registrant's registration
- the extent of the referrer's financial interest in the referral arrangement, and
- the nature of any existing or reasonably foreseeable conflict of interest that may arise from the referral arrangement

13.11 [*lapsed*]

Division 4 – Borrowing and lending

13.12 Restriction on borrowing from, or lending to, clients

Subsection 13.12(1) is intended to limit the financial exposure of a registered firm. To the extent that products sold to clients are structured in a way that would result in the registrant becoming a lender to the clients, including the registrant extending margin to the client, we would consider the registrant to not be in compliance with subsection 13.12(1).

Subsection 13.12(1) prohibits registrants from lending money, extending credit or providing margin to clients as we consider that this activity creates a conflict of interest which cannot be easily managed.

We note that SROs are exempt from section 13.12 as they have their own rules or prohibitions on lending, extending credit and providing margin to clients. Direct lending to clients (margin) is reserved for IIROC members. The MFDA has its own rules prohibiting margining and, except in specific limited circumstances, lending.

13.13 Disclosure when recommending the use of borrowed money

Division 5 - Complaints

13.14 Application of this Division

Investment fund managers are only subject to Division 5 if they also operate under a dealer or adviser registration, in which case the requirements in this Division apply in respect of the activities conducted under their dealer or adviser registration.

In Québec, a registered firm is deemed to comply with this Division if it complies with sections 168.1.1 to 168.1.3 of the Québec *Securities Act*, which provides a substantially similar regime for complaint handling.

The guidance in Division 5 of this Companion Policy applies to firms registered in any jurisdiction including Québec.

However, section 168.1.3 of the Québec *Securities Act*, includes requirements with respect to dispute resolution or mediation services that are different than those set out in section 13.16 of NI 31-103. In Québec, registrants must inform each complainant, in writing and without delay, that if the complainant is dissatisfied with how the complaint is handled or with the outcome, they may request the registrant to forward a copy of the complaint file to the Autorité des marchés financiers. The registrant must forward a copy of the complaint file to the Autorité des marchés financiers, which will examine the complaint. The Autorité des marchés financiers may act as a mediator if it considers it appropriate to do so and the parties agree.

13.15 Handling complaints

General duty to document and respond to complaints

Section 13.15 requires registered firms to document complaints, and to effectively and fairly respond to them. We are of the view that registered firms should document and respond to all complaints received from a client, a former client or a prospective client who has dealt with the registered firm (complainant).

Firms are reminded that they are required to maintain records which demonstrate compliance with complaint handling requirements under subsection 11.5(2)(m).

Complaint handling policies

An effective complaint system should deal with all formal and informal complaints or disputes in a timely and fair manner. To achieve the objective of handling complaints fairly, the firm's complaint system should include standards allowing for objective factual investigation and analysis of the matters specific to the complaint.

We take the view that registered firms should take a balanced approach to the gathering of facts that objectively considers the interests of

- the complainant
- the registered representative, and
- the firm

Registered firms should not limit their consideration and handling of complaints to those relating to possible violations of securities legislation.

Complaint monitoring

The firm's complaint handling policy should provide for specific procedures for reporting the complaints to superiors, in order to allow the detection of frequent and repetitive complaints made with respect to the same matter which may, on a cumulative basis, indicate a serious problem. Firms should take appropriate measures to deal with such problems as they arise.

Responding to complaints

Types of complaints

All complaints relating to one of the following matters should be responded to by the firm by

providing an initial and substantive response, both in writing and within a reasonable time:

- a trading or advising activity
- a breach of client confidentiality
- theft, fraud, misappropriation or forgery
- misrepresentation
- an undisclosed or prohibited conflict of interest, or
- personal financial dealings with a client

Firms may determine that a complaint relating to matters other than the matters listed above is nevertheless of a sufficiently serious nature to be responded to in the manner described below. This determination should be made, in all cases, by considering if an investor, acting reasonably, would expect a written response to their complaint.

When complaints are not made in writing

We would not expect that complaints relating to matters other than those listed above, when made verbally and when not otherwise considered serious based on an investor's reasonable expectations, would need to be responded to in writing. However, we do expect that verbal complaints be given as much attention as written complaints. If a complaint is made verbally and is not clearly expressed, the firm may request the complainant to put the complaint in writing and we expect firms to offer reasonable assistance to do so.

Firms are entitled to expect the complainant to put unclear verbal issues into written format in order to try to resolve confusion about the nature of the issue. If the verbal complaint is clearly frivolous, we do not expect firms to offer assistance to put the complaint in writing. The firm may nonetheless ask the complainant to put the complaint in writing on his or her own.

Timeline for responding to complaints

Firms should

- promptly send an initial written response to a complainant: we consider that an initial response should be provided to the complainant within five business days of receipt of the complaint
- provide a substantive response to all complaints relating to the matters listed under "Types of complaints" above, indicating the firm's decision on the complaint

We encourage firms to resolve complaints relating to the matters listed above within 90 days.

13.16 Dispute resolution service

Section 13.15 requires a registered firm to document and respond to each complaint made to it about any product or service that is offered by the firm or one of its representatives. Section 13.16 provides for recourse to an independent dispute resolution or mediation service at a registered firm's expense for specified complaints where the firm's internal complaint handling process has not produced a timely decision that is satisfactory to the client.

Registered firms may be required to make an independent dispute resolution or mediation service paid for by the firm available to a client in respect of a complaint that

- relates to a trading or advising activity of the firm or its representatives, and
- is raised within six years of the date when the client knew or reasonably ought to have known of the act or omission that is a cause of or contributed to the complaint

As soon as possible after a client makes a complaint (for example, when sending its acknowledgment or initial response to the complaint), and again when the firm informs the client of its decision in respect of the complaint, a registered firm must provide a client with information about

- the firm's obligations under section 13.16,
- the steps the client must take for an independent dispute resolution or mediation service to be made available to the client at the firm's expense, and
- the name of the independent service that will be made available to the client (outside of Québec, this will normally be the Ombudsman for Banking Services and Investments (OBSI), as discussed below) and how to contact it

A client may escalate an eligible complaint to the independent dispute resolution or mediation service made available by the registered firm in two circumstances:

- If the firm fails to give the client notice of its decision within 90 days of receiving the complaint (telling the client that the firm plans to take more than 90 days to make its decision does not 'stop the clock'). The client is then entitled to escalate the complaint to the independent service immediately or at any later date until the firm has notified the client of its decision.
- If the firm has given the client notice of its decision about the complaint (whether it does so within 90 days or after a longer period) and the client is not satisfied with the decision, the client then has 180 days in which escalate the complaint to the independent service.

In either instance, the client may escalate the complaint by directly contacting the independent service.

We think that it may sometimes be appropriate for the independent service, the firm and the client involved in a complaint to agree to longer notice periods than the prescribed 90 and 180 day periods as a matter of fairness. We recognize that where a client does not cooperate with reasonable requests for information relating to a complaint, a firm may have difficulty making a timely decision in respect of the complaint. We expect that this would be relevant to any subsequent determination or recommendation made by an independent service about that complaint.

The client must agree that the amount of any recommendation by the independent service for monetary compensation will not exceed $350,000. This limit applies only to the amount that can be recommended. Until it is escalated to the independent service, a complaint made to a registered firm may include a claim for a larger amount.

Except in Québec, a registered firm must take reasonable steps to ensure that the dispute resolution and mediation service that is made available to its clients for these purposes will be OBSI. The reasonable steps we expect a firm to take include maintaining ongoing membership in OBSI as a "Participating Firm" and, with respect to each complaint, participating in the dispute resolution process in a manner consistent with the firm's obligation to deal fairly, honestly and in good faith with its client. This would include entering into consent agreements with clients contemplated under OBSI's procedures.

Since section 13.16 does not apply in respect of a complaint made by a permitted client that is not an individual, we would not expect a firm that only has clients of that kind to maintain membership in OBSI.

A registered firm should not make an alternative independent dispute resolution or mediation service available to a client at the same time as it makes OBSI available. Such a parallel offering would not be consistent with the requirement to take reasonable steps to ensure that OBSI will be the independent service that is made available to the client. Except in Québec, we expect that alternative service providers will only be used for purposes of section 13.16 in exceptional circumstances.

We would regard it as a serious compliance issue if a firm misrepresented OBSI's services or exerted pressure on a client to refuse OBSI's services.

If a client declines to make use of OBSI in respect of a complaint, or if a client abandons a complaint that is under consideration by OBSI, the registered firm is not obligated to provide another service at the firm's expense. A firm is only required to make one dispute resolution or mediation service available at its expense for each complaint.

Nothing in section 13.16 affects a client's right to choose to seek other recourse, including through the courts.

Registrants that are members of an SRO, including those that are registered in Québec, must also comply with their SRO's requirements with respect to the provision of independent dispute resolution or mediation services.

Registrants who do business in other sectors

Some registrants are also registered or licensed to do business in other sectors, such as insurance. These registrants should inform their clients of the complaint mechanisms for each sector in which they do business and how to use them.

Division 6 – Registered sub-advisers

13.17 Exemption from certain requirements for registered sub-advisers

Section 13.17 contains an exemption from certain client related requirements for registered sub-advisers. These requirements are not necessary because in a sub-adviser arrangement the sub-adviser’s client is another registrant. We remind registrants that these exemptions do not apply if the client is not a registrant. One of the conditions of this exemption is that the other registrant has entered into an agreement with its client that it is responsible for losses that arise out of certain failures by the sub-adviser. We expect that a registrant taking on this liability will conduct appropriate initial and ongoing due diligence on the sub-adviser and before making recommendations or investment decisions based on the sub-adviser’s advice, ensure the investment is suitable for the registrant’s client.

We also expect that the other registrant and the sub-adviser will maintain records of their transactions and that the other registrant will maintain records of the due diligence conducted on the sub-adviser. See Part 11 of this Companion Policy for more guidance.

Division 7 – Misleading communications

13.18 Misleading communications

Misleading business titles and designations

Section 13.18 prohibits registrants in their client-facing relationships from, among other things, using titles or designations that could reasonably be expected to deceive or mislead existing and prospective clients. Certain titles can be confusing to the average investor or imply that a registered individual performs a particular function at a firm or has particular expertise. Similarly, titles can give rise to certain client expectations or help to create an unfounded feeling of trust, reassurance or prestige. Registered firms should keep these considerations in mind before authorizing their registered individuals to use specific titles in their client-facing relationships. Particular scrutiny

should be given to the use of titles that convey an expertise in seniors' issues or retirement planning to confirm that any registered individual using such a title is appropriately qualified and competent in that area.

When considering whether a designation is misleading, registered firms should consider whether the designation has:

- a rigorous curriculum and examination process
- experience requirements, and
- been issued by a reputable organization.

Registered firms should recognize that some types of clients, such as seniors, may tend to be vulnerable to misleading designations. If a registered firm permits their registered individuals to use designations of any kind, including those that suggest an expertise in retirement planning, registered firms must have procedures in place to confirm that those designations are not misleading.

The nature of the relationship with clients and the products and services provided

If a registered firm uses advertising that exaggerates the products and services available to clients, this could reasonably be expected to mislead a client as to the products and services to be provided as well as to the nature of the relationship that may exist between the registrant and the client.

If a registered firm primarily or exclusively offers proprietary products, or products manufactured by an affiliate of the firm, and holds itself out as a firm that offers a wide range of products, this could reasonably be expected to mislead a client as to the products to be provided and as to the nature of the relationship.

If a registered firm or its registered individuals hold themselves out as being in a fiduciary-like relationship with their clients but the registrants do not actually conduct themselves to the standard of a fiduciary, this could reasonably be expected to deceive or mislead a client as to the nature of the relationship between themselves and their registrant.

Titles, designations, awards, or recognitions based on sales activity or revenue generation

A registered individual's sales activity or revenue generation are distinct from their proficiency, experience, and qualifications. If a prestigious sounding title, designation, award, or recognition is tied to a registered individual's sales activity or revenue generation, this could reasonably be expected to deceive or mislead a client as to the proficiency, experience, or qualifications of that registered individual.

For example, if membership in a registered firm's "President's Club" is based partly or entirely on a registered individual's sales activity or revenue generation, the registered individual must not use that recognition or award.

Corporate officer titles

A registered individual in a client-facing relationship must not use a corporate officer title, such as president or vice-president, unless their sponsoring firm has duly appointed that registered individual to that corporate office pursuant to the corporate law applicable to their sponsoring firm. The use of a corporate officer title is also still subject to the general rule set out under subsection 13.18(1) and firms must consider whether the use of a corporate officer title would be misleading prior to approving their use.

Division 8 – Temporary holds

13.19 Conditions for temporary hold

Appendix G sets out how we interpret the requirements under sections 13.2.01 and 13.19 relating to trusted contact persons and temporary holds. It also provides general commentary and guidance surrounding issues of financial exploitation of vulnerable clients, and concerns about clients' mental capacity to make decisions involving financial matters.

PART 14 – HANDLING CLIENT ACCOUNTS – FIRMS

If a client consents, documents required in this Part can be delivered in electronic form. For further guidance, see NP 11-201.

Division 1 - Investment fund managers

Section 14.1 sets out the limited application of Part 14 to investment fund managers. The sections of Part 14 that apply to investment fund managers when performing their investment fund manager activities include section 14.1.1 *[duty to provide information*], section 14.5.2 [*restriction on self-custody and qualified custodian requirement*], section 14.5.3 [*cash and securities held by a qualified custodian*], section 14.6 [*client and investment fund assets held by a registered firm in trust*], section 14.6.1 [*custodial provisions relating to certain margin or security interests*], section 14.6.2 [*custodial provisions relating to short sales*], subsection 14.12(5) [*content and delivery of trade confirmation*] and section 14.15 [*security holder statements*]. An investment fund manager that is also registered as a dealer or adviser (or both) is subject to all relevant sections of Part 14 in respect of that firm's dealer or adviser activities.

14.1.1 Duty to provide information – investment fund managers

Section 14.1.1 requires investment fund managers to provide information that is known to them concerning position cost, deferred sales charges and any other charges deducted from the net asset value of the securities, and trailing commissions to dealers and advisers who have clients that own the

investment fund manager's funds. This information must be provided within a reasonable period of time in order that the dealers and advisers may comply with their client reporting obligations. This is a principles-based requirement. An investment fund manager must work with the dealers and advisers who distribute fund products to determine what information they need from the investment fund manager in order to satisfy their client reporting obligations. The information and arrangements for its delivery may vary, reflecting different operating models and information systems.

Division 2 - Disclosure to clients

14.2 Relationship disclosure information

Registrants should ensure that clients understand who they are dealing with. They should carry on all registerable activities in their full legal or registered trade name. Contracts, confirmation and account statements, among other documents, should contain the registrant's full legal name.

Content of relationship disclosure information

Subsection 14.2(1) sets out a general principle that 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. Firms should bear in mind that although it will very often be sufficient to provide a client with the information prescribed in subsection 14.2(2), that is not an exhaustive list and the over-arching general principle will always apply to a client-registrant relationship.

There is no prescribed form for the relationship disclosure information required under section 14.2. A registered firm may provide this information in a single document, or in separate documents, which together give the client the prescribed information.

The relationship disclosure information required to be delivered under subsection 14.2(1) is intended to shape and confirm clients' expectations of the services and products they will receive through the registrant. It is therefore of the greatest importance that it should be communicated in a manner consistent with the guidance on client communications under section 1.1 of this Companion Policy. We encourage registrants to avoid the use of technical terms and acronyms when communicating with clients. To satisfy their obligations under section 14.2, registered individuals must spend sufficient time with clients as part of an in-person or telephone meeting, or other method that is consistent with their operations, to adequately explain the information that is delivered to them. We expect a firm to have policies and procedures requiring its registered individuals to demonstrate they have done so. What is considered "sufficient" will depend on the circumstances, including a client's understanding of the delivered documents.

Evidence of compliance with client disclosure requirements at account opening, prior to trades and at other times, can include detailed notes of meetings or discussions with clients, signed client acknowledgements and tape-recorded phone conversations.

Promoting client participation

Registered firms should help their clients understand the registrant-client relationship. They should encourage clients to actively participate in the relationship and provide them with clear, relevant and timely information and communications.

In particular, registered firms should help and encourage clients to:

- **Keep the firm up to date.** Clients should be encouraged to
    - provide full and accurate information to the firm and the registered individuals acting for the firm
    - promptly inform the firm of any change to their information that could result in a change to the types of investments appropriate for them, such as a change to their income, investment objectives, risk profile, investment time horizon or net worth
- **Be informed.** Clients should be
    - helped to understand the potential risks and returns on investments
    - encouraged to carefully review sales literature provided by the firm
    - encouraged to consult professionals, such as a lawyer or an accountant, for legal or tax advice where appropriate
- **Ask questions.** Clients should be encouraged to
    - request information from the firm to resolve concerns about their account, transactions or investments, or their relationship with the firm or a registered individual acting for the firm
- **Stay on top of their investments.** Clients should be encouraged to
    - review all account documentation provided by the firm
    - regularly review portfolio holdings and performance

Account type

Paragraph 14.2(2)(a) requires a firm to provide a description of the nature or type of a client's account. In order that a client will understand their relationship with the firm, a client will need to know

how their account will operate. Examples of relevant information include whether

- there is a minimum account size
- it is a fee-based account or commissions will be payable, and
- there are limits on what products or services are made available for accounts of that type.

Further requirements in this section are intended to expand on this foundation.

Disclosure of where and the manner in which client's assets are held or accessed, including the relevant associated risks and benefits

Under paragraphs 14.2(2)(a.1) and (a.2), registered firms must disclose to clients the location where, and the manner in which, client assets are held or accessed, including the relevant associated risks and benefits to the client. The risks to a client will vary depending on the type of custodial arrangement that is in place. At a minimum, we would generally expect the disclosure to include the following:

- the way(s) that the registered firm holds client's assets, and the associated risks
- the way(s) that the registered firm has access to the client's assets, and the associated risks
- whether a qualified custodian holds any or all of the client's assets
- if a custodian uses any sub-custodians to hold the client's assets in cases where the registered firm directs or arranges which custodian to use to hold client cash and securities
- if the registered firm uses a custodian that is not independent of the registered firm, and whether the registered firm has access to the client's assets through this relationship
- if a foreign custodian or a foreign dealer holds the client's cash and securities in accordance with subsection 14.5.2(3) or 14.6(2) or section 14.6.1 or 14.6.2, the rationale for using the foreign custodian or dealer and a description of the risks of using that foreign custodian or dealer, including the potential difficulty associated with the client's ability to enforce their legal rights and the potential difficulty that the client may face in respect of repatriating their assets on the bankruptcy or insolvency of the foreign custodian or dealer

Description of products and services

Under paragraph 14.2(2)(b), a firm must provide a general description of the products and services it will offer to a client, including certain prescribed information. The re-sale restrictions referred to in subparagraph 14.2(2)(b)(i) would include, for example, requirements that securities must be redeemed back to their issuer, and liquidity restrictions would include such things as hold periods and the absence of a market place for typical exempt market securities and some proprietary products.

Under paragraph 14.2(2)(b.1), a registered firm must provide a general description of any limits on the selection of the products and services the firm will offer to the client, including whether the firm will primarily or exclusively provide proprietary products to the client; whether there are other restrictions on the selection of products or services. A firm may be restricted to specialized offerings because of its registration category (mutual fund dealers and exempt market dealers, for example), or by terms and conditions placed on its registration, as well as by business decisions to limit what it offers to clients based on account type or other considerations. The products or services that a firm offers to a client might also be restricted as a result of regulatory or business restrictions on a registered representative assigned to their account.

A registrant's duty to deal with the client fairly, honestly and in good faith, and its obligation to make suitability determinations that put the client's interests first, require a firm to tell a client if it does not have products or services that are suitable for them. This determination may depend on the investment goals designated for the client's account. For example, it may make a difference if the account is the primary retirement savings vehicle for a retail investor, or is a secondary account set up by an accredited investor for speculating in exempt market products.

Disclosure of conflicts of interest

Under paragraph 14.2(2)(e), a firm must disclose conflicts of interest. Firms should also take note of subsections 13.4(5), (6) and (7) with respect to *conflicts of interest disclosure*.

Disclosure of charges and other compensation

Under paragraphs 14.2(2)(f), (g) and (h), registered firms must provide a client with information on the operating and transaction charges they might pay and any third-party compensation, such as trailing commissions and issuer commissions including options or warrants, that may be paid to the firm in relation to the client. These requirements have been drafted in broad terms and we expect firms to be careful not to omit or obscure any of the required information.

A registered firm's charges to a client and the compensation it may receive from third parties in respect of the client will vary depending on the type of relationship with the client and the nature of the services and investment products offered. A firm is not expected to provide information on all the types of accounts that it offers and the fees related to these accounts if it is not relevant to the client's situation.

"Operating charge" is defined broadly in section 1.1 and examples include (but are not exclusive to) service charges, administration fees, safekeeping fees, management fees, transfer fees, account closing fees, annual registered plan fees and any other charges associated with maintaining and using an account that are paid to the registrant. For registered firms that charge an all-in fee for the operation of the account, such as a percentage of assets under management, that fee is the operating charge. We do not expect firms with an all-in operating charge to provide a breakdown of the items covered by the fee.

"Transaction charges" is also defined broadly in section 1.1 and examples include (but are not exclusive to) commissions, transaction fees, switch or change fees, performance fees, short-term trading fees, and sales charges or redemption fees that are paid to the registrant. Although we do not consider "foreign exchange spreads" to be a transaction charge, we encourage firms to include a general notification in trade confirmations and reports on charges and other compensation that the firm may have incurred a gain or loss from a foreign exchange transaction as a best practice.

Operating charges and transaction charges include only charges paid to the registered firm by the client. Third-party charges, such as custodian fees that are not paid to the registered firm, are not included in operating charges or transaction charges. Operating and transaction charges include any sales taxes that are paid on the amounts charged to the client. Registrants may wish to inform clients where a charge includes sales tax, or separately disclose the components of the charge. Withholding taxes would not be considered a charge.

Registrants should advise clients with managed accounts whether the registrant will receive third-party compensation and, if so, whether the fee paid by the client to the registrant will be affected by this. For example, the management fee paid by a client on the portion of a managed account related to mutual fund holdings may be lower than the overall fee on the rest of the portfolio.

Description of content and frequency of client reporting

Under paragraph 14.2(2)(i), a registered firm is required to provide a description of the content and frequency of reporting to the client. Reporting to clients includes, as applicable:

- trade confirmations under section 14.12
- account statements under section 14.14
- additional statements under section 14.14.1
- security position cost information under section 14.14.2
- annual report on charges and other compensation under section 14.17
- investment performance reports under section 14.18

Guidance about registered firm's client reporting obligations is provided in Division 5 of this Part.

Suitability determinations and KYC information

Paragraph 14.2(2)(k) requires registered firms to inform their clients of their obligation to make suitability determinations (subject to the exception in subsection 14.2(7)). Paragraph 14.2(2)(l) requires firms to provide clients with a copy of their KYC information. Since firms have an ongoing obligation under subsection 13.2(4.1) to update KYC information, this means that a firm must provide a client with the KYC information it has collected at the time of account opening, and also whenever it has collected updated information. In order that this information will help a client to understand their relationship with the registrant, consistent with the principle in subsection 14.2(1), we expect this disclosure to include a description to the client of the various terms (such as "risk profile" and "investment time horizon") which make up the KYC information, and explain that it will be used in making suitability determinations for the client. The obligation in subsection 14.2(1) is ongoing, so if KYC information is updated, it must also be provided to the client.

Benchmarks

Paragraph 14.2(2)(m) requires registered firms to provide clients with a general explanation of how investment performance benchmarks might be used to assess the performance of a client's investments and any options available to the client to obtain information about benchmarks from the registered firm. Other than this general discussion, there is no requirement for registered firms to provide benchmark information to clients. Nonetheless, we encourage firms to do so as a best practice. Guidance on the provision of benchmarks is set out in this Companion Policy at the end of the discussion of the content of investment performance reports under section 14.19.

Scholarship plan dealers

Paragraph 14.2(2)(n) requires an explanation of the important aspects of the scholarship plan that, if not fulfilled, would cause loss to the client. To be complete, this prescribed disclosure could include any options that would allow the investor to retain notional earnings in the event that they do not maintain prescribed payments under the plan and any fees associated with those options.

Investment impact of costs and restrictions

Paragraph 14.2(2)(o) requires a general explanation of the potential impact of ongoing fees the client may incur and any charges they may pay

to the firm, including an explanation of their compounding effect over time. Note that this requirement is with reference to the client's investment returns, rather than returns specific to any one security. A registrant must therefore explain the potential impacts with reference to a client's accounts at the firm.

Order execution trading

Subsections 14.2(7) and (8) provide that only limited relationship disclosure information must be delivered by a dealer whose relationship with a client is limited to executing trades as directed by a registered adviser acting for the client. In a relationship of this kind, each registrant must explain to the client its role and responsibility to the client, and what services and reporting the client can expect of it.

14.2.1 Pre-trade disclosure of charges

For non-managed accounts, section 14.2.1 requires disclosure to a client of charges and fees specific to a transaction prior to the acceptance of a client's instruction. This disclosure is not required to be in writing. Oral disclosure of charges is sufficient for the purposes of disclosing charges at the time of a transaction. In the case of a client who is a frequent trader, if the firm has good reason to believe applicable "standard" charges or fees are well understood, a brief confirmation that the usual charges will apply would be an acceptable alternative to specifying the actual amount of the charges. Specific charges must be reported in writing on the trade confirmation as required in section 14.12.

For a purchase of a security on a deferred sales charge basis, disclosure that a deferred sales charge might be triggered upon the redemption of the security, and the schedule that would apply if it is sold within the time period that a deferred sales charge would be applicable, must be presented. The actual amount of the deferred sales charge, if any, would need to be disclosed once the security is redeemed. For the purposes of disclosing trailing commissions and investment fund management fees, the dealing representative may draw attention to the information in the prospectus or the fund facts document if that document is provided at the point of sale.

For a redemption of a security on a deferred sales charge basis, disclosure that a deferred sales charge might be triggered, and the schedule that would apply if it is sold within the time period that a deferred sales charge would be applicable, must be presented. The actual amount of the deferred sales charge, if any, would need to be disclosed once the security is redeemed. For the purposes of disclosing trailing commissions and investment management fees, the dealing representative may draw attention to the information in the prospectus or the fund facts document if that document is provided at the point of sale.

With respect to a transaction involving a debt security, pre-trade disclosure should include a discussion of any commission the registered firm will receive on the trade. This discussion should include both the number of basis points that the charge represents as well as the corresponding dollar amount, or a reasonable estimate of the amount if the actual amount of the charges is not known to the firm at the time.

If a client will be investing in securities of a mutual fund or another vehicle that includes any of the following features, a registrant must briefly explain what they are and how they may affect the investment:

- the management fee
- the sales charge or deferred sales charge option available to the client and an explanation as to how such charges work. This means registered firms should advise clients that mutual funds sold on a deferred sales charge basis are subject to charges upon redemption that are applied on a declining rate scale over a specified period of years, until such time as the charges decrease to zero. Any other redemption fees or short-term trading fees that may apply should also be discussed
- the sales charge options available to the client and an explanation as to how such charges work. Any redemption fees or short-term trading fees that may apply should also be discussed.
- any trailing commission, or other embedded fees
- any options regarding front end loads
- any fees related to the client changing or switching investments ("switch or change fees")

In order to help their clients to understand what trailing commissions and fund management fees are, we encourage registrants to explain them in the simplest terms possible. We think this should include explaining that trailing commissions are not additional charges paid by the client to the registrant. "Trailing commission" is defined for the purposes of NI 31-103 in section 1.1 in broad terms designed to ensure that payments similar to what are generally known as trailing commissions will be subject to similar reporting requirements under this instrument.

Switch or change transactions

Processing a switch or change transaction without client knowledge is contrary to a registrant's duty to act fairly, honestly and in good faith. In our view, compliance with this duty requires that clients are informed, before any switch or change transaction is processed, of charges associated with the

transaction, dealers' incentives for such a transaction (including increased trailing commissions), and any tax or other implications of such a transaction. In each case, we expect dealers to explain why a proposed switch or change transaction is appropriate for the client. We consider that providing clients with clear and complete disclosure of the charges at the time of a transaction will help clients to be aware of the implications of proposed transactions and deter registrants from transacting for the purpose of generating commissions. Registrants are also reminded that their obligations in connection with suitability and conflicts of interest apply to such transactions, as well as their obligations under any applicable SRO requirements or guidance. We expect all changes or switches to a client's investments to be accurately reported in trade confirmations by reporting each of the purchase and sale transactions making up the change or switch, as required in section 14.12, with a description of the associated charges.

14.4 When the firm has a relationship with a financial institution

As part of their duty to clients, registrants who have a relationship with a financial institution should ensure that their clients understand which legal entity they are dealing with. In particular, clients may be confused if more than one financial services firm is carrying on business in the same location. Registrants may differentiate themselves through various methods, including signage and disclosure.

Division 3 - Client assets and investment fund assets

14.5.2 Restriction on self-custody and qualified custodian requirement

Section 14.5.2 specifies situations where registered firms must ensure that any custodian used to hold the cash or securities of a client or an investment fund is a Canadian custodian. If a registered firm has physical possession of the cash or securities of a client or an investment fund then we expect the registered firm to transfer those cash and securities to a Canadian custodian. If a registered firm has access to the cash or securities of a client or an investment fund then we expect the registered firm to confirm that those cash and securities are being held at a Canadian custodian. If a registered firm directs or arranges which custodian a client or an investment fund will use to hold their cash or securities then we expect the registered firm to direct that client or investment fund to, or arrange a custodial relationship with, a Canadian custodian.

For the purposes of section 14.5.2, we expect "cash and securities of an investment fund" to include the cash and securities that comprise the portfolio of an investment fund, as well as cash that may be held by an investment fund manager for investment in, or on the redemption of, securities of the investment fund.

Subsection 14.14(7) sets out when a security is considered to be held by a registered firm for a client. We consider the terms "hold" or "held" in this Division to include the situations identified in subsection 14.14(7). Section 12.4 of this Companion Policy provides examples of when holding or having access to client assets may occur. For the purposes of this Division, we expect all registered firms to consider the examples listed in section 12.4 in determining whether they hold or have access to client assets. For the purposes of section 14.5.2, we interpret the phrase "hold or have access" as not including the handling in transit of a client's cheque made payable to a third party.

We recognize that there may be good reasons for a foreign custodian to be used to hold client or investment fund cash or securities, including where:

- foreign securities comprise all or substantially all of the client's or investment fund's portfolio
- the registered firm's client or the investment fund is resident in a foreign jurisdiction
- a foreign custodian is required to facilitate portfolio transactions in a foreign jurisdiction, or
- using a foreign custodian is more beneficial to the client or investment fund than using a Canadian custodian for tax reasons

In such circumstances, we expect registered firms to assess the risks and benefits of using a foreign custodian compared to the risks and benefits of using a Canadian custodian and determine which custodian is more beneficial for the client. Considerations may include:

- the protections offered by an investor protection fund approved or recognized by the regulator in Canada compared to the comparable investor compensation scheme available in the foreign jurisdiction
- the robustness of the custodial regime in the foreign jurisdiction
- the potential difficulty a client or an investment fund may have enforcing its legal rights in the foreign jurisdiction
- the potential difficulty a client or an investment fund may have repatriating its assets if the foreign custodian declares bankruptcy or becomes insolvent
- the nature of the regulation of the foreign custodian, and
- the sufficiency of the equity of the foreign custodian in the circumstances

A registered firm has a duty to act fairly, honestly and in good faith with its client, or in the best interests of an investment fund that it manages, as applicable. In addition, in compliance with paragraph 11.1(1)(b), registered firms are expected to manage any risks associated with the use of a foreign custodian in accordance with prudent business practices. Accordingly, we expect registered firms to consider alternatives in their assessment of the use of a foreign custodian which, among other considerations, might include whether their client, or an investment fund that they manage, may be better served by:

- using a Canadian custodian who can appoint a foreign custodian to act as a sub-custodian, or
- limiting the client's or investment fund's exposure to a particular foreign custodian, which may include using a more diverse range of foreign custodians

Where a foreign custodian is used, we will assess this practice on a case-by-case basis.

Certain investment instruments may be both securities and derivatives. Accordingly, the custodial requirements in this Division apply to these instruments, subject to:

- the definition provision under section 14.5.1, and
- the exemption provided for customer collateral subject to the custodial requirements under National Instrument 94-102 Derivatives: Customer Clearing and Protection of Customer Collateral and Positions

Exemptions from restriction on self-custody and qualified custodian requirement

Investment fund managers are deemed to have access to the portfolio assets of the investment funds managed by them, and must ensure that the portfolio cash and securities of the investment fund are held at a qualified custodian under section 14.5.2. The exemption under paragraph 14.5.2(7)(d) is not available to investment fund managers with respect to the investment funds managed by them.

Registered advisers often create and use investment funds as a way to invest their clients' money. Registered advisers who also act as the investment fund manager of an investment fund should ensure that the portfolio cash and securities of the investment fund managed by them are held at a qualified custodian. Paragraph 14.5.2(7) (c) provides an exemption for registered firms from the requirement to use a qualified custodian for securities issued by investment funds so long as the securities issued by the investment funds are recorded on the books of the investment fund, or the fund' transfer agent, only in the name of the registered advisers' clients.

Mortgages

We recognize that mortgages may have unique custodial practices which may differ from the custodial practices of other types of securities. Mortgages are exempt from the qualified custodian requirement and restriction on self-custody in all jurisdictions of Canada provided that they meet the conditions as set out under paragraph 14.5.2(7)(f).

Prohibition on self-custody and the use of a custodian that is not functionally independent

Under subsection 14.5.2(1), the registered firm itself cannot be the custodian or sub-custodian for a client or investment fund, except in certain circumstances. Under subsections 14.5.2(5) and 14.5.2(6), the qualified custodian, or the Canadian financial institution with respect to cash, must be functionally independent of the registered firm, except in certain circumstances. For the purposes of paragraphs 14.5.2(1)(b) and 14.5.2(5)(b), we would consider a system of controls and supervision to manage the risks to the client or investment fund associated with the custody of the client's or investment fund's cash or securities to include:

- segregation of duties between the custodial function and other functions
- client asset verification examination performed by a third party

Even when a registered firm is not required to use a qualified custodian under subsections 14.5.2(2) or (3) or a Canadian financial institution under subsection 14.5.2(4), we consider it prudent for the registered firm to use a custodian that is functionally independent of the registered firm. Refer to section 12.4 of this Companion Policy for examples of having access to client assets through the use of a custodian that is not functionally independent of the registered firm. The relationship between a registered firm and a non-independent custodian can give rise to serious conflicts of interest. We remind registered firms of their obligations under section 13.4 to identify and respond to conflicts of interest. If the conflicts of interest cannot be managed fairly and effectively, the registered firm should consider using an independent custodian to hold client assets instead.

General prudent custodial practices

Assets other than cash and securities

Section 14.6 sets out the requirement that if a registered firm holds client assets or investment fund assets, which includes securities, cash and other types of assets, then that registered firm must hold the assets separate and apart from its own property, and in trust for the client or investment fund. In accordance with this Division, where a registered firm holds client assets or investment fund assets directly (for example, the assets held

are not cash or securities, or the registered firm is relying on an exemption from the requirement to use a qualified custodian), we will assess those circumstances on a case-by-case basis.

We recognize that in limited cases, it may not be feasible to hold certain asset types at a qualified custodian. For example, bullion requires a custodian that is experienced in providing bullion storage and custodial services, and is familiar with the requirements relating to the physical handling and storage of bullion. Such a custodian may not meet the definition of a "qualified custodian". In those cases, we expect a registered firm that would otherwise be subject to subsection 14.5.2(2), (3) or (4), had the client assets or investment fund assets been cash or securities, to exercise due skill, care and diligence in the selection and appointment (where applicable) of the custodian. This can involve the registered firm reviewing the facilities, procedures, records, insurance coverage, and creditworthiness of the selected custodian. We would also expect registered firms to conduct a periodic review of custodial arrangements for client assets or investment fund assets.

Delivery of custodial statements

We expect registered firms to encourage clients or investment funds, as applicable, to confirm that they are receiving account statements from their custodian and, as applicable, to compare the custodial statements to the statements sent by the registered firms.

Reconciliation with custodians

Registered firms are expected to reconcile, on a regular basis, their internal records of client assets or investment fund assets and the records of the custodian where client or investment fund assets are held.

Custodial arrangements

For investment fund managers

Investment fund managers should exercise due skill, care and diligence in the selection and appointment of the custodian for the investment funds managed by them. We expect investment fund managers to conduct a periodic review of custodial arrangements for their investment funds. We also expect investment fund managers to consider whether the custodian it appoints uses all reasonable diligence, care and skill in the selection and monitoring of its sub-custodians, whether the sub-custodians would meet the definition of a "qualified custodian" and whether the appropriate segregation arrangements are observed throughout the custody chain of the portfolio assets of the investment fund.

We expect investment fund managers to put in place a written custodial agreement with the custodian on behalf of investment funds managed by them. Written custodial agreements are expected to provide for key matters such as the location of portfolio assets, any appointment of a sub-custodian, the method of holding portfolio assets, the standard of care of the custodian and the responsibility for loss. Prospectus-qualified investment funds are subject to further custodial requirements under National Instrument 81-102 Investment Funds and National Instrument 41-101 General Prospectus Requirements.

For registered firms other than investment fund managers

Where registered firms, other than investment fund managers, have influence over a client's selection of a custodian, we consider it a prudent business practice for these registered firms to conduct similar due diligence to that of investment fund managers as outlined in the section above. Registered firms, other than investment fund managers, often direct or arrange the custodial arrangement for their clients; however, the registered firms are not typically a party to the custodial agreement between the client and the custodian used to hold client assets. Nevertheless, we expect registered firms that direct or arrange the custodial arrangement for their clients to understand the material terms of the written custodial agreement and to explain to the clients the main purpose of the agreement. If a custodial agreement allows a custodian to use a sub-custodian, the registered firm should alert the client to that fact and encourage the client to contact the custodian if they have any concerns with the custodial agreement.

14.5.3 Cash and securities held by a qualified custodian

Section 14.5.3 sets out requirements as to how cash and securities should be held by a qualified custodian or a Canadian financial institution. A registered firm can comply with the requirement under subsection 14.5.3(a) by verifying that cash and securities of a client or an investment fund are reported on the custodial account statement of that client or investment fund as issued by the qualified custodian or the Canadian financial institution.

A qualified custodian may arrange for the deposit of securities with a depository, or clearing agency, that operates a book-based system. Such depositories or clearing agencies include The Canadian Depository For Securities Limited, the Depository Trust Company or any other domestic or foreign depository or clearing agency that is incorporated or organized under the laws of a country or a political subdivision of a country and operates a book-based system in that country or political subdivision or operates a transnational book-based system.

14.6 Client and investment fund assets held by a registered firm in trust

Section 14.6 requires a registered firm to segregate client assets and investment fund assets and hold them in trust. When a registered firm is not required to use a qualified custodian, or a Canadian financial institution for cash, under subsections 14.5.2(2), (3) or (4), we consider it prudent for registered firms who are not members of an SRO to only hold client assets in client name, or portfolio assets of the investment fund in the name of the investment fund. This is because the capital requirements for non-SRO members are not designed to reflect the added risk of holding client assets in nominee name.

Investment fund managers may hold cash for investment in, or on the redemption of, securities of the investment fund. For the purposes of section 14.6, such cash-in-transit is considered to be cash and securities of an investment fund of the investment fund manager, and is subject to the requirements under section 14.6. Some investment fund managers choose to outsource certain fund administrative functions to a service provider, including the trust accounting function. Under some outsourcing arrangements, a service provider may be holding cash for investment in, or on the redemption of, securities of the investment fund. Under these arrangements, investment fund managers should ensure that, at a minimum, the cash is held in a designated trust account at a Canadian custodian, a Canadian financial institution, or a foreign custodian (if it is more beneficial to the investment fund to use the foreign custodian than a Canadian custodian or a Canadian financial institution), and ensure that the cash is held separate and apart from the property of the service provider.

Under other outsourcing arrangements, a service provider may be provided with access to cash for investment in, or on the redemption of, securities of the investment fund, or access to the portfolio assets of the investment fund. Investment fund managers are reminded that they are responsible and accountable for all functions that they outsource to a service provider. Delegating access to investors' cash-in-transit or portfolio assets of an investment fund can increase the risk of loss. Investment fund managers are expected to exercise heightened due diligence and oversight to ensure that the service provider has adequate controls in place and that investors' assets are adequately protected.

14.6.1 Custodial provisions relating to certain margin or security interests

Section 14.6.1 sets out acceptable custodial practices relating to margin posted with, and security interests held by, a foreign dealer or counterparty in respect of certain derivatives transactions. We expect that the assessment of the use of a foreign custodian in section 14.5.2 of this Companion Policy will apply equally to the foreign dealer referenced in this section.

In addition to these custodial practices relating to certain derivatives, a registered firm may also ensure that cash or securities of a client or investment fund are delivered to a person or company in satisfaction of its obligations under a securities lending, repurchase or reverse repurchase agreement if the collateral, cash proceeds or purchased securities that are delivered to the client or investment fund in connection with the transaction are held under the custodianship of a qualified custodian or a sub-custodian of the client or investment fund in compliance with Division 3 of Part 14.

14.6.2 Custodial provisions relating to short sales

Section 14.6.2 sets out acceptable custodial practices relating to cash or securities of a client or investment fund that are deposited with a foreign dealer as security in connection with a short sale of securities. We expect that the assessment of the use of a foreign custodian in section 14.5.2 of this Companion Policy will apply equally to the foreign dealer referenced in this section.

Division 4 - Client accounts

14.10 Allocating investment opportunity fairly

If the adviser allocates investment opportunities among its clients, the firm's fairness policy should, at a minimum, indicate the method used to allocate the following:

- price and commission among client orders when trades are bunched or blocked
- block trades and initial public offerings among client accounts
- block trades and initial public offerings among client orders that are partially filled, such as on a pro-rata basis

The fairness policy should also address any other situation where investment opportunities must be allocated.

Division 5 - Reporting to clients

Reporting to clients is on an account basis, except that

- securities that are not held in an account (i.e., securities reported under an additional statement) must be included in a report for the account through which they were traded, and
- subsection 14.18(4) permits performance reports for more than one account of a client and also securities not held in an account to be combined with the client's written consent.

Registered firms may choose how they meet their client reporting obligations within the framework set out in the Instrument. We encourage firms to combine client statements, position cost

information and client reports into comprehensive documents or send them together. For example, an account statement and an additional statement for securities traded through (but not held) in an account might be combined, perhaps along with position cost information, each quarter. Once a year, an integrated statement such as this could be further combined with the report on charges and other compensation and the performance report, or delivered along with a separate document that combines the two reports.

We believe that integrating client reporting as much as possible within the limitations of firms' systems capabilities will better enable clients to make use of the information and that it is in the interests of registrants to have clients that are well informed about the services they provide. When client reporting information is combined or delivered together, we expect registered firms will give each element sufficient prominence among the others that a reasonable investor can readily locate it.

Consistent with the guidance on clear and meaningful disclosure to clients in section 1.1 of this Companion Policy, we expect registrants to present client statements and reports in an understandable manner and to explain, if applicable, what securities are included in different statements. Registered firms should encourage clients to contact their dealing or advising representative or the firm directly with questions about their statements and reports. We expect registered firms to ensure that clients know how their investments will be held (for example, by the firm or at an issuing fund company) and understand the different implications that this will have for them in such matters as client reporting, investor protection fund coverage and custody of their assets. If a registered firm trades in exempt market securities for a client, the firm should also explain the reasons why it is not always possible for the firm to determine a market value for products sold in the exempt market or whether the client still owns the security, and the implications that this may have for reporting on exempt-market securities.

It is the responsibility of the registered firm to produce these client statements and reports, not that of individual representatives. Registered firms should have policies and procedures in place to ensure that they are adequately supervising their registered representatives' communications with clients about the prescribed information.

The requirement to produce and deliver a trade confirmation under section 14.12, an account statement under section 14.14, an additional statement under section 14.14.1, position cost information under section 14.14.2, a security holder statement under section 14.15, a scholarship plan dealer statement under section 14.16 or client reports under sections 14.17 and 14.18 may be outsourced by a registered firm to a third-party service provider that acts as its agent. Third-party pricing providers may also be used to value securities for these purposes. Like all outsourcing arrangements, the registrant is ultimately responsible for the function and must supervise the service provider. See Part 11 of this Companion Policy for more guidance on outsourcing.

For the most part, the client reporting requirements in Part 14 do not differentiate between categories of registrant. Except for certain provisions which expressly apply only to a specific registration category (such as those tailored to scholarship plan dealers), differences in the application of these requirements between different registered dealers or registered advisers will be the result of their different operating models. In particular, exempt market dealers that are not also registered as advisers or in another category of dealer may find that not all of the client reporting requirements will apply to their operating model. Appendix F discusses how these requirements may apply in the case of some of these "sole EMDs".

14.11.1 Determining market value

Section 14.11.1 sets out the basis on which market value must be determined for client reporting purposes.

Paragraph 14.11.1(1)(a) requires the market value of a security that is issued by an investment fund not listed on an exchange to be determined by reference to the net asset value provided by the investment fund manager of the fund on the relevant date.

For other securities, a hierarchy of valuation methods that depend on the availability of relevant information is prescribed in paragraph 14.11.1(1)(b). Registrants are required to act reasonably in applying these methodologies and we understand that this process will often require a registrant to exercise professional judgment. A registered firm may not simply take valuation information from an issuer and pass it on to clients as the market value for purposes of meeting the firm's market value reporting obligations. We expect a firm to use its professional judgment as to the reliability of information provided by an issuer as an input to the firm's determination of market value in accordance with the applicable methodology prescribed in section 14.11.1.

Where possible, market value should be determined by reference to a quoted value on a marketplace. The quoted value will be the last bid or ask price on the relevant date or the last trading day prior to the relevant date. In the case of a liquid security for which a reliable price is quoted on a market place, if it can be demonstrated through use of a periodic assessment that a "last traded price" valuation approach results in security market values that are materially the same as under the "last bid and ask prices" valuation approach, it may be acceptable to use this current "last traded price"

valuation approach. Registered firms should ensure that any quoted values used to determine market value do not represent stale or old prices that are not reflective of current values. If no current value for a security is quoted on a marketplace, market value should be determined by reference to published market reports or inter-dealer quotes.

We recognize that it is not always possible to obtain a market value by these methods. In such cases, we will accept a valuation policy that is consistently applied and includes procedures that assess the reliability of any valuation inputs and assumptions. If available, valuation inputs and assumptions should be based on observable market data or inputs, such as market prices or yield rates for comparable securities and quoted interest rates. If observable inputs are not available, valuation can be based on unobservable inputs and assumptions. In some cases, it may be reasonable and appropriate to value at cost, where there has been no material subsequent event affecting value (e.g. a market event or new capital raising by the issuer). “Observable” and “unobservable” inputs are concepts under International Financial Reporting Standards (IFRS), and we expect them to be applied consistent with IFRS.

If, having applied the prescribed methodology, a registered firm reasonably believes it cannot determine the market value of a security, the firm must then report its value as “not determinable” and exclude it from the calculations in client statements as prescribed in subsection 14.11.1(3).

This is not the same as determining that the market value of a security is zero. However, we would expect that if the market value of a security cannot be determined for a prolonged period of time, that fact may be an indication that the market value of the security should now be determined to be zero.

The following considerations can be used in determining when the market value for a security is not determinable:

- the position is illiquid
- there is little or no issuer and issuer-related financial data available, or the data is stale
- there is little or no financial data available for comparable issuers or for the issuer’s business sector
- there is not enough data to use the valuation methodology prescribed in paragraph 14.11.1(1)(b) and/or the results of the various IFRS methodologies used have been determined to be unreliable because of the use of unreliable data or the results indicate a wide range in possible values
- the acquisition cost of the security is no longer a good estimate of the security’s market value as the cost is outside the range of possible values for the security

Important to applying these considerations is establishing and maintaining a firm policy as to how many days beyond which the last data available is considered to be stale.

If the market value for a security subsequently becomes determinable, a registered firm must begin to report it in client statements and add that value to the opening market values or deposits included in the calculations in subsection 14.19(1). This would be expected if the firm had previously assigned the security a value of zero in the calculation of opening market values or deposits because it could not determine the security’s market value, as required by subsection 14.19(7). This would reduce the risk of presenting a misleading improvement in the performance of the investment by only adding the value of the security to the other calculations required under section 14.19. If the deposits used to purchase the security were already included in the calculation of opening market values or deposits, the registered firm would not need to adjust these figures.

We encourage firms to disclose the foreign exchange rate used in calculating the market value of non-Canadian dollar denominated securities as a best practice.

14.12 Content and delivery of trade confirmation

Section 14.12 requires registered dealers to deliver trade confirmations.

Under paragraph 14.12(1)(b.1), registered dealers must provide the yield on a purchase of a debt security in a trade confirmation. For non-callable debt securities, the yield to maturity would be appropriate. For callable securities, the yield to call may be more useful.

Under paragraph 14.12(1)(c.1), registrants may disclose the total dollar amount of compensation (which may consist of any mark-up or mark-down, commission or other service charge) or, alternatively, the total dollar amount of commission, if any, and if the registrant applied a mark-up or mark-down or any service charge other than a commission, a prescribed general notification. The notification is a minimum requirement and a firm may elect to provide more information in its trade confirmations.

Each trade should be reported in the currency in which it was executed. If a trade is executed in a foreign currency through a Canadian dollar account, the exchange rate should be reported to the client.

Under subsection 14.12(7), a registered dealer that complies with the requirements of section 14.12 in respect of a purchase or sale of a security is not subject to the corresponding written confirmation requirements contained in any of subsections

37(1), (2) or (3) of the *Securities Act* (Newfoundland and Labrador), subsection 36(1) of the *Securities Act* (Ontario) and subsection 42(1) of *The Securities Act, 1988* (Saskatchewan). For these purposes, a firm that has an exemption from section 14.12 and complies with the terms of that exemption would be considered to have complied with the requirements of that section.

14.14 Account statements

Section 14.14 requires registered dealers and advisers to deliver statements to clients at least once every three months. There is no prescribed form for these statements but they must contain the information referred to in subsections 14.14(4) and (5). The types of transactions that must be disclosed in an account statement include any purchase, sale or transfer of securities, dividend or interest payment received or reinvested, any fee or charge, and any other account activity. A firm must deliver an account statement with the information referred to in subsection (4) if any transaction was made for the client in the reporting period. A firm is only required to provide the account position information referred to in subsection (5) if it holds securities owned by a client in an account of the client.

There is no provision for consolidated statements in section 14.14 (or 14.14.1), so a registered firm must provide every client with an applicable statement for each of their accounts. Firms may provide supplementary reporting that they think a client might find useful. For example, a firm might provide a consolidated year-end statement where a client has requested a consolidated performance report under subsection 14.18(4).

14.14.1 Additional statements

A firm is required to deliver additional statements if the circumstances described in subsection 14.14.1(1) apply. The additional statements must be delivered once every three months, except that an adviser must deliver the statements on a monthly basis if requested by the client as provided in subsection 14.14.1(3). The requirements set out for the frequency of delivering account statements and additional statements are minimum standards. Firms may choose to provide the statements more frequently.

Paragraph 14.14.1(2)(g) requires disclosure about applicable investor protection funds. However, subsection 14.14.1(2.1) exempts a firm from this requirement where a client's securities are held or controlled by an IIROC or MFDA member. SRO rules require members to be participants in specified investor protection funds and prescribe client disclosures about them. To avoid the potential that clients may be confused or misinformed, registrants that are not participants in an investor protection fund should refrain from discussing its terms and conditions with clients.

Firms may choose to include securities that must be reported under the additional statement requirement in a document that it refers to as an account statement, consistent with their clients' expectations that their accounts are not limited to securities held by the firm, provided it satisfies the requirements for content of statements set out in sections 14.14 and 14.14.1.

14.14.2 Security position cost information

Section 14.14.2 requires the delivery on a quarterly basis of position cost information for securities reported in account statements and additional statements. For purposes of section 14.14.2, a security position is "opened" when the registered firm that is providing a statement to a client first acquires or holds securities for that client or when it first obtains trading authority over securities (as in the case of securities transferred into a discretionary account of a portfolio manager).

Position cost information is an investment performance measurement tool that provides investors with a comparison to the market value of each security position they have open. Position cost may be either the book cost or the original cost of the securities, determined in accordance with their respective definitions in section 1.1.

Position cost is not tax information and a registered firm may not depart from the defined meaning of "original cost" or "book cost" in order to align position cost with tax cost for a security position. Registered firms may provide clients with tax cost as supplementary information if they wish to do so, provided the difference is made clear to clients. If the tax treatment of a security is an important part of its marketing to investors, we would expect a registered firm to provide tax information as well as position cost information, consistent with the duty to deal fairly, honestly and in good faith with clients.

Registered firms must include the definition of book cost or original cost, depending on which method the firm is using, in the statement or document where the position cost information appears as contemplated under subsection 14.14.2(4). Firms can comply with this requirement in a footnote.

In determining position cost for transferred securities, a registered firm may rely on position cost information provided by the transferring firm, if

- the transferring-out firm is also subject to the requirement to provide individual position cost information to clients, and
- the transferring-in firm has no reason to believe the information is not reliable.

Where securities were transferred from another registrant firm, a registrant may also elect to use market value information as at the date of the transfer as the position cost. Firms must specify each security position where market value has been used rather than book or original cost. A

footnote could be used for this purpose, with disclosure such as “because book cost information for this security position was unavailable, we have used market value information as of the transfer date as the position cost”.

If a security position was opened before July 15, 2015, a registered firm can choose to report (a) the cost of the security position, (b) the market value of the security position as at December 31, 2015, or (c) the market value of the security position as at a date earlier than December 31, 2015, if the firm reasonably believes accurate recorded historical market value information is available for the client’s account, and it would not be misleading to the client to provide that information as at the earlier date. Examples of circumstances under which we would consider it to be reasonable and not misleading for a firm to use a date earlier than December 31, 2015 for some but not all of its clients’ security positions opened before July 15, 2015 include when a firm that uses the same earlier date for:

- all client accounts or security positions that were transferred to the firm at the same time, or
- all clients that are on the same reporting system of the registered firm, if the firm has more than one reporting system.

If a security position is built up over time with successive transactions (purchases or transfers), an average can be used to determine the cost of the position. The average may include both book or original cost information used for some of the transactions and market value used for others. In such cases, the disclosure applicable where market value has been used should be modified as necessary. For example: “The cost of this security position has been determined using an average of market value as of the date on which some securities were transferred into your account when it was opened, and the book cost of securities that we subsequently purchased for your account.” It is also permissible to differentiate between positions in the same security that were opened in separate transactions by reporting positions valued at book cost or original cost separately from those where market value was used, instead of averaging them into a single number. However, this alternative approach has the potential to confuse clients, so clear explanatory notes should be provided if it is used.

Position cost information must be delivered at least quarterly. A firm may combine position cost information with an account statement or additional statement for the period, or it may send it separately. If it chooses to send position cost information separately, the firm must deliver it within 10 days after the statement(s) have been delivered and must also include the market value information from the statement(s) for the period in order that the client will be able to readily compare the information.

Although a firm may deliver statements under section 14.14 or section 14.14.1 more frequently than quarterly, it is not required to provide position cost information except on a quarterly basis.

14.15 Security holder statements

Section 14.15 sets out the client reporting requirements applicable to a registered investment fund manager where there is no dealer or adviser of record for a security holder on the records of the investment fund manager.

14.16 Scholarship plan dealer statements

Section 14.16 provides that sections 14.14 [*account statements*], 14.14.1 [*additional statements*] and 14.14.2 [*security position cost information*] do not apply to a scholarship plan dealer that delivers prescribed information to a client at least once every 12 months. Subsection 14.19(4) sets out performance reporting requirements for scholarship plans.

14.17 Report on charges and other compensation

Registered firms must provide clients with an annual report on the firm’s charges and other compensation received by the firm in connection with their investments. Examples of operating charges and transaction charges are provided in the discussion of the disclosure of charges and other compensation in section 14.2 of this Companion Policy. The annual report must include information about all of the firm’s current operating charges that might be applicable to a client’s account. A firm is only required to include the charges for those of its services that it would reasonably expect the particular client to utilize in the coming 12 months.

The discussion of debt security disclosure requirements in section 14.12 of this Companion Policy is also relevant with respect to paragraph 14.17(1)(e).

Scholarship plans often have enrolment fees payable in instalments in the first few years of a client’s investment in the plan. Paragraph 14.17(1)(f) requires that scholarship plan dealers include a reminder of the unpaid amount of any such fees in their annual reports on charges and other compensation.

Payments that a registered firm or its registered representatives receive from issuers of securities or other registrants in relation to registerable services to a client must be reported under paragraph 14.17(1)(g). This disclosure requirement includes any form of payment to the firm or a representative of the firm linked to sales or other registerable services to the client receiving the report. Examples of payments that would be included in this part of the report on charges and other compensation include some referral fees,

success fees on the completion of a transaction or finder's fees. This part of the report does not include trailing commissions, as they are specifically addressed in paragraph 14.17(1)(h).

Registered firms must disclose the amount of trailing commissions they received related to a client's holdings. The disclosure of trailing commissions received in respect of a client's investments must be included with a notification prescribed in paragraph 14.17(1)(h). The notification must be in substantially the form prescribed, so a registered firm may modify it to be consistent with the actual arrangements. For example, a firm that receives a payment that falls within the definition of "trailing commission" in section 1.1 in respect of securities that are not investment funds can modify the notification accordingly. The notification set out is the required minimum and firms can provide further explanation if they believe it will be helpful to their clients.

Registered firms may want to organize the annual report on charges and other compensation with separate sections showing the charges paid by the client to the firm, and the other compensation received by the firm in respect of the client's account.

Appendix D of this Companion Policy includes a sample Report on Charges and Other Compensation, which registered firms are encouraged to use as guidance.

14.18 Investment performance report

Where more than one registrant provides services pertaining to a client's account, responsibility for performance reporting rests with the registered firm with the client-facing relationship. For example, if a registered adviser has trading authority over a client's account at a registered dealer, the adviser must provide the client with an annual investment performance report; this is not an obligation of the dealer that only executes adviser-directed trades or provides custodial services in respect of the client's account.

Performance reporting to clients is required to be provided separately for each account. Securities of a client required to be reported in an additional statement under section 14.14.1, if any, must be covered in a performance report that also includes any other securities in the account through which they were transacted. However, subsection 14.18(4) provides that with client consent, a registrant may provide consolidated performance reporting for that client. A registrant may also provide a consolidated performance report for multiple clients, such as a family group, but only as a supplemental report, in addition to reports required under section 14.18.

14.19 Content of investment performance report

Subsection 14.19(5) requires the use of each of text, tables and charts in the presentation of investment performance reports. Explanatory notes and the definition of "total percentage return" must also be included. The purpose of these requirements is to make the information as understandable to investors as possible.

To help investors get the most out of their investment performance reports and encourage informed discussion with their registered dealing representative or advising representative, we encourage registered firms to consider including:

- additional definitions of the various performance measures used by the registrant
- additional disclosure that enhances the performance presentation
- a discussion with clients about what the information means to them

Registrants should not mislead a client by presenting a return of the client's capital in a manner that suggests it forms part of the client's return on an investment.

Registered representatives are also encouraged to meet with clients, as part of an in-person or telephone meeting, to help ensure they understand their investment performance reports and how the information relates to the client's investment objectives and risk tolerance.

Appendix E of this Companion Policy includes a sample Investment Performance Report which registered firms are encouraged to use as guidance.

Opening market value, deposits and withdrawals

As part of paragraphs 14.19(1)(a) and (b), registered firms must disclose the market value of cash and securities in the client's account as at the beginning and the end of the 12-month period covered by the investment performance report. The market value of cash and securities at account opening is assumed to be zero.

Under paragraphs 14.19(1)(c), (d) and subsection 14.19(1.1), registered firms must also disclose the market value of all deposits and transfers of cash and securities into the account, and the market value of all withdrawals and transfers of cash and securities out of the account, for the 12-month period covered by the performance report, as well as, subject to certain exceptions discussed below, since account opening. Deposits and transfers into the account (which do not include reinvested distributions or interest income) should be shown separately from withdrawals and transfers out of the account.

If an account was opened before July 15, 2015, registered firms must present the market value of all cash and securities in the client's account as at one of the following dates:

(a) January 1, 2016 or an earlier date, if the firm's first performance report to the client covered the 2016 calendar year (paragraph 14.19(1.1)(c)),

(b) July 15, 2015 or an earlier date, if the firm's first performance report to the client covered some other period (paragraph 14.19(1.1.)(b)).

A registered firm may choose a date earlier than July 15, 2015 or January 1, 2016, as applicable under paragraph 14.19(1.1)(b) or (c), only if the firm reasonably believes accurate recorded historical market value information is available for the client's account, and it would not be misleading to the client to provide that information as at the earlier date. As with position cost information, examples of circumstances under which we would consider it to be reasonable and not misleading for a firm to use a date earlier than July 15, 2015 or January 1, 2016, as applicable, for some but not all of its clients' accounts include when a firm that uses the same earlier date for:

- all client accounts that were transferred to the firm at the same time, or
- all clients that are on the same reporting system of the registered firm, if the firm has more than one reporting system.

The registered firm must also present the market value of all deposits, withdrawals and transfers of cash and securities since the date chosen under paragraph 14.19(1.1)(b) or (c).

Subsection 14.19(7) requires a registered firm that cannot determine the market value for a security position to assign the security a value of zero for the performance reporting purposes and the reason for doing so must be disclosed to the client. The explanation may be included as a note in the performance report. As described in section 14.11.1 of this Companion Policy, if a registered firm is subsequently able to value that security it may need to adjust the calculation of the market values or deposits to avoid presenting a misleading improvement in the performance of the account.

A registered firm is not required to deliver a nil report in circumstances where it reasonably believes that none of a client's securities have a determinable value. We would expect the firm to tell the client that it will not be delivering an investment performance report for the period and explain why.

Change in market value

The opening market value, plus deposits and transfers in, less withdrawals and transfers out, should be compared to the market value of the account as at the end of the 12-month period for which the performance reporting is provided and also since inception in order to provide clients, in dollar terms, with the performance of their account.

The change in the market value of the account since inception is the difference between the closing market value of the account and total of opening market value plus deposits less withdrawals since inception. The change in the value of the account for the 12-month period is the difference between the closing market value of the account and total of opening market value plus deposits less withdrawals during the period. If the client's account was opened before July 15, 2015, a registered firm is required to disclose the change in value of a client's account since one of July 15, 2015, January 1, 2016 or an earlier date determined on the basis of the same criteria as described above with reference to paragraph 14.19(1.1)(b) or (c).

The change in market value includes components such as income (dividends, interest) and distributions, including reinvested income or distributions, realized and unrealized capital gains or losses in the account, and the effect of operating charges and transaction charges if these are deducted directly from the account. Rather than show the change in value as a single amount, registered firms may opt to break this out into its components to provide more detail to clients.

Percentage return calculation method

Paragraph 14.19(1)(i) requires firms to provide the annualized total percentage return using a money-weighted rate of return calculation method. No specific formula is prescribed, but the method used by a firm must be one that is generally accepted in the securities industry. A registered firm may, if it so chooses, provide percentage returns calculated using both money-weighted and time-weighted methods. In such cases, the firm should explain in plain language the difference between the two sets of performance returns.

Paragraph 14.19(1)(j) requires that performance reports include a notification with specified information about how the client's percentage return was calculated. This includes an explanation in general terms of what the calculation method takes into account. We do not expect firms to include a formula or an exhaustive list. For example, a firm could explain that under a money weighted method, decisions a client made about deposits and withdrawals to and from the client's account have affected the returns calculated in the report and that this means it represents the client's personal rate of return. We expect firms to use this notification to help clients understand the most important implications of the calculation methodology. A client's personal rate of return should be compared to the client's target rate of return, if the client has one, so that progress toward that goal can be assessed. We expect a firm that also uses a time weighted method to explain the difference between the two rates of return in plain language. For example, the firm could explain that the returns calculated under a time weighted

method may not be the same as the actual returns in the client's account because they do not necessarily show the effect of deposits and withdrawals to and from the account, and that a time weighted return is useful in determining how well a money manager performed, but not necessarily how the client's account actually grew.

Performance reporting periods

Subsection 14.19(2) outlines the minimum reporting periods of 1, 3, 5 and 10 years and the period since the inception of the account. For accounts opened before July 15, 2015, a registered firm may use a deemed inception date of January 1, 2016, July 15, 2015 or an earlier date determined on the basis of the same criteria as described above.

Registered firms may opt to provide more frequent performance reporting. However performance returns for periods of less than one year can be misleading and therefore, must not be presented on an annualized basis, consistent with subsection 14.19(6).

Scholarship plans

Under paragraph 14.19(4)(c), for scholarship plans, the information required to be delivered in the investment performance report includes a reasonable projection of future scholarship payments that the plan may pay to the client or the client's designated beneficiary upon the maturity of the client's investment in the plan.

A scholarship plan dealer is also required under paragraph 14.19(4)(d) to provide a summary of any terms of the plan, which if not met by the client or the client's designated beneficiary under the plan, may cause the client or the designated beneficiary to suffer a loss of contributions, earnings or government contributions in the plan. The disclosure here is not intended to be as detailed as the disclosure at account opening. It is intended to remind the client of the unique risks of the plan and the ways in which the client's scholarship plan may be seriously impaired. This disclosure must be consistent with other disclosures required to be delivered to clients under applicable securities legislation.

To the extent that a scholarship plan dealer and the plan itself are not the same legal entity but are affiliates of one another, the dealer may meet obligations to deliver annual investment performance reports by drawing attention to the plan's direct mailing of reports to a client by the plan's administrator.

Benchmarks and investment performance reporting

The use of benchmarks for investment performance reporting is optional. There is no requirement to provide benchmarks to clients in any of the reports required under NI 31-103.

However, we encourage registrants to use benchmarks that are relevant to a client's investments as a useful way for a client to assess the performance of their portfolio. Benchmarks need to be explained to clients in terms they will understand, including factors that should be considered by the client when comparing their investment returns to benchmark returns. For example, a registrant could discuss the differences between the composition of a client's portfolio that reflects the investment strategy they have agreed upon and the composition of an index benchmark, so that a comparison between them is fair and not misleading. A discussion of the impact of operating charges and transaction charges as well as other expenses related to the client's investments would also be helpful to clients, since benchmarks generally do not factor in the costs of investing.

If a registered firm chooses to present benchmark information, the firm should ensure that it is not misleading. We expect registrants to use benchmarks that are

- discussed with clients to ensure they understand the purpose of comparing the performance of their portfolio to the chosen benchmarks and determine if their information needs will be met
- reasonably reflective of the composition of the client's portfolio so as to ensure that a relevant comparison of performance is presented
- relevant in terms of the investment time horizon of the client
- based on widely recognized and available indices that are credible and not manufactured by the registrant or any of its affiliates using proprietary data
- broad-based securities market indices which can be linked to the major asset classes into which the client's portfolio is divided. The determination of a major asset class should be based on the firm's own policies and procedures and the client's portfolio composition. An asset class for benchmarking purposes may be based on the type of security and geographical region. We do not expect an asset class to be determined by industry sector
- presented for the same reporting periods as the client's annualized total percentage returns
- clearly named
- applied consistently from one reporting period to the next for comparability reasons, unless there has been a change to the pre-determined asset classes. In this case, the change in the benchmark(s) presented should be discussed with the client and included in

the explanatory notes, along with the reasons for the change

Examples of acceptable benchmarks would include, but are not limited to, the S&P/TSX Composite index for Canadian equities, the S&P 500 index for U.S. equities, and the MSCI EAFE index as a measure of the equity markets outside of North America.

14.20 Delivery of report on charges and other compensation and investment performance report

Registered firms must deliver the annual report on charges and other compensation under section 14.17 and the investment performance report under section 14.18 for a client together. These client reports may be combined with or accompany an account statement or additional statement for a client, or must be sent within 10 days after an account statement or additional statement for the client.

Appendix A – Contact Information

Jurisdiction	E-mail	Fax	Address
Alberta	registration@asc.ca	(403) 297-4113	Alberta Securities Commission, Suite 600, 250 – 5th St. SW Calgary, AB T2P 0R4 Attention: Registration
British Columbia	registration@bcsc.bc.ca	(604) 899-6506	British Columbia Securities Commission P.O. Box 10142, Pacific Centre 701 West Georgia Street Vancouver, BC V7Y 1L2 Attention: Registration
Manitoba	registrationmsc@gov.mb.ca	(204) 945-0330	The Manitoba Securities Commission 500-400 St. Mary Avenue Winnipeg, MB R3C 4K5 Attention: Registrations
New Brunswick	registration-inscription@fcnb.ca	(506) 658-3059	Financial and Consumer Services Commission of New Brunswick/ Commission des services financiers et des services aux consommateurs du Nouveau Brunswick Suite 300, 85 Charlotte Street Saint John, NB E2L 2J2 Attention: Registration
Newfoundland & Labrador	scon@gov.nl.ca	(709) 729-6187	Superintendent of Securities, Service NL P.O. Box 8700, 2nd Floor, West Block Confederation Building St. John's, NL A1B 4J6 Attention: Manager of Registrations
Northwest Territories	SecuritiesRegistry@gov.nt.ca	(867) 873-0243	Government of the Northwest Territories P.O. Box 1320 Yellowknife, NWT X1A 2L9 Attention: Deputy Superintendent of Securities
Nova Scotia	nrs@gov.ns.ca	(902) 424-4625	Nova Scotia Securities Commission Suite 400, 5251 Duke Street P.O. Box 458 Halifax, NS B3J 2P8 Attention: Deputy Director, Capital Markets
Nunavut	CorporateRegistrations@gov.nu.ca	(867) 975-6590 (Faxing to NU is unreliable. The preferred method is e-mail.)	Legal Registries Division Department of Justice Government of Nunavut P.O. Box 1000 Station 570 Iqaluit, NU X0A 0H0 Attention: Deputy Registrar
Ontario	registration@osc.gov.on.ca	(416) 593-8283	Ontario Securities Commission 22nd Floor 20 Queen Street West Toronto, ON M5H 3S8 Attention: Compliance and Registrant Regulation

Jurisdiction	E-mail	Fax	Address
Prince Edward Island	ccis@gov.pe.ca	(902) 368-6288	Consumer and Corporate Services Division, Office of the Attorney General P.O. Box 2000, 95 Rochford Street Charlottetown, PE C1A 7N8 Attention: Superintendent of Securities
Québec	inscription@lautorite.qc.ca	(514) 873-3090	Autorité des marchés financiers Direction de l'encadrement des intermédiaires 800 square Victoria, 22e étage C.P 246, Tour de la Bourse Montréal (Québec) H4Z 1G3
Saskatchewan	registrationfcaa@gov.sk.ca	(306) 787-5899	Financial and Consumer Affairs Authority of Saskatchewan Suite 601 1919 Saskatchewan Drive Regina, SK S4P 4H2 Attention: Registration
Yukon	corporateaffairs@gov.yk.ca	(867) 393-6251	Department of Community Services Yukon Yukon Securities Office P.O. Box 2703 C-6 Whitehorse, YT Y1A 2C6 Attention: Superintendent of Securities

Appendix B – Terms not Defined in NI 31-103 or this Companion Policy

Terms defined in National Instrument 14-101 *Definitions*:

- adviser registration requirement
- Canadian securities regulatory authority
- dealer registration requirement
- exchange contract (AB, SK, NB and NS only)
- foreign jurisdiction
- jurisdiction or jurisdiction of Canada
- local jurisdiction
- investment fund manager registration requirement
- prospectus requirement
- registration requirement
- regulator
- securities directions
- securities legislation
- securities regulatory authority
- SRO
- underwriter registration requirement

Terms defined in National Instrument 45-106 *Prospectus Exemptions*:

- accredited investor
- eligibility adviser
- financial assets

Terms defined in National Instrument 81-102 *Investment Funds*:

- money market fund

Terms defined in the Securities Act of most jurisdictions:

- adviser
- associate
- company
- control person
- dealer
- director
- distribution
- exchange contract (BC only)
- insider
- individual
- investment fund
- investment fund manager
- issuer
- mutual fund
- officer
- person
- promoter
- records
- registrant
- reporting issuer
- security
- trade
- underwriter

Appendix C – Proficiency Requirements for Individuals Acting on Behalf of a Registered Firm

The tables in this Appendix set out the education and experience requirements, by firm registration category, for individuals who are applying for registration under securities legislation.

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, including, in the case of registered representatives, understanding the structure, features and risks of the securities as well as the initial and ongoing costs of the securities and the impact of those costs. An understanding of all securities that registered individuals purchase or sell for, or recommend to, clients is necessary in order for registered individuals to make the suitability determination that is required by section 13.3 [*suitability determination*].

CCOs must also not perform an activity set out in section 5.2 unless they have the education, training and experience that a reasonable person would consider necessary to perform the activity competently.

Acronyms used in the tables

BMP Branch Manager Proficiency Exam
CA Chartered Accountant
CCO Chief Compliance Officer
CCOQ Chief Compliance Officers Qualifying Exam
CFA CFA Charter
CGA Certified General Accountant Exam/Partners, Directors
CMA Certified Management Accountant
CIF Canadian Investment Funds Course Exam
CIM Canadian Investment Manager designation
CSC Canadian Securities Course Exam
EMP Exempt Market Products Exam
IFIC Investment Funds in Canada Course
MFDC Mutual Funds Dealer Compliance Exam
PDO Officers', Partners' and Directors' and Senior Officers Course Exam
SRP Sales Representative Proficiency Exam

Investment dealer	
Dealing representative	**CCO**
Proficiency requirements set by IIROC	Proficiency requirements set by IIROC
Mutual fund dealer	
Dealing representative	**CCO**
One of these five options: 1. CIF 2. CSC 3. IFIC 4. CFA Charter and 12 months of relevant securities industry experience in the 36-month period before applying for registration 5. Advising representative requirements – portfolio manager or exempt from these under subsection 16.10(1)	One of these two options: 1. CIF, CSC or IFIC; and PDO, MFDC or CCOQ and 12 months of relevant securities industry experience in the 36-month period before applying for registration 2. CCO requirements – portfolio manager or exempt from these under subsection 16.9(2)
Exempt market dealer	
Dealing representative	**CCO**
One of these four options: 1. CSC 2. EMP 3. CFA Charter and 12 months of relevant securities industries experience in the 36-months before applying for registration 4. Advising representative requirements – portfolio manager or exempt from these under subsection 16.10(1)	One of these two options: 1. PDO or CCOQ and EMP or CSC 2. CCO requirements – portfolio manager or exempt from these under subsection 16.9(2)
Scholarship plan dealer	
Dealing representative	**CCO**
SRP	SRP, BMP, and PDO or CCOQ

<table>
<tr><th colspan="3">Restricted dealer</th></tr>
<tr><th colspan="2">Dealing representative</th><th>CCO</th></tr>
<tr><td colspan="2">Regulator to determine on a case-by-case basis</td><td>Regulator to determine on a case-by-case basis</td></tr>
<tr><th colspan="3">Portfolio manager</th></tr>
<tr><th>Advising representative</th><th>Associate advising representative</th><th>CCO</th></tr>
<tr>
<td>One of these two options:

1. CFA and 12 months of relevant investment management experience in the 36-month period before applying for registration

2. CIM and 48 months of relevant investment management experience (12 months gained in the 36-month period before applying for registration)</td>
<td>One of these two options:

1. Level 1 of the CFA and 24 months of relevant investment management experience

2. CIM and 24 months of relevant investment management experience</td>
<td>One of these three options:

1. CSC except if the individual has the CFA or CIM designation, PDO or CCOQ, and CFA or a professional designation as a lawyer, CA, CGA, CMA, notary in Québec or the equivalent in a foreign jurisdiction, and:
• 36 months of relevant securities experience working at an investment dealer, registered adviser or investment fund manager, or
• 36 months providing professional services to the securities industry and 12 months working at a registered dealer, registered adviser or investment fund manager, for a total of 48 months

2. CSC except if the individual has the CFA or CIM designation, PDO or CCOQ and five years working at:
• an investment dealer or a registered adviser (including 36 months in a compliance capacity), or
• a Canadian financial institution in a compliance capacity relating to portfolio management and 12 months at a registered dealer or registered adviser, for a total of six years

3. PDO or CCOQ and advising representative requirements-portfolio manager</td>
</tr>
</table>

<table>
<tr><th colspan="3">Restricted portfolio manager</th></tr>
<tr><th>Advising representative</th><th>Associate advising representative</th><th>CCO</th></tr>
<tr><td>Regulator to determine on a case-by-case basis</td><td>Regulator to determine on a case-by-case basis</td><td>Regulator to determine on a case-by-case basis</td></tr>
<tr><th colspan="3">Investment fund manager</th></tr>
<tr><th colspan="3">CCO</th></tr>
<tr><td colspan="3">One of these three options:

1. CSC except if the individual has the CFA or CIM designation, PDO or CCOQ, and CFA or a professional designation as a lawyer, CA, CGA, CMA, notary in Québec or the equivalent in a foreign jurisdiction, and:
• 36 months of relevant securities experience working at a registered dealer, registered adviser or investment fund manager, or
• 36 months providing professional services in the securities industry and 12 months working in a relevant capacity at an investment fund manager, for a total of 48 months

2. CIF, CSC or IFIC; PDO or CCOQ and five years of relevant securities experience working at a registered dealer, registered adviser or an investment fund manager (including 36 months in a compliance capacity)

3. CCO requirements for portfolio manager or exempt from these requirements under section 16.9(2)</td></tr>
</table>

Appendix D

Client name

Your Account Number: 123456

Address line 1
Address line 2
Address line 3

This report summarizes the compensation that we received directly and indirectly in 20XX. Our compensation comes from two sources:

1. What we charge you directly. Some of these charges are associated with the operation of your account. Other charges are associated with purchases, sales and other transactions you make in the account.
2. What we receive through third parties.

Charges are important because they reduce your profit or increase your loss from investing. If you need an explanation of the charges described in this report, your representative can help you.

Charges you paid directly to us

RSP administration fee	$100	
Total charges associated with the operation of your account		**$100**
Commissions on purchases of mutual funds with a sales charge	$101	
Switch fees	$45	
Total charges associated with transactions we executed for you		**$146**
Total charges you paid directly to us		**$246**

Compensation we received through third parties

Commissions from mutual fund managers on purchases of mutual funds (see note 1)	$503
Trailing commissions from mutual fund managers (see note 2)	$286
Total compensation we received through third parties	**$789**
Total charges and compensation we received in 20xx	**$1,035**

Notes:

1. When you purchased units of mutual funds on a deferred sales charge basis, we received a commission from the investment fund manager. During the year, these commissions amounted to $503.
2. We received $286 in trailing commissions in respect of securities you owned during the 12-month period covered by this report.

Investment funds pay investment fund managers a fee for managing their funds. The managers pay us ongoing trailing commissions for the services and advice we provide you. The amount of the trailing commission depends on the sales charge option you chose when you purchased the fund. You are not directly charged the trailing commission or the management fee. But, these fees affect you because they reduce the amount of the fund's return to you. Information about management fees and other charges to your investment funds is included in the prospectus or fund facts document for each fund.

Our current schedule of operating charges

[*As part of the annual report of charges and compensation, registrants are required to provide their current operating charges that may be applicable to their clients' accounts. For the purposes of this sample document, we are not providing such a list*.]

Appendix E

For the period ending December 31, 2030

Your investment performance report

Investment account 123456789

Client name
Address line 1
Address line 2
Address line 3

This report tells you how your account has performed to December 31, 2030. It can help you assess your progress toward meeting your investment goals.

Speak to your representative if you have questions about this report. It is important that you tell your representative if your personal or financial circumstances have changed. Your representative can recommend adjustments to your investments to keep you on track to meeting your goals.

Amount invested means opening market value plus deposits including:
the market value of all deposits and transfers of securities and cash into your account, not including interest or dividends invested.

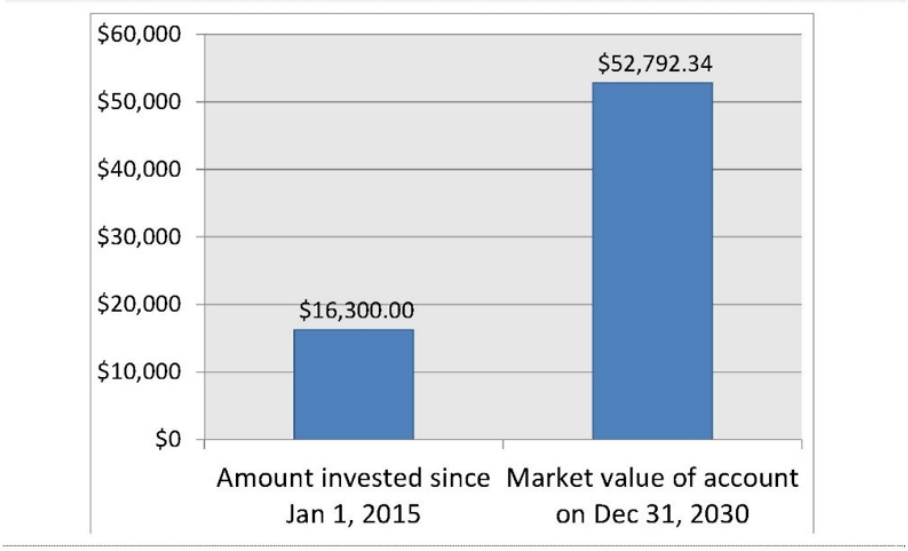
Less withdrawals including:
the market value of all withdrawals and transfers out of your account.

Total value summary

Your investments have increased by $36,492.34 since you opened the account

Your investments have increased by $2,928.85 during the past year

Amount invested since you opened your account on January 1, 2015	$16,300.00
Market value of your account on December 31, 2030	**$52,792.34**



Change in the value of your account

This table is a summary of the activity in your account. It shows how the value of your account has changed based on the type of activity.

	Past Year	Since you opened your account
Opening market value	$51,063.49	$0.00
Deposits	$4,000.00	$21,500.00
Withdrawals	$(5,200.00)	$(5,200.00)
Change in the market value of your account	$2,928.85	$36,492.34
Closing market value	**$52.792.34**	**$52,792.34**

What is a total percentage return?

This represents gains and losses of an investment over a specified period of time, including realized and unrealized capital gains and losses plus income, expressed as a percentage.

For example, an annual total percentage return of 5% for the past three years means that the investment effectively grew by 5% a year in each of the three years.

Your personal rates of return

The table below shows the total percentage return of your account for periods ending December 31, 2030. Returns are calculated after charges have been deducted. These include charges you pay for advice, transaction charges and account-related charges, but not income tax.

Keep in mind your returns reflect the mix of investments and risk level of your account. When assessing your returns, consider your investment goals, the amount of risk you're comfortable with, and the value of the advice and services you receive.

	Past year	Past 3 years	Past 5 years	Past 10 years	Since you opened your account
Your account	5.51%	10.92%	12.07%	12.90%	13.09%

Calculation method
We use a money weighted method to calculate rates of return. Contact your representative if you want more information about this calculation.

The returns in this table are your personal rates of return. Your returns are affected by changes in the value of the securities you have invested in, dividends and interest that they paid, and also deposits and withdrawals to and from your account.

If you have a personal financial plan, it will contain a target rate of return, which is the return required to achieve your investment objectives. By comparing the rates of return you actually achieved (shown in the table) with your target rate of return, you can see whether you are on track to meet your investment objectives.

Contact your representative to discuss your rate of return and investment objectives.

Appendix F – Part 14 Client reporting requirements and sole EMDs

This appendix discusses how the client reporting requirements in Part 14 may apply to some exempt market dealers that are not also registered as advisers or in another category of dealer (sole EMDs) as a result of their limited operating model.

Overview:

Holding client assets and other specified criteria

The applicability of some of the client statement requirements depends on whether a registered firm holds client assets (account statements) or, if it does not, whether certain other specific criteria apply (additional statements). Other client reporting requirements may or may not apply depending on whether a registered firm has a "client" at the relevant point in time (annual report on charges and other compensation, and annual report on investment performance).

Sole EMDs do not normally hold client assets and where that is the case, they can disregard provisions that only apply where client assets are held by a registered firm. In circumstances where a sole EMD holds client assets (as may be the case with mortgage syndications), it must deliver account statements with the information required under subsections 14.14(4) and 14.14(5) along with position cost information under section 14.14.2. Furthermore, since holding client assets is a clear indication of an ongoing client relationship, a sole EMD is also subject to the requirement to deliver an annual report on charges and other compensation under section 14.17 and an annual investment performance report under section 14.18.

Transactional vs ongoing client relationship

Some sole EMDs have only limited, transactional relationships with their clients – as opposed to the ongoing client relationships that are typical of most other registrants' operating models. An example of a transactional relationship would be where an EMD's relationship with a client is limited to a specific private placement transaction and does not involve

- a security specified in paragraph 14.14.1(1)(c)
- any trailer fee or similar ongoing compensation in relation to the client's ownership of a security
- the EMD holding client assets
- any expectation on the part of the EMD that there may be further transactions with the client or services provided to the client. For example, if an EMD regularly contacts the client regarding any securities offered by the EMD, this will be considered an ongoing relationship
- any expectation on the part of the client that the EMD will continue to provide services to the client after the completion of the transaction. The example described above applies in this case as well.

In this example, the EMD would be required to deliver one account statement with transactional information under subsection 14.14(4), but would not be required to deliver any

- further account statements under section 14.14
- additional statements under section 14.14.1
- position cost information under section 14.14.2
- annual report on charges and other compensation under section 14.17
- annual investment performance report under section 14.18

A sole EMD should consider carefully whether it is in an ongoing client relationship before concluding that any of the client statement requirements do not apply to it.

Section-by-section analysis:

Relationship disclosure information, pre-trade disclosure of charges and trade confirmation

A sole EMD always has a client at the time of the transaction and will be subject to other requirements relating to relationship disclosure (section 14.2), pre-trade disclosure of charges (section 14.2.1) and trade confirmations (section 14.12). However, if it has no other dealings with the investor, the EMD might conclude that it is no longer in a client relationship at the point in time when it would otherwise be required to prepare further client statements and reports, as discussed below.

Account statements

An account statement has two principal elements: transactional information and account position information. Transactional information is specific to the securities involved and is required in almost all circumstances where there has been a transaction. Account position information is a snap-shot of the whole account and is required only where the firm holds client assets.

Subsection 14.14(1) requires an EMD to deliver transactional information prescribed under subsection 14.14(4) to clients on a quarterly basis or, if so requested, each month. This requirement applies regardless of whether the firm holds client assets. For EMDs that hold client assets, account position information under subsection 14.14(5) is also required. Note that subsection 14.14(2) requires an EMD to deliver an account statement with transactional information under subsection 14.14(4) "after the end of ***any month*** in which a transaction was effected in securities ***held*** by the dealer in the client's account" [emphasis added].

The effect of these requirements is that, if one or more transactions occurred in the reporting period, a sole EMD must provide the client with an account statement with transactional information (but not account position information if no clients assets are held) either

- at the end of the month, if requested by a client, or
- at the end of the quarter, by default.

This applies even where an EMD does not have an ongoing client relationship.

Additional statements

An "additional statement" (registered firms subject to the requirements in section 14.14.1 are not required to call it this in client communications – "account statement" would do for those purposes) is the way clients get the equivalent of account position information where the registered firm does not hold their assets. It only applies in certain circumstances. More specifically, subsection 14.14.1(1) requires a registered dealer or adviser that does not hold client assets to provide an additional statement with account position information under subsection 14.14.1(2) on a quarterly basis if

- it has trading authority over the client's account in which the securities are held or were transacted (not, of course, applicable to a sole EMD),
- it receives certain continuing payments in respect of securities it traded for a client (e.g., trailing commission), or
- it is the dealer of record for a client's securities issued by a mutual fund or certain labour-sponsored investment vehicles (EMDs trading securities of an investment fund should be aware of the definition of "mutual fund" under securities legislation).

In effect, a registered firm is deemed to have an ongoing client relationship in these circumstances. If none of these circumstances apply, there is no requirement for a sole EMD to provide clients with an additional statement.

Position cost information

Subsection 14.14.2(1) requires quarterly delivery of position cost information under criteria which effectively mean that if a sole EMD has to provide account position information to a client, either in an account statement or an additional statement, it also has to provide position cost information to the client.

Annual report on charges and other compensation

Subsection 14.17(1) requires delivery of a report on charges and other compensation to a client every 12 months. It will apply if the sole EMD is subject to the requirement to provide account position information to a client, either in an account statement under subsection 14.14(5) or an additional statement under subsection 14.14.(1).

However, even if the requirement in subsection 14.17(1) is triggered, the EMD would not be required to send a "nil" report if it did not receive any of the specified charges or other compensation during the 12-month period.

Annual investment performance report

Subsection 14.18(1) requires annual delivery of an investment performance report to a client. Note that the elements of the performance report set out in section 14.19 will depend on market values that are contained in the account position information provided in the account statements and additional statements sent under sections 14.14 and 14.14.1, respectively. The effect of subsection 14.18(6) is that no investment performance report is required if a firm reasonably believes that either (a) there are no securities of a client in respect of which it would be required to provide account position information to a client, either in an account statement or an additional statement, or (b) if there are such securities, no market value can be determined for any of them.

Appendix G – Part 13 – Addressing Issues of Financial Exploitation and Concerns About Clients' Mental Capacity

This appendix sets out how we interpret the requirements under sections 13.2.01 and 13.19 relating to trusted contact persons and temporary holds. This appendix also provides general commentary and guidance surrounding issues of financial exploitation of vulnerable clients, and concerns about clients' mental capacity to make decisions involving financial matters.

1. *Financial exploitation*

Financial exploitation of a client may be committed by any person or company. Examples of warning signs of financial exploitation of a client may include:

- unexplained or sudden withdrawals from accounts or account closures,
- unexplained changes in the risk profile of an account from low risk or capital preservation to high risk,
- sudden reluctance to discuss financial matters,
- being accompanied to meetings by new or unknown caregivers, friends or family members, or the registrant having difficulty communicating directly with the client without the involvement of others,
- sudden or unusual requests to change ownership of assets (for example, requesting that investments be transferred to a joint account held by family members, friends or caregivers),
- sudden or unexplained changes to legal or financial documents, such as a power of attorney (POA) or a will, or account beneficiaries,
- an attorney under a POA providing instructions that seem inconsistent with the client's pattern of instructions to the firm,
- unusual anxiety when meeting or speaking to the registrant (in-person or over the phone),
- unusual difficulty with, or lack of response to, communications or meeting requests,
- limited knowledge about their financial investments or circumstances when the client would have customarily been well informed in this area,
- increasing isolation from family or friends, or
- signs of physical neglect or abuse.

One warning sign alone may not be indicative of financial exploitation. Additionally, the warning signs listed above are not exhaustive; a registrant may notice other signs that are not listed above.

2. *Vulnerable client*

Vulnerable clients are those clients that might have an illness, impairment, disability or aging process limitation that places them at risk of financial exploitation. Registered firms and individuals should recognize that not all older clients are vulnerable or unable to protect their own interests. Vulnerability can affect a client of any age, take many forms, and can be temporary, sporadic or permanent in nature.

It is important to recognize vulnerabilities in clients because such vulnerabilities could make clients more susceptible to financial exploitation. While financial exploitation may be committed by any person or company, vulnerable clients may be especially susceptible to such exploitation by an individual who is close to the vulnerable client, such as a family member, friend, neighbour or another trusted individual such as an attorney under a POA, service provider or caregiver.

3. *Mental capacity*

Registrants can be in a unique position to notice the warning signs that a client lacks mental capacity to make decisions involving financial matters because of the interactions they have with the client, and the knowledge they acquire through the client relationship.

We acknowledge that registrants do not have the expertise to assess and determine whether clients lack mental capacity, and we do not expect registrants to make such a determination. However, where a registrant detects signs that a client lacks mental capacity to make decisions involving financial matters, the registrant may wish to take certain actions. For example, the registrant may wish to contact a trusted contact person or, in the case of a registered firm having formed a reasonable belief that the client lacks mental capacity to make decisions involving financial matters, place a temporary hold.

When considering whether one or more warning signs that a client lacks mental capacity to make decisions involving financial matters is present, registrants might consider, among others things, the client's ability to understand information that is relevant to their decision making and appreciate the reasonably foreseeable consequence of making or failing to make a decision. Examples of warning signs that a client lacks mental capacity to make decisions involving financial matters may include:

- memory loss, such as forgetting previously given instructions or repeating questions,
- increased difficulty completing forms or understanding disclosure documents,
- increased difficulty making decisions involving financial matters or understanding important aspects of investment accounts,

- confusion or unfamiliarity with previously understood basic financial terms and concepts,
- reduced ability to solve everyday math problems,
- exhibiting unfamiliarity with surroundings or social settings or missing appointments,
- difficulty communicating, including expressing their will, intent or wishes, or
- increased passivity, anxiety, aggression or other changes in mood or personality, or an uncharacteristically unkempt appearance.

We acknowledge that one sign alone may not be indicative of a client's lack of mental capacity and that signs may arise subtly and over time. The warning signs listed above are not exhaustive; a registrant may notice other signs that are not listed above. It is also important to note that mental capacity can fluctuate over time, is contextual and depends on the type of decision to be made.

4. *Trusted contact person*

Purpose of the trusted contact person Subsection 13.2.01(1) requires registrants to take reasonable steps to obtain the name and contact information of a trusted contact person or "TCP" with whom they may communicate in specific circumstances in accordance with the client's written consent. Although this requirement only applies with respect to clients who are individuals, a registrant is not precluded from asking for TCP information from a non-individual client that, for example, is closely held and is part of an individual's personal investment plan.

A TCP is intended to be a resource for a registrant to assist in protecting a client's financial interests or assets when responding to possible circumstances of financial exploitation or concerns about a client's mental capacity. A TCP could also be utilized by the registrant to confirm or make inquiries about the name and contact information of a legal representative of the client, including a legal guardian of the client, an executor of an estate under which the client is a beneficiary, or a trustee of a trust under which the client is a beneficiary.

A client may name more than one TCP on their account.

While there is no requirement for the TCP to be at or over the age of majority, registrants should encourage their clients to name as the TCP an individual who is trusted, is mature and has the ability to communicate and engage in potentially difficult conversations with the registrant about the client's personal situation.

A TCP does not replace or assume the role of a client-designated attorney under a POA, nor does a TCP have the authority to transact on the client's account or to make any other decision on behalf of the client by virtue of being named a TCP. A client-designated attorney under a POA can be named as a TCP, but clients should be encouraged to select an individual who is not involved in making decisions with respect to the client's account. A TCP should not be the client's dealing representative or advising representative on the account.

Obtaining trusted contact person information and consent

There is no prescribed form for obtaining TCP information. Registrants may wish to develop a stand-alone form or incorporate the information into an existing form such as an account application form. The stand-alone form or relevant sections of an existing form might include:

- an overview of the circumstances under which the registrant may contact the TCP,
- space to document information about the TCP, including the TCP's name, mailing address, telephone number, email address and nature of the relationship with the client,
- a signature box to document the client's consent to contact the TCP,
- a statement that confirms the client's right to withdraw consent to contact the TCP, and
- a description of how to change a TCP.

Understanding the nature of the relationship between the client and the TCP may provide insight into the support network that the client has so that the registrant can assess whether it is appropriate to contact the TCP. Also, demonstrating that the registrant has knowledge of the relationship between the client and the TCP may alleviate concerns the TCP may have about speaking to the registrant about the client.

Registrants are not prevented from opening and maintaining a client account if the client refuses or fails to identify a TCP; however, they must still take reasonable steps to obtain the information as part of the know your client or "KYC" process. Examples of reasonable steps include explaining to the client the purpose of a TCP, providing the client with the disclosure required by paragraph 14.2(2)(l.1), and asking the client to provide the name and contact information of a TCP. If a client refuses to provide the name and contact information for a TCP, the registrant may make further inquiries about the reasons for the refusal. Registered firms are reminded of the requirement to maintain records which demonstrate compliance with section 13.2.01, document correspondence with clients, and document compliance, training and supervision actions taken by the firm, under paragraphs 11.5(2)(l), (n) and (o), respectively.

Updating trusted contact person information

Under subsection 13.2.01(2), registrants are required to take reasonable steps to keep the TCP information current. Registrants are expected to update the TCP information as part of the process to update KYC information. In a situation

where a client may have previously refused to provide TCP information, at each update, registrants should ask such clients if they would like to provide the information.

Contacting the trusted contact person and other parties

When concerns about financial exploitation or mental capacity to make decisions involving financial matters arise, registrants should speak with the client about concerns they have with the client's account or wellbeing before contacting others, including the TCP.

Although there is no requirement to notify a TCP that they have been named by a client, registrants should encourage their clients to notify their TCP that they have been named and explain that the TCP will only be contacted in specific circumstances in accordance with the client's written consent.

If the client's consent has been obtained, a registrant might contact a TCP if the registrant notices signs of financial exploitation or if the client exhibits signs that they lack mental capacity to make decisions involving financial matters. Examples of warning signs of financial exploitation and a lack of mental capacity are discussed in sections 1 and 3 of this appendix. If the TCP is suspected of being involved in the financial exploitation of the client, the TCP should not be contacted and consideration should be given as to whether there are other more appropriate resources from which to seek assistance, such as the police, the public guardian and trustee or an alternative TCP, if named. A registrant might also contact the TCP to confirm the client's contact information if the registrant is unsuccessful in contacting the client after repeated attempts and where failure to contact the client would be unusual. A registrant may also ask the TCP to confirm the name and contact information of a legal guardian, executor, trustee, an attorney under a POA or any other legal representative.

When contacting a TCP, registrants should be mindful of privacy obligations under applicable privacy legislation and client agreements relating to the collection, use and disclosure of personal information.

Notwithstanding that the client has named a TCP, a registrant may also contact an attorney under a POA, government organizations, departments or individuals (including police, or the public guardian and trustee) that they might otherwise consult with in instances where the registrant suspects financial exploitation or has concerns about a client's mental capacity to make decisions involving financial matters.

Policies and procedures

We expect registered firms to have written policies and procedures in respect of TCPs. These policies and procedures should address:

- how to collect and document TCP information and keep this information up-to-date,
- how to obtain the written consent of a client to contact their TCP, and document any restrictions on contacting the TCP and what type of information can be shared,
- the specific circumstances in which a registrant may wish to contact a TCP,
- how to document discussions with a TCP, and
- circumstances where a decision to contact a TCP must be escalated for review (for example, to the CCO or to authorized and qualified supervisory, compliance or legal staff), and how to document this review.

Having written policies and procedures that address situations that may result in contacting a TCP or placing a temporary hold under section 13.19 will help the registered firm demonstrate that it has a system of controls and supervision in accordance with section 11.1.

5. *Temporary Holds*

General principles

Registered firms and individuals can be in a unique position to notice signs of financial exploitation, vulnerability and a lack of mental capacity in clients because of the interactions they have with them, and the knowledge they acquire through the client relationship. Yet, many firms and individuals express concerns about acting to protect their clients, particularly by placing temporary holds, fearing regulatory repercussion. The intent of section 13.19 is to clarify that if a registered firm reasonably believes that financial exploitation of a vulnerable client has occurred, is occurring, has been attempted or will be attempted, or that a client lacks mental capacity to make decisions involving financial matters, there is nothing in securities legislation that prevents the firm or its registered individuals from placing a temporary hold that they are otherwise legally entitled to place. Section 13.19 also prescribes requirements on how temporary holds in these circumstances must be placed. We acknowledge that there may be other circumstances under which a registered firm and its registered individuals may want to place a hold on an account. Section 13.19 and this guidance do not address these circumstances.

When placing temporary holds in accordance with section 13.19, registered firms and their registered individuals must act in a manner that is consistent with their obligation to deal fairly, honestly and in good faith with their clients. Registered firms and their registered individuals must not use a temporary hold for inappropriate reasons, for example, to delay a disbursement for fear of losing a client. Before a temporary hold is placed, the registered firm must reasonably believe that either financial exploitation of a vulnerable client has occurred, is occurring, has been attempted or will be attempted, or the

client does not have the mental capacity to make decisions involving financial matters. Decisions to place temporary holds should be made by the CCO or authorized and qualified supervisory, compliance or legal staff.

We do not expect registered firms and their registered individuals to be the final arbiter in matters of vulnerability, financial exploitation or mental capacity, but rather, believe that they may want to place temporary holds in these circumstances so that they can take steps to protect their clients.

A temporary hold contemplated under section 13.19 is not intended as a hold on the entire client account, but rather as a temporary hold over a specific purchase or sale of a security or withdrawal or transfer of cash or securities from a client's account. Transactions unrelated to the suspected financial exploitation or lack of mental capacity should not be subject to the temporary hold. Each purchase or sale of a security or withdrawal or transfer of cash or securities should be reviewed separately. If the transaction, withdrawal or transfer involves all the assets in the account, it may be reasonable to place a temporary hold on the entire account while not limiting the payment of regular expenses.

A temporary hold contemplated under section 13.19 is not intended to be available where a registrant has decided not to accept a client order or instruction that does not, in their view, meet the criteria for a suitability determination. In this circumstance, the registrant must comply with the requirements set out in subsection 13.3(2.1).

A client may provide an instruction to take an investment action which would not, in the registrant's view, meet the criteria for suitability determination and which may otherwise be considered a poor financial decision; however, these facts alone do not necessarily mean that financial exploitation of a vulnerable client has occurred, is occurring, has been attempted or will be attempted, or that the client lacks mental capacity to make decisions involving financial matters.

Conditions for temporary hold

Section 13.19 contains the steps that a registered firm must take if it or its registered individuals place a temporary hold. These steps, when taken in good faith, are consistent with the obligation to deal fairly, honestly and in good faith with the client.

We expect registered firms to have written policies and procedures in respect of temporary holds. These policies and procedures should:

- set out detailed warning signs of financial exploitation of a vulnerable client, and signs of a lack of mental capacity of a client to make decisions involving financial matters,
- clearly delineate firm and individual responsibilities for addressing concerns of financial exploitation of a vulnerable client or a lack of mental capacity of a client, such as:
    - who at the firm is authorized to place and revoke a temporary hold, for example, the CCO or authorized and qualified supervisory, compliance or legal staff;
    - who at the firm is responsible for supervising client accounts when a temporary hold is in place,
- set out the steps to take once a concern regarding financial exploitation of a vulnerable client, or a lack of mental capacity of a client, has been identified, such as:
    - escalating the concern;
    - proceeding or not proceeding with the instructions,
- establish lines of communication within the firm to ensure proper reporting, and
- outline when suspected abuse of a POA should be escalated to the appropriate external authorities, for example the public guardian and trustee or local law enforcement pursuant to section 331 of the *Criminal Code*.

Under paragraph 13.19(3)(a), when documenting the facts and reasons that caused the registered firm or its registered individuals to place and, if applicable, to continue the temporary hold, the firm is expected to include signs of financial exploitation and client vulnerability, or a lack of mental capacity of a client to make decisions involving financial matters, that were observed. As the signs of financial exploitation, vulnerability, and declining mental capacity often appear and change over a period of time, it is important to document signs and interactions with the client, the client's representatives, family or other individuals which led to the decision to place and, if applicable, to continue the temporary hold.

Under paragraph 13.19(3)(b), the registered firm must, as soon as possible, provide notice of the temporary hold and the reasons for the temporary hold to the client. While firms often opt to send written notice, there may be circumstances where they may also want to attempt to contact the client verbally. In cases of financial exploitation, the person perpetrating the exploitation may be withholding the client's mail. Additionally, if a client is experiencing a decline in mental capacity, they may not be reviewing their mail on a regular basis. Firms should be as transparent as possible with their clients about the reasons for placing the temporary hold, and be mindful of their obligation to deal fairly, honestly and in good faith with their clients.

Under paragraph 13.19(3)(c), once a registered firm or a registered individual places a temporary hold, the firm must, as soon as possible after placing the temporary hold, and on a reasonably frequent basis, review the relevant facts to determine if continuing the hold is appropriate. This review should include verifying whether the reasons for placing the temporary hold are still present, and considering any other information that is relevant to determining whether continuing the hold is appropriate. The review may prompt the registered firm to review account activity or initially contact or follow up with other parties who could provide assistance to the client, such as an attorney under a POA, a TCP, or provincial or federal

government organizations and services such as the police, public guardian and trustee, which may be conducting their own review, or provincial seniors advocate offices. Firms may also consider whether there are other trusted friends and family in the client's network that could assist the client, for example, by accompanying the client to meetings. Before contacting another party, the firm should consider whether there may be a risk that the other party is involved in the financial exploitation of the vulnerable client. The review conducted under paragraph 13.19(3)(c) and, if applicable, the reasons for continuing the temporary hold are required to be documented under paragraph 13.19(3)(a).

While there is no requirement for firms to contact a TCP prior to or when a temporary hold is placed, firms may wish to contact a TCP at this point for a number of reasons, if they have not already done so, as outlined in the guidance in section 4 of this appendix. However, before contacting the TCP, firms should assess whether there is a risk that the TCP is a perpetrator of the exploitation. If the firm suspects that the TCP is involved in the financial exploitation, a notification to the TCP may have detrimental effects on the client.

For clarity, the fact that a client has not named a TCP does not preclude a firm from placing a temporary hold in accordance with section 13.19.

Before contacting any third party with the intent of sharing or obtaining personal information regarding a client, firms should assess their obligations under applicable privacy legislation and client agreements.

Paragraph 13.19(3)(d) requires that every 30 days, the firm either notifies the client of its decision to continue the temporary hold, or revokes the temporary hold. If the firm decides to continue the temporary hold, it must also provide the client with the reasons for its decision. Firms should be as transparent as possible with their clients about the reasons for continuing the temporary hold, and be mindful of their obligation to deal fairly, honestly and in good faith with their clients.

If the registered firm no longer has a reasonable belief that financial exploitation of a vulnerable client has occurred, is occurring, has been attempted or will be attempted, or no longer has a reasonable belief that their client does not have the mental capacity to make decisions involving financial matters, the temporary hold must end. If ending the temporary hold would result in an investment action that requires a suitability determination, such a determination will be required. A firm may also decide to end the temporary hold for other reasons, such as if it decides to accept the client instructions with respect to the transaction, withdrawal or transfer, or alternatively, decides not to accept the client's instructions.

Multilateral Policy 31-202 Registration Requirement for Investment Fund Managers

MULTILATERAL POLICY 31-202
REGISTRATION REQUIREMENT FOR INVESTMENT FUND MANAGERS

This Policy applies in British Columbia, Alberta, Saskatchewan, Manitoba, Prince Edward Island, Nova Scotia, New Brunswick, Northwest Territories, Yukon and Nunavut.

An investment fund manager directs or manages the business, operations or affairs of an investment fund. It is required to register in a jurisdiction if it carries on the activities of an investment fund manager in that jurisdiction.

Some of the functions and activities that an investment fund manager directs, manages or performs include:

- establishing a distribution channel for the fund
- marketing the fund
- establishing and overseeing the fund's compliance and risk management programs
- overseeing the day to day administration of the fund
- retaining and liaising with the portfolio manager, the custodian, the dealers and other service providers of the fund
- overseeing advisers' compliance with investment objectives and overall performance of the fund
- preparing the fund's prospectus or other offering documents
- preparation and delivery of security holder reports
- identifying, addressing and disclosing conflicts of interest
- calculating the net asset value (NAV) and the NAV per share or unit
- calculating, confirming and arranging payment of subscriptions, redemptions and arranging for the payment of dividends or other distributions, if required

An investment fund manager is required to register if it directs or manages the business, operations or affairs of an investment fund from a physical place of business in a jurisdiction or its head office is in a jurisdiction.

In circumstances where the investment fund manager does not have a physical place of business or head office in a jurisdiction, they will need to register if they engage in the activities that result in their directing or managing the business, operations or affairs of an investment fund in that jurisdiction. In determining if registration is required, these entities should consider what activities they are directing from within the jurisdiction, including those functions and activities listed above. As registration is only required if the person is conducting investment fund manager activities in a jurisdiction that result in them directing or managing the business, operations or affairs of an investment fund in that jurisdiction, we would not expect that any single function or activity would be determinative. Specifically, functions or activities tied to the presence of security holders, solicitation of investors or the distribution of securities in a jurisdiction are not activities that would give rise to investment fund manager registration, unless they are directed from within the jurisdiction and result in the person directing or managing the business, operations or affairs of an investment fund in the jurisdiction.

Multilateral Instrument 32-102 Registration Exemptions for Non-Resident Investment Fund Managers

MULTILATERAL INSTRUMENT 32-102
REGISTRATION EXEMPTIONS FOR NON-RESIDENT INVESTMENT FUND MANAGERS

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FORM 32-102F1 ***Submission to Jurisdiction and Appointment of Agent for Service for International Investment Fund Manager***

FORM 32-102F2 ***Notice of Regulatory Action***

MULTILATERAL INSTRUMENT 32-102
REGISTRATION EXEMPTIONS FOR NON-RESIDENT INVESTMENT FUND MANAGERS

PART 1 – DEFINITIONS AND APPLICATION

1 Definitions

In this Instrument, "permitted client" has the same meaning as in section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, except that it excludes paragraph (m) and (n) and includes 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 *Prospectus Exemptions*, or an adviser registered under the securities legislation of the jurisdiction of the registered charity.

2 Application of this Instrument

This Instrument applies in Ontario, Québec and Newfoundland and Labrador.

PART 2 – EXEMPTIONS FROM INVESTMENT FUND MANAGER REGISTRATION

3 No security holders or active solicitation in the local jurisdiction

The investment fund manager registration requirement does not apply to a person or company acting as an investment fund manager of one or more investment funds if it does not have a place of business in the local jurisdiction and if one or more of the following apply:

(a) none of the investment funds has security holders resident in the local jurisdiction;

(b) the person or company and those investment funds have not, at any time after September 27, 2012, actively solicited residents in the local jurisdiction to purchase securities of the fund.

4 Permitted clients

(1) The investment fund manager registration requirement does not apply to a person or company acting as an investment fund manager of one or more investment funds if all securities of the investment funds distributed in the local jurisdiction were distributed under an exemption from the prospectus requirement to a permitted client.

(2) The exemption in subsection (1) is not available unless all of the following apply:

(a) the investment fund manager does not have its head office or its principal place of business in Canada;

(b) the investment fund manager is incorporated, formed or created under the laws of a foreign jurisdiction;

(c) none of the investment funds is a reporting issuer in any jurisdiction of Canada;

(d) the investment fund manager has submitted to the securities regulatory authority in the local jurisdiction a completed Form 32-102F1 *Submission to Jurisdiction and Appointment of Agent for Service for International Investment Fund Manager*;

(e) the investment fund manager has notified the permitted client in writing of all of the following:

(i) the investment fund manager is not registered in the local jurisdiction to act as an investment fund manager;

(ii) the foreign jurisdiction in which the head office or principal place of business of the investment fund manager is located;

(iii) all or substantially all of the assets of the investment fund manager may be situated outside of Canada;

(iv) there may be difficulty enforcing legal rights against the investment fund manager because of the above;

(v) the name and address of the agent for service of process of the investment fund manager in the local jurisdiction.

(3) A person or company that relied on the exemption in subsection (1) during the 12 month period preceding December 1 of a year must notify the securities regulatory authority in the local jurisdiction, by December 1 of that year, of the following:

(a) the fact that it relied upon the exemption in subsection (1);

(b) for all investment funds for which it acts as an investment fund manager, the total assets under management expressed in Canadian dollars, attributable to securities beneficially owned by residents of the local jurisdiction as at the most recently completed month.

(4) A person or company relying on the exemption in subsection (1) must file with the securities regulatory authority in the local jurisdiction, a completed Form 32-102F2 *Notice of Regulatory Action* within 10 days of the date on which that person or company began relying on that exemption.

(5) A person or company must notify the securities regulatory authority in the local jurisdiction, of any change to the information previously submitted in Form 32-102F2 *Notice of Regulatory Action* under subsection (4) within 10 days of the change.

PART 3 – NOTICE TO INVESTORS BY INTERNATIONAL INVESTMENT FUND MANAGERS

5 Contents of the notice

A registered investment fund manager whose head office or principal place of business is not located in Canada must provide or cause to be provided, to security holders with an address of record in the local jurisdiction on the records of each investment fund in respect of which the investment fund manager acts as an investment fund manager, a statement in writing disclosing the following:

(a) the investment fund manager is not resident in the local jurisdiction;

(b) the foreign jurisdiction in which the head office or the principal place of business of the investment fund manager is located;

(c) all or substantially all of the assets of the investment fund manager may be situated outside of Canada;

(d) there may be difficulty enforcing legal rights against the investment fund manager because of the above;

(e) the name and address of the agent for service of process of the investment fund manager in the local jurisdiction.

PART 4 – GRANTING AN EXEMPTION

6 Who can grant an exemption

(1) The regulator, except in Québec, 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.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(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 jurisdiction.

PART 5 – WHEN THIS INSTRUMENT COMES INTO FORCE

7 Effective date

(1) Except as set out in subsection (2), this Instrument comes into force on September 28, 2012.

(2) Section 5 comes into force on March 31, 2013

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FORM 32-102F1
SUBMISSION TO JURISDICTION AND APPOINTMENT OF AGENT FOR SERVICE FOR INTERNATIONAL INVESTMENT FUND MANAGER
(Section 4 [permitted clients])

1. Name of person or company ("International Firm"):

2. If the International Firm was previously assigned an NRD number as a registered investment fund manager or an unregistered exempt international firm, provide the NRD number of the firm.

3. Jurisdiction of incorporation of the International Firm:

4. Address of head office or principal place of business of the International Firm:

5. The name, e-mail address, phone number and fax number of the International Firm's chief compliance officer.

Name:
E-mail address:
Phone:
Fax:

6. Name of agent for service of process (the "Agent for Service"):

7. Address for service of process on the Agent for Service:

8. 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 defence in any such proceeding any alleged lack of jurisdiction to bring such Proceeding.

9. 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.

10. Until 6 years after the International Firm ceases to rely on section 4 [*permitted clients*], the International Firm must submit to the securities regulatory authority

a. a new *Submission to Jurisdiction and Appointment of Agent for Service for International Investment Fund Manager* in this form no later than the 30th day before the date this Submission to Jurisdiction and Appointment of Agent for Service for *International Investment Fund Manager* is terminated; and

b. an amended *Submission to Jurisdiction and Appointment of Agent for Service for International Investment Fund Manager* no later than the 30th day before any change in the name or above address of the Agent for Service.

11. This Submission to *Jurisdiction and Appointment of Agent for Service for International Investment Fund Manager* 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 for International Investment Fund Manager*.

Dated: _____

_____
(Signature of Agent for Service or authorized signatory)

_____
(Name and Title of authorized signatory)

FORM 32-102F2
NOTICE OF REGULATORY ACTION
(Section 4 [permitted clients])

Definitions

Parent -- a person or company that directly or indirectly has significant control of another person or company.

Significant control -- a person or company has significant control of another person or company if the person or company:

- directly or indirectly holds voting securities representing more than 20 per cent of the outstanding voting rights attached to all outstanding voting securities of the other person or company, or
- directly or indirectly is able to elect or appoint a majority of the directors (or individuals performing similar functions or occupying similar positions) of the other person or company.

Specified affiliate -- a person or company that is a parent of a firm, a specified subsidiary of a firm, or a specified subsidiary of a firm's parent.

Specified subsidiary -- a person or company of which another person or company has significant control.

All of the questions below apply to any jurisdiction and any foreign jurisdiction. The information must be provided in respect of the last 7 years.

1. Has the firm, or any predecessors or specified affiliates of the firm entered into a settlement agreement with any financial services regulator, securities or derivatives exchange, self-regulatory organization (SRO) or similar agreement with any financial services regulator, securities or derivatives exchange, SRO or similar organization?

Yes _____ No _____

If yes, provide the following information for each settlement agreement:

Name of entity
Regulator/organization
Date of settlement (yyyy/mm/dd)
Details of settlement
Jurisdiction

2. Has any financial services regulator, securities or derivatives exchange, SRO or similar organization:

	Yes	**No**
(a) Determined that the firm, or any predecessors or specified affiliates of the firm violated any securities regulations or any rules of a securities or derivatives exchange, SRO or similar organization?		
(b) Determined that the firm, or any predecessors or specified affiliates of the firm made a false statement or omission?		
(c) Issued a warning or requested an undertaking by the firm, or any predecessors or specified affiliates of the firm?		
(d) Suspended or terminated any registration, licensing or membership of the firm, or any predecessors or specified affiliates of the firm?		
(e) Imposed terms or conditions on any registration or membership of the firm, or predecessors or specified affiliates of the firm?		
(f) Conducted a proceeding or investigation involving the firm, or any predecessors or specified affiliates of the firm?		
g) Issued an order (other than an exemption order) or a sanction to the firm, or any predecessors or specified affiliates of the firm for securities or derivatives-related activity (e.g. cease trade order)?		

If yes, provide the following information for each action:

Name of Entity
Type of Action
Regulator/organization

Date of action (yyyy/mm/dd)
Reason for action
Jurisdiction

3. Is the firm aware of any ongoing investigation of which the firm or any of its specified affiliates is the subject?

Yes _____ No _____

If yes, provide the following information for each investigation:

Name of entity
Reason or purpose of investigation
Regulator/organization
Date investigation commenced (yyyy/mm/dd)
Jurisdiction
Name of firm
Name of firm's authorized signing officer or partner
Title of firm's authorized signing officer or partner
Signature
Date (yyyy/mm/dd)

Witness

The witness must be a lawyer, notary public or commissioner of oaths.

Name of witness
Title of witness
Signature
Date (yyyy/mm/dd)

COMPANION POLICY 32-102CP
REGISTRATION EXEMPTIONS FOR NON-RESIDENT INVESTMENT FUND MANAGERS

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COMPANION POLICY 32-102CP
REGISTRATION EXEMPTIONS FOR NON-RESIDENT INVESTMENT FUND MANAGERS

PART 1 – FUNDAMENTAL CONCEPTS

Introduction

Purpose of this Companion Policy

This Companion Policy sets out how the Ontario Securities Commission, the Autorité des marchés financiers and the Financial Services Regulation Division, Service NL, Government of Newfoundland and Labrador (collectively, we) interpret or apply the provisions of Multilateral Instrument 32-102 *Registration Exemptions for Non-Resident Investment Managers* (MI 32-102) and related securities legislation.

MI 32-102 applies in Ontario, Québec and Newfoundland and Labrador.

Appendix A contains a chart illustrating the requirement to register as an investment fund manager for those investment fund managers who are non-residents, as well as the availability of the exemptions provided in MI 32-102.

Numbering system

Except for Part 1, the numbering of Parts and sections in this Companion Policy correspond to the numbering in MI 32-102. Any general guidance for a Part appears immediately after the name of the Part. Any specific guidance on sections in MI 32-102 follows any general guidance. If there is no guidance for a Part or section, the numbering in this Companion Policy will skip to the next provision that does have guidance.

All references in this Companion Policy to sections and Parts are to MI 32-102, unless otherwise noted.

Definitions

Unless defined in MI 32-102, terms used in MI 32-102 and in this Companion Policy have the meaning given to them in the securities legislation of each jurisdiction or in National Instrument 14-101 *Definitions*.

In this Companion Policy "regulator" means the regulator or securities regulatory authority in a jurisdiction.

This guidance applies to investment fund managers

- that do not have their head office or their principal place of business in a jurisdiction of Canada (international investment fund managers); and
- that are domestic investment fund managers which do not have a place of business in the local jurisdiction (domestic non-resident investment fund managers).

We refer to international and domestic non-resident investment fund managers, collectively, as non-resident investment fund managers.

Requirement to register as an investment fund manager

An investment fund manager is required to register if it directs or manages the business, operations or affairs of one or more investment funds. Some of the functions and activities that an investment fund manager directs, manages or performs include:

- establishing a distribution channel for the fund
- marketing the fund
- establishing and overseeing the fund's compliance and risk management programs
- overseeing the day-to-day administration of the fund
- retaining and liaising with the portfolio manager, the custodian, the dealers and other service providers of the fund
- overseeing advisers' compliance with investment objectives and overall performance of the fund
- preparing the fund's prospectus or other offering documents
- preparing and delivering security holder reports
- identifying, addressing and disclosing conflicts of interest
- calculating the net asset value (NAV) of the fund and the NAV per share or unit
- calculating, confirming and arranging payment of subscriptions and redemptions, and arranging for the payment of dividends or other distributions, if required

Where to register as an investment fund manager

(a) Investment fund managers with a place of business in the local jurisdiction

An investment fund manager is required to register in the local jurisdiction if it directs or manages the business, operations or affairs of one or more investment funds from a place of business in that jurisdiction.

(b) Non-resident investment fund managers

Triggering registration in the case of non-resident investment fund managers in a local jurisdiction depends on whether

(i) the person or company acts as an investment fund manager; and

(ii) that manager is managing one or more investment funds that distribute or have distributed securities to residents of the local jurisdiction

To the extent the person or company is acting as an investment fund manager, the next question is whether the non-resident investment fund manager is managing

one or more investment funds that have distributed securities to residents in the local jurisdiction.

If one or more of the investment funds managed by the investment fund manager have security holders in the local jurisdiction, this gives rise to investment fund management activities in such jurisdiction, including activities reflecting the relationship between the fund, the investment fund manager (who is responsible for directing those activities), and the security holders. Such activities include the delivery of financial statements and other periodic reporting, calculating net asset values and fulfilling redemption and dividend payment obligations.

Whether or not the distribution process is continuous, by way of a prospectus or under a prospectus exemption, is not relevant to this connecting factor, since the investment fund is an issuer over which the regulator in the local jurisdiction has authority. The actual distribution of the investment fund's securities is subject to dealer registration and prospectus requirements.

It is the fact that there has been a distribution to holders in the local jurisdiction, and not how the distribution was carried out, that connects the non-resident investment fund manager to the jurisdiction in the regulatory perspective of investor protection. Investors in investment funds managed by non-resident investment fund managers face the same risks as those who invest in local investment funds.

PART 2 – EXEMPTIONS FROM INVESTMENT FUND MANAGER REGISTRATION

3. No security holders or active solicitation

General

Generally, a non-resident investment fund manager will not be required to register if:

- the investment fund no longer has security holders in the local jurisdiction, notwithstanding a distribution of securities in the past;
- the investment fund has security holders in the local jurisdiction but has not actively solicited residents in the local jurisdiction after the coming into the force of MI 32-102;
- the security holders are permitted clients.

Conditions of the exemption

An investment fund manager that does not have a place of business in the local jurisdiction is exempt from the investment fund manager registration requirement if there are no security holders of any of the investment funds managed by it who are resident in that jurisdiction or there is no active solicitation by the investment fund manager or any of the investment funds in that jurisdiction.

Active solicitation

One of the conditions of this exemption is that the investment fund manager and the investment funds it manages have not, after September 27, 2012, actively solicited the purchase of the funds' securities by residents in the local jurisdiction. Active solicitation refers to intentional actions taken by the investment fund or the investment fund manager to encourage a purchase of the fund's securities, such as pro-active, targeted actions or communications that are initiated by an investment fund manager for the purpose of soliciting an investment.

Actions that are undertaken by an investment fund manager at the request of, or in response to, an existing or prospective investor who initiates contact with the investment fund manager would not constitute active solicitation.

Examples of active solicitation include:

- direct communication with residents of the local jurisdiction to encourage their purchases of the investment fund's securities
- advertising in Canadian or international publications or media (including the Internet), if the advertising is intended to encourage the purchase of the investment fund's securities by residents of the local jurisdiction (either directly from the fund or in the secondary/resale market)
- purchase recommendations being made by a third party to residents of the local jurisdiction, if that party is entitled to be compensated by the investment fund or the investment fund manager, for the recommendation itself, or for a subsequent purchase of fund securities by residents of the local jurisdiction in response to the recommendation.

Active solicitation would not include:

- advertising in Canadian or international publications or media (including the Internet) only to promote the image or general perception of an investment fund
- responding to unsolicited enquiries from prospective investors in the local jurisdiction
- the solicitation of a prospective investor that is only temporarily in the local jurisdiction, such as in the case where a resident from another jurisdiction is vacationing in the local jurisdiction.

4. Permitted clients

An investment fund manager that does not have its head office or its principal place of business in Canada is exempt from the investment fund manager registration requirement if it only distributes the securities of its investment funds in the local jurisdiction to permitted clients and certain other conditions set out in subsection 4(2) are satisfied.

If an investment fund manager is relying on the exemption, it must provide an initial notice by filing a Form 32-102F1 *Submission to Jurisdiction and Appointment of Agent for Service for International Investment Fund Manager* (Form 32-102F1) with the regulator in the local jurisdiction. If there is any change to the information in the investment fund manager's Form 32-102F1, the investment fund manager must update it

by filing a replacement Form 32-102F1 with the regulator in the local jurisdiction. So long as the investment fund manager continues to rely on the exemption, it must file an annual notice with the regulator in the local jurisdiction. Subsection 4(3) does not prescribe a form of annual notice. An e-mail or letter will therefore be acceptable.

Appendix A – Chart illustrating the non-resident investment fund manager registration requirement and the availability of exemptions

The following chart illustrates the requirement to register as an investment fund manager for those investment fund managers who are non-residents, as well as the availability of the exemptions provided in MI 32-102.

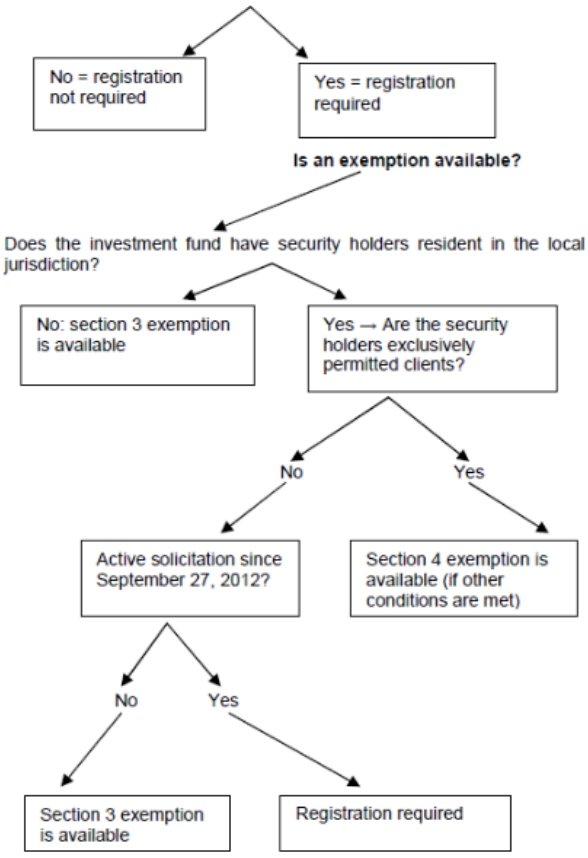
Is the person acting as an investment fund manager?

To respond, consider the following functions and activities

- establishing a distribution channel for the fund
- marketing the fund
- establishing and overseeing the fund's compliance and risk management programs
- overseeing the day-to-day administration of the fund
- retaining and liaising with the portfolio manager, the custodian, the dealers and other service providers of the fund
- overseeing advisers' compliance with investment objectives and overall performance of the fund
- preparing the fund's prospectus or other offering documents
- preparing and delivering security holder reports
- identifying, addressing and disclosing conflicts of interest
- calculating the net asset value (NAV) of the fund and the NAV per share or unit
- calculating, confirming and arranging payment of subscriptions and redemptions, and arranging for the payment of dividends or other distributions, if required

If not an investment fund manager = registration is not required

If an investment fund manager, has the fund distributed securities in the local jurisdiction?



National Instrument 33-109
Registration Information

NATIONAL INSTRUMENT 33-109
REGISTRATION INFORMATION

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NATIONAL INSTRUMENT 33-109
REGISTRATION INFORMATION

PART 1 - DEFINITIONS AND INTERPRETATION

1.1 Definitions

"business location" means a location where the firm carries out an activity that requires registration, and includes a residence if regular and ongoing activity that requires registration is carried out from the residence or if records relating to an activity that requires registration are kept at the residence;

"cessation date" means the last day on which an individual had authority to act as a registered individual on behalf of their sponsoring firm or was a permitted individual of their sponsoring firm;

"firm" means a person or company that is registered, or is seeking registration, as a dealer, adviser or investment fund manager;

"Form 33-109F1" means Form 33-109F1 *Notice of End of Individual Registration or Permitted Individual Status*;

"Form 33-109F2" means Form 33-109F2 *Change or Surrender of Individual Categories*;

"Form 33-109F3" means Form 33-109F3 *Business Locations other than Head Office*;

"Form 33-109F4" means Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals*;

"Form 33-109F5" means Form 33-109F5 *Change of Registration Information*;

"Form 33-109F6" means Form 33-109F6 *Firm Registration*;

"Form 33-109F7" means Form 33-109F7 *Reinstatement of Registered Individuals and Permitted Individuals*;

"former sponsoring firm" means the registered firm for which an individual most recently acted as a registered individual or permitted individual;

"NRD submission number" means the unique number generated by NRD to identify each NRD submission;

"permitted individual" means

(a) a director, chief executive officer, chief financial officer, or chief operating officer of a firm, or a functional equivalent of any of those positions, or

(b) an individual who has beneficial ownership of, or direct or indirect control or direction over, 10 percent or more of the voting securities of a firm, or

(c) a trustee, executor, administrator or other personal or legal representative, that has direct or indirect control or direction over, 10 percent or more of the voting securities of a firm;

"principal jurisdiction" means,

(a) for a firm whose head office is in Canada, the jurisdiction of Canada in which the firm's head office is located,

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

(c) for a firm whose head office is outside Canada, the jurisdiction of the firm's principal regulator, as identified by the firm on its most recently submitted Form 33-109F5 or Form 33-109F6, and

(d) for an individual whose working office is outside Canada, the principal jurisdiction of the individual's sponsoring firm;

"principal regulator" means, for a person or company, the securities regulatory authority or regulator of the person or company's principal jurisdiction;

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

"registered individual" means an individual who is registered under securities legislation to do any of the following on behalf of a registered firm:

(a) act as a dealer, underwriter or adviser;

(b) act as a chief compliance officer;

(c) act as an ultimate designated person;

"sponsoring firm" means,

(a) for a registered individual, the registered firm on whose behalf the individual acts,

(b) for an individual applying for registration, the firm on whose behalf the individual will act if the individual's application is approved,

(c) for a permitted individual of a registered firm, the registered firm, and

(d) for a permitted individual of a firm that is applying for registration, the applicant firm.

1.2 Interpretation

Terms used in this Instrument and that are defined in National Instrument 31-102 *National Registration Database* have the same meanings as in National Instrument 31-102 *National Registration Database*.

PART 2 - APPLICATION FOR REGISTRATION AND REVIEW OF PERMITTED INDIVIDUALS

2.1 Firm Registration A firm that applies for registration as a dealer, adviser or investment fund

manager must submit each of the following to the regulator:

(a) a completed Form 33-109F6;

(b) for each business location of the applicant in the local jurisdiction other than the applicant's head office, a completed Form 33-109F3 in accordance with National Instrument 31-102 *National Registration Database*.

2.2 Individual Registration

(1) Subject to subsection (2) and sections 2.4 and 2.6, an individual who applies for registration under securities legislation must submit a completed Form 33-109F4 to the regulator in accordance with National Instrument 31-102 *National Registration Database*.

(2) A permitted individual of a registered firm who applies to become a registered individual with the firm must submit a completed Form 33-109F2 to the regulator in accordance with National Instrument 31-102 *National Registration Database*.

2.3 Reinstatement

(1) An individual who applies for reinstatement of registration under securities legislation must submit a completed Form 33-109F4 to the regulator in accordance with National Instrument 31-102 *National Registration Database*, unless the individual submits a completed Form 33-109F7 in accordance with subsection (2).

(2) The registration of an individual suspended under section 6.1 [*If individual ceases to have authority to act for firm*] of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* is reinstated on the date the individual submits a completed Form 33-109F7 to the regulator in accordance with National Instrument 31-102 *National Registration Database* if all of the following apply:

(a) the Form 33-109F7 is submitted on or before the 90th day after the cessation date;

(b) in the case of the individual ceasing to be a registered individual or a permitted individual of a sponsoring firm, at the time of cessation there was no allegation against the individual, in Canada or in any foreign jurisdiction, relevant to an assessment of whether the individual is not suitable for registration or the registration is objectionable, including, for greater certainty, an allegation of any of the following:

(i) a crime;

(ii) a contravention of any statute, regulation or order of a court or regulatory body;(iii) a contravention of any rule or bylaw of an SRO, of a professional body or of a similar organization;

(iv) a failure to meet any standard of conduct of the sponsoring firm or of any professional body;

(b.1) on or before the cessation date, the individual notified, in accordance with section 4.1, the regulator or, in Québec, the securities regulatory authority of any change to the information previously submitted in the individual's Form 33-109F4;

(b.2) if the Form 33-109F7 is submitted on or after June 6, 2023, on the date Form 33-109F7 is submitted, the individual's information in the National Registration Database does not state "there is no response to this question" for any item of the individual's Form 33-109F4;

(c) after the cessation date there have been no changes to the information previously submitted in respect of any of the following items of the individual's Form 33-109F4:

(i) item 13 [*Regulatory disclosure*] (other than Item 13.3(a));

(ii) item 14 [*Criminal disclosure*];

(iii) item 5 [*Civil disclosure*];

(iv) item 16 [*Financial disclosure*];

(d) the individual is seeking reinstatement with a sponsoring firm in one or more of the same categories of registration in which the individual was registered on the cessation date;

(e) the new sponsoring firm is registered in the same category of registration in which the individual's former sponsoring firm was registered.

2.4 Application to Change or Surrender Individual Registration Categories A registered individual who applies for registration in an additional category, or to surrender a registration category, must make the application by submitting a completed Form 33-109F2 to the regulator in accordance with National Instrument 31-102 *National Registration Database*.

2.5 Permitted Individuals

(1) A permitted individual must submit a completed Form 33-109F4 to the regulator in accordance with National Instrument 31-102 *National Registration Database*, no more than 15 days after becoming a permitted individual, unless the individual submits a Form 33-109F7 in accordance with subsection (2).

(2) An individual who has ceased to be a permitted individual of a former sponsoring firm and

becomes a permitted individual of a new sponsoring firm may submit a completed Form 33-109F7 to the regulator if all of the following apply:

(a) the Form 33-109F7 is submitted in accordance with National Instrument 31-102 *National Registration Database*

(i) no more than 15 days after becoming a permitted individual of the new sponsoring firm, and

(ii) no more than 90 days after the cessation date;

(b) the individual holds the same permitted individual status with the new sponsoring firm that they held with the former sponsoring firm;

(c) the conditions in paragraphs 2.3(2)(b), (b.1), (b.2) and (c) are met.

2.6 Commodity Futures Act Registrants

(1) In Manitoba and Ontario, despite paragraph 2.1(b), if a firm applies for registration under section 2.1 and is registered under the *Commodity Futures Act*, the applicant is not required to submit a completed Form 33-109F3 under section 3.2 for any business location of the applicant that is recorded on NRD.

(2) In Manitoba and Ontario, despite subsection 2.2(1), if an individual applies for registration under securities legislation and is recorded on NRD with his or her sponsoring firm as registered under the *Commodity Futures Act*, the individual must make the application by submitting a completed Form 33-109F2 to the regulator in accordance with National Instrument 31-102 *National Registration Database*.

PART 3 - CHANGES TO REGISTERED FIRM INFORMATION

3.1 Notice of Change to a Firm's Information

(1) In this section, "authorized affiliate" means, in respect of a registered firm, another registered firm that

(a) is an affiliate of the registered firm, and

(b) has the same principal regulator as the registered firm.

(1.1) Subject to subsection (3) or (4), a registered firm must notify the regulator or, in Québec, the securities regulatory authority of a change to any information previously submitted in Form 33-109F6 or under this subsection as follows:

(a) for a change to information previously submitted in relation to any of the following parts or items of Form 33-109F6, within 30 days of the change:

(i) part 3 [*Business history and structure*];

(ii) item 4.1 [*Securities registration*];

(iii) item 5.12 [*Auditor*];

(iv) item 6.1 [*Client assets*];

(v) item 6.2 [*Conflicts of interest*];

(b) for a change to information previously submitted in relation to any other part of Form 33-109F6, within 15 days of the change.

(2) A notice of change referred to in subsection (1.1) must be made by submitting a completed Form 33-109F5.

(2.1) A registered firm may delegate to an authorized affiliate the duty to notify the regulator or, in Québec, the securities regulatory authority under subsection (1.1) of a change to information previously submitted if all of the following apply:

(a) the change in information relates only to one or more of the following items or parts of Form 33-109F6:

(i) item 3.12 [*Ownership chart*];

(ii) item 4.1 [*Securities registration*];

(iii) item 4.3 [*Membership of exchange or SRO*];

(iv) item 4.5 [*Refusal of registration, licensing or membership*];

(v) item 4.6 [*Registration for other financial products*];

(vi) part 7 [*Regulatory action*];

(vii) part 8 [*Legal action*];

(b) the registered firm has filed a certificate, executed by the officer or partner authorized to certify and sign Form 33-109F5, with the registered firm's principal regulator, that confirms all of the following:

(i) the registered firm has delegated to the authorized affiliate the duty to notify the regulator or, in Québec, the securities regulatory authority of a change to any information set out in paragraph (a),

(ii) the full legal name and NRD number of the registered firm and the authorized affiliate, and

(iii) that the following certification of the registered firm applies to each notice of change submitted by the authorized affiliate:

"I have read this form and understand all matters within this form, including the questions, and to the best of my knowledge and after reasonable inquiry, all of the information provided on this form is true and complete.";

(c) the registered firm directs the authorized affiliate to include the full legal name and NRD number of the registered firm and to state the following in each notice of change submitted by the authorized affiliate:

"The registered firm has delegated to the authorized affiliate the duty to notify the regulator or, in Québec, the securities regulatory authority of a change to any of the following items or parts of Form 33-109F6:

(i) item 3.12 [*Ownership chart*];

(ii) item 4.1 [*Securities registration*];

(iii) item 4.3 [*Membership of exchange or SRO*];

(iv) item 4.5 [*Refusal of registration, licensing or membership*];

(v) item 4.6 [*Registration for other financial products*];

(vi) part 7 [*Regulatory action*];

(vii) part 8 [*Legal action*]."

(3) A notice of change is not required under subsection (1.1) if the change relates to any of the following:

(b) a cessation, or a change, of a registered firm's employment, partnership or agency relationship with an officer, partner or director of the registered firm if the firm submits a completed Form 33-109F1 under subsection 4.2(1);

(e) a change in a person or company's ownership of the firm's voting securities referred to in item 3.12 of Form 33-109F6, if the change did not result in the person or company's percentage of ownership falling below or exceeding 10%, 20% or 50% of the firm's voting securities;

(f) a renewal of the bonding or insurance referred to in item 5.5 or in item 5.6 of Form 33-109F6, if the bonding or insurance has not lapsed and the only change is the expiry date of the bonding or insurance policy to a new date that is at least one year from the previous expiry date.

(4) A person or company that submitted an executed Schedule B [*Submission to jurisdiction and appointment of agent for service*] to Form 33-109F6 must notify the regulator of a change to the information previously submitted in item 3 [*Name of agent for service of process*] or in item 4 [*Address for service of process on the agent for service*] of that schedule by submitting an executed Schedule B no more than 15 days after the change;

(5) Subsection (4) does not apply to a person or company after they have ceased to be registered for a period of 6 years or more.

(6) For the purpose of subsections (2) and (4), the person or company may give the notice by submitting it to the principal regulator.

3.2 Changes to Business Locations

A registered firm must notify the regulator of the opening of a business location, other than a new head office, or of a change to any information previously submitted in Form 33-109F3, by submitting a completed Form 33-109F3 to the regulator in accordance with National Instrument 31-102 *National Registration Database*, within 15 days of the opening of the business location or change.

PART 4 - CHANGES TO REGISTERED INDIVIDUAL AND PERMITTED INDIVIDUAL INFORMATION

4.1 Notice of Change to an Individual's Information

(1) Subject to subsection (2), a registered individual or permitted individual must notify the regulator or, in Québec, the securities regulatory authority of a change to any information previously submitted in respect of the individual's Form 33-109F4 as follows:

(a) for a change to information previously submitted in any of the following items, within 30 days of the change:

(i) item 2.1 [*Current and previous residential addresses*];

(ii) item 2.2 [*Mailing address*];

(iii) item 4 [*Citizenship*];

(iv) item 10 [*Reportable activities*];

(v) item 11 [*Previous employment and other activities*];

(b) for a change to information previously submitted in any other items of Form 33-109F4, within 15 days of the change.

(2) A notice of change is not required under subsection (1) if the change only relates to any of the following:

(a) information previously submitted in item 3 [*Personal information*] of Form 33-109F4;

(b) the individual ceasing to have authority to act on behalf of the sponsoring firm as a registered individual or be a permitted individual of the sponsoring firm if a Form 33-109F1 is required to be submitted by the sponsoring firm under subsection 4.2(1).

(3) A notice of change under subsection (1) must be made by submitting a completed Form 33-109F5 to the regulator in accordance with

National Instrument 31-102 *National Registration Database*.

(4) Despite subsection (3), a notice of change referred to in subsection (1) must be made by submitting a completed Form 33-109F2 to the regulator in accordance with National Instrument 31-102 *National Registration Database* if the change relates to

(a) a change in a category of permitted activities of a permitted individual;

(b) the removal or the addition of a category of registration;

(c) the surrender of registration in one or more non-principal jurisdictions;

(d) any information on Schedule C of Form 33-109F4.

4.2 Termination of Employment, Partnership or Agency Relationship

(1) A registered firm must notify the regulator or, in Québec, the securities regulatory authority if an individual ceases to have authority to act on behalf of the registered firm as a registered individual or be a permitted individual of the registered firm by submitting Form 33-109F1 to the regulator or, in Québec, the securities regulatory authority in accordance with National Instrument 31-102 *National Registration Database* with

(a) items 1 to 4 of the Form completed, and

(b) item 5 of the Form completed unless the reason for cessation under item 4 was death of the individual.

(2) A registered firm must submit to the regulator the information required under

(a) paragraph (1)(a), within 15 days of the cessation date, and

(b) paragraph (1)(b), within 30 days of the cessation date.

(3) A registered firm must, within 15 days of a request from an individual for whom the registered firm was the former sponsoring firm, provide to the individual a copy of the Form 33-109F1 that the registered firm submitted under subsection (1) in respect of that individual.

(4) If a registered firm completed and submitted the information in item 5 of a Form 33-109F1 in respect of an individual who made a request under subsection (3) and that information was not included in the initial copy provided to the individual, the registered firm must provide to that individual a further copy of the completed Form 33-109F1, including the information in item 5, within the later of

(a) 15 days after the request by the individual under subsection (3), and

(b) 15 days after the submission pursuant to paragraph (2)(b).

4.3 Updating NRD

A registered individual or permitted individual must submit in accordance with National Instrument 31-102 *National Registration Database* to the regulator or, in Québec, the securities regulatory authority, a completed Form 33-109F5 for any item of the individual's Form 33-109F4 in the National Registration Database that states "there is no response to this question" by the earlier of

(a) the date the individual is required to notify the regulator or, in Québec, the securities regulatory authority under subsection 4.1(1) of the first change after June 6, 2022 to any information previously submitted in respect of the individual's Form 33-109F4, and

(b) June 6, 2023.

PART 5 - DUE DILIGENCE AND RECORD-KEEPING

5.1 Sponsoring Firm Obligations

(1) A sponsoring firm must make reasonable efforts to ensure the truth and completeness of information that is submitted in accordance with this Instrument for any individual.

(2) A sponsoring firm must obtain from each individual who is registered to act on behalf of the firm, or who is a permitted individual of the firm, a copy of the Form 33-109F1 most recently submitted by the individual's former sponsoring firm in respect of that individual, if any, within 60 days of the firm becoming the individual's sponsoring firm.

(3) A sponsoring firm must retain all documents used by the firm to satisfy its obligation under subsection (1),

(a) in the case of a registered individual, for no less than 7 years after the individual ceases to be registered to act on behalf of the firm,

(b) in the case of an individual who applied for registration but whose registration was refused by the regulator, for no less than 7 years after the individual applied for registration, or

(c) in the case of a permitted individual, for no less than 7 years after the individual ceases to be a permitted individual with the firm.

(4) Without limiting subsection (3), if a registered individual, an individual applying for registration, or a permitted individual appoints an agent for service, the sponsoring firm must keep the original Appointment of Agent for Service executed by the individual for the period of time set out in paragraph (3)(b).

(5) A sponsoring firm that retains a document under subsection (3) or (4) for an NRD submission

must record the NRD submission number on the first page of the document.

PART 6 - [*Lapsed*]

PART 7 - EXEMPTION

7.1 Exemption

(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.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(3) Except in Alberta and 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 8 - EFFECTIVE DATE

8.1 Repeal - [*Lapsed*]

8.2 Effective Date - This Instrument comes into force on the day National Instrument 31-103 *Registration Requirements and Exemptions* comes into force.

FORM 33-109F1
NOTICE OF END OF INDIVIDUAL REGISTRATION OR PERMITTED INDIVIDUAL STATUS
(Section 4.2)

WARNING – It is an offence to knowingly give false or misleading information to the regulator or the securities regulatory authority.

CERTIFICATION

I, on behalf of the firm, certify to the regulator or, in Québec, the securities regulatory authority in each jurisdiction where the firm is submitting this form and to any applicable self-regulatory authority (SRO) that

- I have read this form and understand all matters within this form, including the questions, and
- to the best of my knowledge and after reasonable inquiry, all of the information provided on this form is true and complete.

NRD format:

☐ I, the authorized firm representative, am making this submission under authority delegated by the firm. By checking this box, I certify that the firm

(a) provided me with all of the information on this form, and

(b) makes the certification above.

Non-NRD format:

By signing below, I, on behalf of the firm, make the certification above.

Name of firm _____

Name of authorized signing officer or partner _____

Title of authorized signing officer or partner _____

Signature of authorized signing officer or partner _____

Date signed _____
(YYYY/MM/DD)

General Instructions

Complete and submit this form to notify the relevant regulator(s) or, in Québec, the securities regulatory authority, or self-regulatory organization (SRO) that a registered individual or permitted individual has left their sponsoring firm or has ceased to act in a registerable capacity or as a permitted individual.

As set out in section 1.1 of National Instrument 33-109 Registration Information, “cessation date” means the last day on which an individual had authority to act as a registered individual on behalf of their sponsoring firm or the last day on which an individual was a permitted individual of their sponsoring firm.

How to submit the form

Submit this form at the National Registration Database (NRD) website in NRD format at www.nrd.ca.

If you are relying on the temporary hardship exemption in section 5.1 of National Instrument 31 102 National Registration Database, you may submit this form in a format other than NRD format.

When to submit the form

As set out in paragraph 4.2(2)(a) of National Instrument 33-109 *Registration Information*, you must submit the responses to Items 1, 2, 3 and 4 within 15 days of the cessation date.

If you are required to complete Item 5, you must submit those responses within 30 days of the cessation date. If you are submitting the responses to Item 5 in NRD format, after Items 1 to 4 have been submitted at NRD, use the NRD submission type called “Update/Correct Cessation Information” to complete Item 5 of this form.

Item 1 Former sponsoring firm

1. Name _____

2. NRD number _____

Item 2 Individual

1. Name _____

2. NRD number _____

Item 3 Business location of the individual

1. Business location address _____

2. NRD number _____

Item 4 Date and reason for cessation

1. Cessation date _____
(YYYY/MM/DD)

The above date is the last day on which the individual had authority to act as a registered individual on behalf of the sponsoring firm, or the last day on which the individual was a permitted individual of the sponsoring firm.

2. Reason for cessation (check one):

Resigned – voluntary	☐
Resigned – at the firm's request	☐
Terminated in good standing	☐
Terminated for cause	☐
Completed temporary employment contract	☐
Retired	☐
Deceased	☐
Other	☐

If "Other", explain:

_____

Item 5 Details about the cessation

Complete Item 5 except if the individual is deceased. In the space below

- state the reason(s) for the cessation and
- provide details if the answer to any of the following questions is "Yes".

[***For NRD format only:***]

☐ This information will be disclosed within 30 days of the cessation date

☐ Not applicable: individual is deceased

Answer the following questions to the best of the firm's knowledge.

In the past 12 months:

		Yes	**No**
1.	Was the individual charged with any criminal offence?	☐	☐
2.	Was the individual the subject of any investigation by any securities or financial industry regulator?	☐	☐
3.	Was the individual subject to any significant internal disciplinary measures at the firm or at any affiliate of the firm related to the individual's activity as a registrant?	☐	☐
4.	Were there any written complaints, civil claims and/or arbitration notices filed against the individual or against the firm about the individual's securities-related activities that occurred while the individual was registered or a permitted individual authorized to act on behalf of the firm?	☐	☐
5.	Does the individual have any undischarged financial obligations to clients of the firm?	☐	☐
6.	Has the firm or any affiliate of the firm suffered significant monetary loss or harm to its reputation as a result of the individual's actions?	☐	☐

7.	Did the firm or any affiliate of the firm investigate the individual relating to possible material violations of fiduciary duties, regulatory requirements or the compliance policies and procedures of the firm or any affiliate of the firm? Examples include making unsuitable trades or investment recommendations, stealing or borrowing client money or securities, hiding losses from clients, forging client signatures, money laundering, deliberately making false representations and engaging in undisclosed outside activity.	☐	☐
8.	Did the individual repeatedly or materially fail to follow compliance policies and procedures of the firm or any affiliate of the firm?	☐	☐
9.	Did the individual engage in discretionary management of client accounts or otherwise engage in registerable activity without appropriate registration or without the firm's authorization?	☐	☐

Reasons/Details: _____

Item 6 **[*repealed*]**

Item 7 **[repealed]**

Item 8 **[*repealed*]**

Schedule A

[*repealed*]

FORM 33-109F2
CHANGE OR SURRENDER OF INDIVIDUAL CATEGORIES
(Sections 2.2(2), 2.4, 2.6(2) or 4.1(4))

WARNING – It is an offence to knowingly give false or misleading information to the regulator or the securities regulatory authority.

CERTIFICATION

Individual

I, the individual, certify to the regulator or, in Québec, the securities regulatory authority in each jurisdiction where I am submitting this form and to any applicable self-regulatory organization (SRO) that

- I have read this form and understand all matters within this form, including the questions,
- I have discussed this form with a branch manager, supervisor, officer or partner of my sponsoring firm and that to the best of my knowledge, the branch manager, supervisor, officer or partner is satisfied that I understand all matters within this form, including the questions,
- to the best of my knowledge and after reasonable inquiry, all of the information provided on this form is true and complete, and
- if applicable, I will limit my activities to those allowed by my category of registration and any SRO approval. I consent to and authorize the collection, directly and indirectly, of personal information by each regulator, securities regulatory authority and SRO and to the use of my personal information as set out in item 6.

Firm

I, on behalf of the firm, certify to the regulator or, in Québec, the securities regulatory authority in each jurisdiction where the firm is submitting this form and to any applicable SRO that

- the individual identified in this form will be engaged by the sponsoring firm as a registered individual or a permitted individual, and
- I have, or a branch manager, supervisor, officer or partner has, discussed this form with the individual. To the best of my knowledge, the individual understands all matters within this form, including the questions.

NRD format:

☐ I, the authorized firm representative, am making this submission under authority delegated by the firm and the individual identified in this form. By checking this box, I certify that

(a) the firm provided me with all of the information on this form and makes the firm certification above,

(b) the individual provided the firm with all of the information on this form and makes the individual certification above, and

(c) the individual provided the above consent and authorization for the collection and use of the individual's personal information.

Non-NRD format:

Individual

By signing below, I, the individual, make the above individual certification and provide my consent and authorization for the collection, directly and indirectly, and use of my personal information.

Signature of individual _____

Date signed _____
(YYYY/MM/DD)

Firm

By signing below, I, on behalf of the firm, make the firm certification above.

Name of firm _____

Name of authorized signing officer or partner _____

Title of authorized signing officer or partner _____

Signature of authorized signing officer or partner _____

Date signed _____
(YYYY/MM/DD)

General Instructions

Complete and submit this form to notify the relevant regulator(s) or, in Québec, the securities regulatory authority, or self-regulatory organization (SRO) that a registered individual or permitted individual seeks to add and/or remove individual registration categories or permitted activities or provide notice of other changes to the information on Schedule C of Form 33-109F4.

Terms

In this form, "you", "your" and "individual" mean the registered individual or permitted individual who is seeking to add and/or remove registration categories or permitted activities.

How to submit this form

Submit this form at the National Registration Database (NRD) website in NRD format at www.nrd.ca.

If you are relying on the temporary hardship exemption in section 5.1 of National Instrument 31-102 *National Registration Database*, you may submit this form in a format other than NRD format.

Item 1 Individual

Name of individual _____

NRD number of individual _____

Item 2 Registration jurisdictions

1. Are you filing this form under the passport system / interface for registration?

Choose "No" if you are registered in:

(a) only one jurisdiction of Canada

(b) more than one jurisdiction of Canada and you are requesting a surrender in a non principal jurisdiction or jurisdictions, but not in your principal jurisdiction, or

(c) more than one jurisdiction of Canada and you are requesting a change only in your principal jurisdiction

Yes ☐ No ☐

2. Check each jurisdiction where you are seeking the change or surrender.

☐ Alberta

☐ British Columbia

☐ Manitoba

☐ New Brunswick

☐ Newfoundland and Labrador

☐ Northwest Territories

☐ Nova Scotia

☐ Nunavut

☐ Ontario

☐ Prince Edward Island

☐ Québec

☐ Saskatchewan

☐ Yukon

Item 3 Removing categories

What categories are you seeking to remove?

_____

Item 4 Adding categories

1. Categories

What categories are you seeking to add?

_____

2. Professional liability insurance (Québec mutual fund dealers and Québec scholarship plan dealers)

If you are seeking registration as a representative of a mutual fund dealer or of a scholarship plan dealer in Québec, are you covered by your sponsoring firm's professional liability insurance?

Yes ☐ No ☐

If "No", state:

The name of your insurer _____

Your policy number _____

3. Relevant securities experience

Do you have securities experience?

Yes ☐ No ☐ N/A ☐

If you are an individual applying for IIROC approval, select "N/A".

If "Yes", complete Schedule A.

Item 5 Reason for surrender

If you are seeking to remove a registration category or permitted activity, state the reason for the surrender in the local jurisdiction.

Item 6 Notice and consent for collection and use of personal information

1. Notice of collection and use of personal information

Your personal information is collected by, or on behalf of, each securities regulatory authority and SRO set out in Schedule B. Any of the securities regulatory authorities or SROs set out in Schedule B may contact governmental or regulatory authorities, private bodies or agencies, individuals, corporations, employers, and other organizations, in Canada and in other countries, for information about you.

This personal information is being collected under the authority of the applicable securities legislation, derivatives legislation (including commodity futures legislation) or both of the securities regulatory authorities and under the SRO rules of an SRO set out in Schedule B. The collection, use and disclosure are done in accordance with applicable freedom of information and privacy legislation.

The principal purpose of this collection by the securities regulatory authorities is to administer, enforce, carry out their duties or exercise their powers under their respective securities legislation, derivatives legislation (including commodity futures legislation) or both, and by the SROs to administer and enforce the rules of the SROs.

The information submitted by you on this form with your consent, or collected indirectly with your authorization, may be collected

- at any time during your registration or while you are a permitted individual, or
- at the time the regulator or, in Québec, the securities regulatory authority, or the SRO is informed by your sponsoring firm that you no longer have authority to act on behalf of the sponsoring firm or are not a permitted individual of the sponsoring firm.

If you have any questions about the collection, use and disclosure of this information, contact the securities regulatory authority or SRO in any jurisdiction in which the required information is submitted. See Schedule B for details.

Certain information, such as your name(s) (including aliases, trade names or some past names), your sponsoring firm, and other relevant registration information, will be listed in a publicly available registry of registered individuals and, if applicable, on the Disciplined List.

Certain securities regulatory authorities may provide to or receive from certain entities information under separate provisions of their securities legislation or derivatives legislation (including commodity futures legislation) or both, and SROs may provide or receive information under the rules of the SROs. This consent and notice does not limit the authority, powers, obligations, or rights conferred on any of the securities regulatory authorities by legislation or regulations in effect in their jurisdiction.

2. Consent to collect and use personal information

By submitting this form, you consent to and authorize the collection, directly and indirectly, of personal information by each securities regulatory authority and SRO and to the use of your personal information as set out above.

The personal information that each securities regulatory authority or SRO collects includes the following:

- the personal information provided in this form;
- the personal information provided by your sponsoring firm;
- registration or financial services licensing information;
- law enforcement records, including police records;
- credit records;
- bankruptcy or other insolvency records;
- employment records and information received from an employer;
- records and information received from entities you had or have an independent contractor or agency relationship with;
- personal information available online;
- records from governmental or regulatory authorities, SROs or professional bodies;
- records of, and used in, court proceedings, including probation records.

Item 7 [*repealed*]

Item 8 [*repealed*]

Schedule A

Relevant securities experience (Item 4)

Instructions

- *Some registration categories require a specified amount of experience to have been obtained within specified timeframes. Please see National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations or the relevant SRO rules for more information.*
- *If you are applying to be an advising representative or an associate advising representative, or with IIROC as a portfolio manager, associate portfolio manager, or supervisor designated to be responsible for the supervision of managed accounts, provide details of the activities you performed for each position in which you gained relevant investment management experience. Such details may include the level of responsibility; value of accounts under direct supervision; number of years of experience in performing securities research and analysis for the purpose of portfolio securities selection, portfolio construction and analysis; type of experience in performing client relationship management; number of years of experience collecting know-your-client information; or number of years of experience conducting suitability assessments.*
- *If you are applying as an advising representative limited to client relationship management, indicate this by including the following statement: "Individual seeking registration as CRM AR".*
- *For all other categories, provide details of activities that you performed for each position in which you gained relevant securities industry experience.*

1. If you are applying

- to be an advising representative or an associate advising representative of a portfolio manager, describe the relevant investment management experience that you have gained, or
- for any other category, describe the relevant securities industry experience that you have gained.

For each position in which you gained relevant experience, provide the following information:

(a) the name of the firm or entity with which you gained this experience;

(b) your title;

(c) the start and end dates of this position;

(d) the details of the activities you performed that are relevant for the category of registration that you are applying for;

(e) the percentage of your time in this position that was spent on activities relating to the experience.

_____

_____

_____

2. Indicate the continuing education activities in which you have participated during the last 36 months and that are relevant to the category of registration you are applying for:

_____

_____

_____

Schedule B
Contact information for
Notice and consent for collection and use of personal information

Alberta
Alberta Securities Commission,
Suite 600, 250-5th St. SW
Calgary, AB T2P 0R4
Attention: Information Officer
Telephone: (403) 297-6454

British Columbia
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
Attention: Registration staff
Telephone: (604) 899-6500 or (800) 373-6393
(in Canada)
E-mail: Registration@bcsc.bc.ca

Manitoba
The Manitoba Securities Commission
500 - 400 St. Mary Avenue
Winnipeg, MB R3C 4K5
Attention: Director of Registrations
Telephone (204) 945-2548
Fax (204) 945-0330

New Brunswick
Financial and Consumer Services Commission of
New Brunswick/Commission des services financiers et
des services aux consommateurs du Nouveau-Brunswick
Suite 300, 85 Charlotte Street
Saint John, NB E2L 2J2
Attention: Registration
Telephone: (506) 658-3060

Newfoundland and Labrador
Superintendent of Securities, Service NL
Government of Newfoundland and Labrador
P.O. Box 8700, 2nd Floor, West Block
Confederation Building
St. John's, NL A1B 4J6
Attention: Manager of Registrations
Telephone: (709) 729-5661

Nova Scotia
Nova Scotia Securities Commission
Suite 400, 5251 Duke Street
Halifax, NS B3J 1P3
Attention: Registration
Telephone: (902) 424-7768

Northwest Territories
Government of the Northwest Territories
Department of Justice
1st Floor Stuart M. Hodgson Building
5009 – 49th Street
Yellowknife, NWT X1A 2L9
Attention: Superintendent of Securities
Telephone: (867) 920-8984

Nunavut
Government of Nunavut
Department of Justice
P.O. Box 1000 Station 570
Iqaluit, NU X0A 0H0
Attention: Superintendent of Securities
Telephone: (867) 975-6590

Ontario
Ontario Securities Commission
22nd Floor
20 Queen Street West
Toronto, ON M5H 3S8
Attention: Compliance and Registrant Regulation
Telephone: (416) 593-8314
e-mail: registration@osc.gov.on.ca

Prince Edward Island
Securities Office
Department of Community Affairs and Attorney General
P.O. Box 2000
Charlottetown, PE C1A 7N8
Attention: Superintendent of Securities
Telephone: (902) 368-6288

Québec
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Attention: Responsable de l'accès à l'information
Telephone: (514) 395-0337 or (877) 525-0337

Saskatchewan
Financial and Consumer Affairs Authority of
Saskatchewan
Suite 601, 1919 Saskatchewan Drive
Regina, SK S4P 4H2
Attention: Director, Capital Markets
Telephone: (306) 787-5871
E-mail: registrationfcaa@gov.sk.ca

Yukon
Government of Yukon
Office of the Yukon Superintendent of Securities
Department of Community Services
P.O. Box 2703 C-6
Whitehorse, YT Y1A 2C6
Attention: Superintendent of Securities
Telephone: (867) 667-5466

Self-regulatory organization
Investment Industry Regulatory Organization of Canada
121 King Street West, Suite 2000
Toronto, Ontario M5H 3T9
Attention: Privacy Officer
Telephone: (416) 364-6133
E-mail: PrivacyOfficer@iiroc.ca

FORM 33-109F3
BUSINESS LOCATIONS OTHER THAN HEAD OFFICE
(Section 3.2)

WARNING – It is an offence to knowingly give false or misleading information to the regulator or the securities regulatory authority.

CERTIFICATION

I, on behalf of the firm, certify to the regulator or, in Québec, the securities regulatory authority in each jurisdiction where the firm is submitting this form and to any applicable self-regulatory authority (SRO) that

- I have read this form and understand all matters within this form, including the questions,
- if the business location specified in this form is a residence, the individual conducting business from that business location has completed a Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals*, and
- to the best of my knowledge and after reasonable inquiry, all of the information provided on this form is true and complete.

NRD format:

☐ I, the authorized firm representative, am making this submission under authority delegated by the firm.

☐ By checking this box, I, the authorized firm representative, certify that

(a) the firm provided me with all of the information on this form, and

(b) the firm makes the certification above.

Non-NRD format:

By signing below, I, on behalf of the firm, make the certification above.

Name of firm _____

Name of authorized signing officer or partner _____

Title of authorized signing officer or partner _____

Signature of authorized signing officer or partner _____

Date signed _____
(YYYY/MM/DD)

General Instructions

Complete and submit this form to notify the relevant regulator(s) or, in Québec, the securities regulatory authority, or self-regulatory organization (SRO) that a business location has opened or closed, or information about a business location has changed.

Check one of the following and complete the entire form:

☐ Opening this business location

☐ Closing this business location

☐ Change to the information previously submitted about this business location. Clearly specify the information that has changed.

How to submit this form

Submit this form at the National Registration Database (NRD) website in NRD format at www.nrd.ca.

If you are relying on the temporary hardship exemption in section 5.1 of National Instrument 31-102 *National Registration Database*, you may complete and submit this form in a format other than NRD format.

Item 1 Type of business location

Branch or business location ☐

Sub-branch (Mutual Fund Dealers Association of Canada members only) ☐

Item 2 Supervisor or branch manager

Name of designated supervisor or branch manager _____

NRD number of the designated supervisor or branch manager _____

Item 3 Business location information

Business location address _____
(a post office box is not a valid business location address)

Mailing address (if different from business address) _____

Telephone number ( ) _____

Fax number ( ) _____

E-mail address _____

Notice regarding a business location that is a residence

For the administration of securities legislation or derivatives legislation, including commodity futures legislation, or both, the regulator or, in Québec, the securities regulatory authority may require access to the business location to review the books, records and documents of the registered firm. If applicable, the SRO may also require access to the business location for the administration of the rules of the SRO.

If the business location specified in this form is a residence, the regulator, securities regulatory authority or SRO may request consent to enter the residence.

If consent is not provided, it may affect the ability of the regulator, securities regulatory authority or SRO to access the books, records or documents of a registered firm and to determine whether securities legislation, derivatives legislation (including commodity futures legislation) or the rules of the SRO are being complied with. As a result, the regulator, securities regulatory authority or SRO may take action if it is unable to access and review the books, records or documents of a registered firm held at the business location.

Item 4 [*repealed*]

Item 5 [*repealed*]

Item 6 [*repealed*]

Schedule A
[*repealed*]

FORM 33-109F4
REGISTRATION OF INDIVIDUALS AND REVIEW OF PERMITTED INDIVIDUALS
(Section 2.2)

WARNING – It is an offence to knowingly give false or misleading information to the regulator or the securities regulatory authority.

CERTIFICATION

Individual

I, the individual, certify to the regulator or, in Québec, the securities regulatory authority in each jurisdiction where I am submitting this form and to any applicable self-regulatory organization (SRO) that

- I have read this form and understand all matters within this form, including the questions and, for greater certainty, if the business location is a residence, the notice in Item 9,
- I have discussed this form with a branch manager, supervisor, officer or partner of my sponsoring firm and that to the best of my knowledge, the branch manager, supervisor, officer or partner is satisfied that I understand all matters within this form, including the questions,
- to the best of my knowledge and after reasonable inquiry, all of the information provided on this form is true and complete, and
- if applicable, I will limit my activities to those allowed by my category of registration and any SRO approval.

I consent to and authorize the collection, directly and indirectly, of personal information by each regulator, securities regulatory authority and SRO and to the use of my personal information as set out in Item 20.

Firm

I, on behalf of the firm, certify to the regulator or, in Québec, the securities regulatory authority in each jurisdiction where the firm is submitting this form and to any applicable SRO that

- the individual identified in this form will be engaged by the sponsoring firm as a registered individual or a permitted individual, and
- I have, or a branch manager, supervisor, officer or partner has, discussed this form with the individual. To the best of my knowledge, the individual understands all matters within this form, including the questions.

NRD format:

☐ I, the authorized firm representative, am making this submission under authority delegated by the firm and the individual identified in this form. By checking this box, I certify that

☐ By checking this box, I, the authorized firm representative, certify that

(a) the firm provided me with all of the information on this form and makes the firm certification above,

(b) the individual provided the firm with all of the information on this form and makes the individual certification above, and

(c) the individual provided the above consent and authorization for the collection and use of the individual's personal information.

Non-NRD format:

Individual

By signing below, I, the individual, make the above individual certification and provide my consent and authorization for the collection, directly and indirectly, and use of my personal information.

Signature of individual _____

Date signed _____
(YYYY/MM/DD)

Firm

By signing below, I, on behalf of the firm, make the certification above.

Name of firm _____

Name of authorized signing officer or partner _____

Title of authorized signing officer or partner _____

Signature of authorized signing officer or partner _____

Date signed _____
(YYYY/MM/DD)

GENERAL INSTRUCTIONS

Complete and submit this form to the relevant regulator(s) or, in Québec, the securities regulatory authority, or self-regulatory organization (SRO) if an individual is seeking registration in individual categories or is seeking

- registration in individual categories,
- to be reviewed as a permitted individual.

You are only required to submit one form even if you are applying to be registered in several categories. This form is also used if you are seeking to be reviewed as a permitted individual. A post office box is not acceptable as a valid business location address.

Terms

In this form:

“Approved person” means, in respect of a member (Member) of the Investment Industry Regulatory Organization of Canada (IIROC), an individual who is a partner, director, officer, employee or agent of a Member who is approved by IIROC or another Canadian SRO to perform any function required under any IIROC or another Canadian SRO by-law, rule, or policy;

“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;

“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;

“Derivatives” means financial instruments, such as futures contracts (including exchange traded contracts), futures options and swaps whose market price, value or payment obligations are derived from, or based on, one or more underlying interests. Derivatives can be in the form of instruments, agreements or securities;

“Major shareholder” and “shareholder” mean a shareholder who, in total, directly or indirectly owns voting securities carrying 10 per cent or more of the votes carried by all outstanding voting securities;

“Sponsoring firm” means the registered firm where you will carry out your duties as a registered or permitted individual; and

“You”, “your” and “individual” mean the individual who is seeking registration or the individual who is filing this form as a permitted individual under securities legislation or derivatives legislation or both.

How to submit this form

NRD format
Submit this form at the National Registration Database (NRD) website in NRD format at www.nrd.ca. If you have any questions, contact the compliance, registration or legal department of the sponsoring firm or a legal adviser with securities regulation experience, or visit the NRD information website at www.nrd-info.ca.

Format, other than NRD format
If you are relying on the temporary hardship exemption in section 5.1 of National Instrument 31-102 *National Registration Database*, you may submit this form in a format other than NRD format.

If you need more space, use a separate sheet of paper. Clearly identify the item and question number. Complete and sign the form, and send it to the relevant regulator(s) or, in Québec, the securities regulatory authority, SRO(s) or similar authority. The number of originally signed copies of the form you are required to submit depends on the province or territory, and on the regulator, the securities regulatory authority or SRO.

To avoid delays in processing this form, be sure to answer all of the questions that apply to you. If you have questions, contact the compliance, registration or legal department of the sponsoring firm or a legal adviser with securities law experience, or visit the NRD information website at www.nrd-info.ca.

Item 1 Name

1. Legal name

Last name _____ First name _____ Second name (N/A ☐) _____ Third name (N/A ☐) _____

NRD number (if applicable) _____

2. Other personal names

Are you currently, or have you ever been, known by any names other than your full legal name above, for example, nicknames or names due to marriage?

Yes ☐ No ☐

If "Yes", complete Schedule A.

3. Use of other names

Are you currently, or have you ever used, operated under, or carried on business under any name other than the name(s) mentioned above, for example, trade names for sole proprietorships or team names?

Yes ☐ No ☐

If "Yes", complete Schedule A.

Item 2 Residential address

Provide all of your residential addresses, including any foreign residential addresses, for the past 10 years.

1. Current and previous residential addresses

_____
(number, street, city, province, territory or state, country, postal code)

Telephone number _____

Lived at this address since (YYYY/MM) _____

If you have lived at this address for less than 10 years, complete Schedule B.

2. Mailing *address*

☐ *Check here if your mailing address is the same as your current residential address provided above. Otherwise, complete the following:*

_____
*(number, street, c*ity, province, territory or state, country, postal code)

3. Business e-mail address

_____

Item 3 Personal information

1. Date of birth _____
(YYYY/MM/DD)
2. Place of birth _____
(city, province, territory or state, country)
3. Gender Female ☐ Male ☐
4. Eye colour _____
5. Hair colour _____
6. Height _____ ☐ in. or _____ ☐ cm
7. Weight _____ ☐ lbs. or _____ ☐ kg

Item 4 Citizenship

1. Citizenship information

What is your country of citizenship?

☐ Canada

☐ Other, specify: _____

2. If you are a citizen of a country other than Canada, complete the following for that citizenship.

☐ Check here if you do not have a valid passport. Otherwise, provide:

Passport number: _____

Date of issue: _____
(YYYY/MM/DD)

Place of issue: _____
(city, province, territory or state, country)

Item 5 Registration jurisdictions

1. Are you filing this form under the passport system / interface for registration?

Only choose "No" if:

(a) you are seeking registration only in your principal jurisdiction,

(b) you are seeking review as a permitted individual

and you are not currently registered under securities legislation in any jurisdiction of Canada.

Yes ☐ No ☐

2. Check each jurisdiction where you are seeking registration or, if you are seeking review as a permitted individual, check each jurisdiction where your sponsoring firm is registered:

☐ All jurisdictions

☐ Alberta

☐ British Columbia

☐ Manitoba

☐ New Brunswick

☐ Newfoundland and Labrador

☐ Northwest Territories

☐ Nova Scotia

☐ Nunavut

☐ Ontario

☐ Prince Edward Island

☐ Québec

☐ Saskatchewan

☐ Yukon

Item 6 Individual categories

1. On Schedule C, check each category for which you are seeking registration as an individual or review as a permitted Individual. If you are seeking review as a permitted individual, check each category that describes your position with your sponsoring firm.

2. If you are seeking registration as a representative of a mutual fund dealer or of a scholarship plan dealer in Québec, are you covered by your sponsoring firm's professional liability insurance?

Yes ☐ No ☐

If "No", state:

The name of your insurer _____

Your policy number _____

Item 7 Address and agent for service

1. Address for service

You must have one address for service in each province or territory where you are submitting this form. A residential address or a business address is acceptable. A post office box is not an acceptable address for service. Complete Schedule D for each additional address for service you are providing.

Address for service:

_____
(number, street, city, province or territory, postal code)

Telephone number _____

Fax number, if applicable _____

Business e-mail address _____

2. Agent for service

If you have appointed an agent for service, provide the following information for the agent in each province or territory where you have an agent for service. The address of your agent for service must be the same as the address for service above. If your agent for service is not an individual, provide the name of your contact person.

Name of agent for service: _____

Contact person: _____
Last name, First name

Item 8 Proficiency

1. Course, examination or designation information and other eduction

Complete Schedule E to state each course, examination and designation that

- is required for the registration categories or SRO approval categories you are applying for, and
- you have successfully completed or, if you are an IIROC applicant, have been exempted from.

☐ Check here if you are not required under securities legislation or derivatives legislation (including commodity futures legislation), or the rules of an SRO, to satisfy any course, examination or designation requirements.

2. Student numbers

If you have a student number for a course that you successfully completed with one of the following organizations, provide it below:

CSI Global Education: _____

IFSE Institute: _____

Institute of Canadian Bankers (ICB): _____

CFA Institute: _____

Advocis: _____

RESP Dealers Association of Canada: _____

Other: _____

3. Exemption refusal

Has any securities regulator, derivatives regulator or SRO refused to grant you an exemption from a course, examination, designation or experience requirement?

Yes ☐ No ☐

If "Yes", complete Schedule F.

4. Relevant securities experience

If you are an individual applying for IIROC approval, select "N/A".

Do you have relevant securities experience?

Yes ☐ No ☐ N/A ☐

If "Yes", complete Schedule F.

Item 9 Location of employment

1. Provide the following information for your new sponsoring firm. If you will be working out of more than one business location, provide the following information for the business location out of which you will be doing most of your business. If you are only filing this form because you are a permitted individual and you are not employed by, or acting as agent for, the sponsoring firm, select "N/A".

NRD location number: _____

Unique Identification Number (optional): _____

Business location address: _____

(number, street, city, province, territory or state, country, postal code)

Telephone number: (____) _____ Fax number: (____) _____

N/A ☐

2. If the firm has a foreign head office, and/or you are not a resident of Canada, provide the address for the business location in which you will be conducting most of your business. If you are only filing this form because you are a permitted individual and you are not employed by, or acting as agent for, the sponsoring firm, select "N/A".

Business location address: _____

(number, street, city, province, territory or state, country, postal code)

Telephone number: (____) _____ Fax number: (____) _____

N/A ☐

[The following under #3 "Type of location", #4 and #5 is for a Format other than NRD format only]

3. Type of business location:

☐ Head office ☐ Branch or business location ☐ Sub-branch (members of the Mutual Fund Dealers Association of Canada only)

4. Name of supervisor or branch manager: _____

5. ☐ Check here if the mailing address of the business location is the same as the business location address provided above. Otherwise, complete the following:

Mailing address: _____

(number, street, city, province, territory or state, country, postal code)

6. Notice regarding a business location that is a residence

For the administration of securities legislation or derivatives legislation, including commodity futures legislation, or both, the regulator or, in Québec, the securities regulatory authority may require access to the business location to review the books, records and documents of the registered firm. If applicable, the SRO may also require access to the business location for the administration of the rules of the SRO.

If the business location specified in this form is a residence, the regulator, securities regulatory authority or SRO may request consent to enter the residence.

If consent is not provided, it may affect the ability of the regulator, securities regulatory authority or SRO to access the books, records or documents of a registered firm and to determine whether securities legislation, derivatives legislation (including commodity futures legislation) or the rules of the SRO are being complied with. As a result, the regulator, securities regulatory authority or SRO may take action if it is unable to access and review the books, records or documents of a registered firm held at the business location.

Item 10 Reportable activities

1. Activities with your sponsoring firm

Instructions: Describe all of your roles and responsibilities with your sponsoring firm, whether these roles and responsibilities are securities-related or not (e.g., sale of securities, review of marketing materials, IT help desk, negotiation of employment contracts, sales of banking and insurance products and services). Include any other information about your position with your sponsoring firm that is relevant for the regulator or, in Québec, the securities regulatory authority to know (e.g., if your role is specialized). For example, if you are applying as an advising representative limited to client relationship management, indicate this by including the following statement in Schedule G: "Individual is seeking registration as CRM AR."

Complete a Schedule G with respect to your roles and responsibilities with your sponsoring firm.

2. Reportable outside activities

Instructions: Consider all of the activities that you participate in outside of your sponsoring firm, whether or not you receive compensation for such activities and whether or not any such activity is business-related. Activities performed for an affiliated entity are considered activities outside of your sponsoring firm. If any of the categories below describes one or more activities that you participate in, complete a separate Schedule G for each activity or entity. If multiple activities are performed for one entity, complete a single Schedule G identifying all the activities performed.

Uncompensated activities that do not fall within Categories 1 to 5 (i.e., generally activities that do not involve securities or financial services and are not a position of influence, such as being a little league soccer coach) are not reportable.

Category 1 - Activities with another registered firm

Instructions: Report activities with registered firms, other than your sponsoring firm. All activities in this category are reportable, whether or not you receive compensation for such activities. Major shareholder means a shareholder who, in total, directly or indirectly owns voting securities carrying 10 percent or more of the votes carried by all outstanding voting securities.

If you are a director, officer, employee, contractor, consultant, agent, or service provider of a registered firm other than your sponsoring firm, or are in any other equivalent position with or for that registered firm, or are a major shareholder or partner of that registered firm, complete a separate Schedule G for the registered firm.

Category 2 - Activities with an entity that receives compensation from a registered firm

If you are a director, officer, employee, contractor, consultant, or agent of a specified entity, or are in any other equivalent position with or for a specified entity, or are a shareholder or partner of a specified entity, complete a separate Schedule G for the specified entity.

For the purposes of this category, "specified entity" means an entity that receives compensation from a registered firm for activities that you provide for your sponsoring firm or another registered firm.

Category 3 - Other securities-related activities

Instructions: All activities in this category are reportable, whether or not you receive compensation for such activities. Charitable or other fundraising activities that do not involve the issuance of securities or derivatives are not reportable.

If you have been at any time in the last 7 years directly involved in raising money for an entity through the issuance of securities or derivatives or promoting the sale of an entity's securities or derivatives outside of your activities with your sponsoring firm or another registered firm, complete a separate Schedule G for each entity for which you performed these activities.

Directors and officers of reporting issuers and of entities that have been at any time in the last 7 years raising money through the issuance of securities or derivatives are considered to be directly involved in raising money for that entity.

Category 4 - Provision of financial or finance-related services

Instructions: All activities in this category are reportable, whether or not you receive compensation for such activities. For example, volunteer activities pertaining to your securities or financial services knowledge must be reported under this category. Also report if you are the owner or management of an entity that provides these services. Major shareholder means a shareholder who, in total, directly or indirectly owns voting securities carrying 10 percent or more of the votes carried by all outstanding voting securities.

Complete a separate Schedule G for each activity, as applicable, if you

- sell or negotiate insurance, including being an insurance broker or agent,
- provide loan or deposit or other banking products and services,
- carry on a money service business, including exchanging one type of currency for another, transferring money from one person to another, or issuing or redeeming money orders, traveller's cheques or anything similar,

- facilitate or administer mortgages, including acting as a mortgage broker, agent or administrator,
- prepare tax returns or provide tax advice,
- help create programs for persons to meet their long-term financial goals, including providing financial planning (including estate planning) or financial advice,
- provide corporate finance services, including services provided in the capacity of a comptroller, treasurer and chief financial officer,
- advise persons under financial stress on credit/debt restructuring,
- are a pension consultant,
- provide advice on mergers and acquisitions,
- provide accounting or bookkeeping services,
- provide oversight or independent review or expert opinion on the management of an entity's financial assets,
- lend money or accept deposits of money (e.g., alternative financing, non-bank financial institution), or
- provide other financial or finance-related services not identified above.

Also complete a separate Schedule G for each activity, as applicable, if you are a director or officer, or are in any other equivalent position with or for, or are a major shareholder or active partner of, an entity that provides one or more of the services in the above list.

Category 5 - Positions of influence

Instructions: All positions of influence (e.g., medical doctor, leader in a religious organization) are reportable, whether or not you receive compensation for such activities. Guidance: see also section 13.4.3 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and the Companion Policy to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

Complete a separate Schedule G for each position of influence that you are in.

Item 11 Previous employment and other activities

On Schedule H, complete your history of employment and other activities for the past 10-years.

Item 12 Resignations and terminations

Instructions: Disclose all allegations against you that existed at the time of your resignation or termination. The allegation does not need to be the reason for or cause of your resignation or termination. Sales targets are not considered a standard of conduct of a sponsoring firm.

Have you ever resigned or been terminated from a position or contract when, at the time of your resignation or termination, there existed an allegation that you:

1. Contravened any statutes, regulations, orders of a court or regulatory body, rules or bylaws or failed to meet any standard of conduct of a sponsoring firm or of any professional body?

Yes ☐ No ☐

If "Yes", complete Schedule I, Item 12.1.

2. Failed to appropriately supervise compliance with any statutes, regulations, orders of a court or regulatory body, rules or bylaws or with any standard of conduct of a sponsoring firm or of any professional body?

Yes ☐ No ☐

If "Yes", complete Schedule I, Item 12.2.

3. Committed fraud or the wrongful taking of property, including theft?

Yes ☐ No ☐

If "Yes", complete Schedule I, Item 12.3.

Item 13 Regulatory disclosure

The questions below relate to any jurisdiction of Canada and any foreign jurisdiction.

1. Securities and derivatives regulation

a) Other than a registration or permitted individual status that has been recorded under this NRD number, are you now, or have you ever been, registered or licensed with any securities regulator or derivatives regulator or both to trade in or advise on securities or derivatives or both?

Yes ☐ No ☐

If "Yes", complete Schedule J, Item 13.1(a).

b) Have you ever been refused registration or a licence to trade in or advise on securities or derivatives or both?

Yes ☐ No ☐

If "Yes", complete Schedule J, Item 13.1(b).

c) Have you ever been denied the benefit of any exemption from registration provided in any securities or derivatives or both legislation or rules other than what was disclosed in Item 8.3 of this form?

Yes ☐ No ☐

If "Yes", complete Schedule J, Item 13.1(c).

d) Are you now, or have you ever been subject to any disciplinary proceedings or any order resulting from disciplinary proceedings under any securities legislation or derivatives legislation or both in any province, territory, state or country?

Yes ☐ No ☐

If "Yes", complete Schedule J, Item 13.1(d).

2. SRO regulation

a) Other than an approval that has been recorded under this NRD number, are you now, or have you ever been, an approved person of an SRO or similar organization?

Yes ☐ No ☐

If "Yes", complete Schedule J, Item 13.2(a).

b) Have you ever been refused approved person status by an SRO or similar organization?

Yes ☐ No ☐

If "Yes", complete Schedule J, Item 13.2(b).

c) Are you now, or have you ever been, subject to any disciplinary proceedings conducted by any SRO or similar organization?

Yes ☐ No ☐

If "Yes", complete Schedule J, Item 13.2(c).

3. Non-securities regulation

Instructions: Only disclose registration or licences to deal with the public in any capacity.

a) Are you now, or have you ever been, registered or licensed under any legislation which requires registration or licensing to deal with the public in any capacity other than to trade in or advise on securities or derivatives or both (e.g. insurance, real estate, accountant, lawyer, teacher, medical doctor, mortgage broker or agent)?

Yes ☐ No ☐

If "Yes", complete Schedule J, Item 13.3(a).

b) Have you ever been refused registration or a licence under any legislation relating to your activities unrelated to securities or derivatives?

Yes ☐ No ☐

If "Yes", complete Schedule J, Item 13.3(b).

c) Are you now, or have you ever been, a subject of any disciplinary actions conducted under any legislation relating to your activities unrelated to securities or derivatives?

Yes ☐ No ☐

If "Yes", complete Schedule J, Item 13.3(c).

Item 14 Criminal disclosure

The questions below apply to offences committed in any jurisdiction of Canada and any foreign jurisdiction. You must disclose all offences, including:

- a criminal offence under federal statutes such as the *Criminal Code* (Canada), *Income Tax Act* (Canada), the *Competition Act* (Canada), *Immigration and Refugee Protection Act* (Canada) and the *Controlled Drugs and Substances Act* (Canada), even if
  - a record suspension has been ordered under the *Criminal Records Act* (Canada)
  - you have been granted an absolute or conditional discharge under the *Criminal Code* (Canada), and
- a criminal offence, with respect to questions 14.2 and 14.4, of which you or your firm has been found guilty or for which you or your firm have participated in the alternative measures program within the previous three years, even if a record suspension has been ordered under the *Criminal Records Act* (Canada)

You are not required to disclose:

- charges for summary conviction offences that have been stayed for six months or more,
- charges for indictable offences that have been stayed for a year or more,
- offences under the *Youth Criminal Justice Act* (Canada), and
- speeding or parking violations.

Subject to the exceptions above:

1. Are there any outstanding or stayed charges against you alleging a criminal offence that was committed?

Yes ☐ No ☐

If "Yes", complete Schedule K, Item 14.1.

2. Have you ever been found guilty, pleaded no contest to, or been granted an absolute or conditional discharge from any criminal offence that was committed?

Yes ☐ No ☐

If "Yes", complete Schedule K, Item 14.2.

3. To the best of your knowledge, are there any outstanding or stayed charges against any entity of which you were, at the time the criminal offence was alleged to have taken place, a partner, director, officer or major shareholder?

Yes ☐ No ☐

If "Yes", complete Schedule K, Item 14.3.

4. To the best of your knowledge, has any entity, when you were a partner, officer, director or major shareholder, ever been found guilty, pleaded no contest to or been granted an absolute or conditional discharge from a criminal offence that was committed?

Yes ☐ No ☐

If "Yes", complete Schedule K, Item 14.4.

Item 15 Civil disclosure

The questions below relate to any jurisdiction of Canada and any foreign jurisdiction.

1. Are there currently any outstanding civil actions alleging fraud, theft, deceit, misrepresentation or similar misconduct against you or an entity where you are or were a partner, director, officer or major shareholder?

Yes ☐ No ☐

If "Yes", complete Schedule L, Item 15.1.

2. Have you or an entity where you are or were a partner, director, officer or major shareholder ever been a defendant or respondent in any civil proceeding in which fraud, theft, deceit, misrepresentation or similar misconduct is, or was, successfully established in a judgment?

Yes ☐ No ☐

If "Yes", complete Schedule L, Item 15.2.

Item 16 Financial disclosure

1. Bankruptcies, insolvencies, consumer proposals and creditor arrangements

Instructions: You must provide the following information no matter when the event occurred ***(even if it was longer than 7 years ago).***

The information is required to be reported even if you or the entity has been discharged or released from bankruptcy.

Under the laws of any jurisdiction of Canada or any foreign jurisdiction, have any of the following events ever occurred to you or to any entity when you were a partner, director, officer or major shareholder of the entity:

a) had a petition in bankruptcy issued or made a voluntary assignment into bankruptcy or any similar proceeding (no matter when it occurred, even if it was longer than 7 years ago, and even if you or the entity have been discharged or released from bankruptcy)?

Yes ☐ No ☐

If "Yes", complete Schedule M, Item 16.1(a).

b) a proposal, including a consumer proposal, under any legislation relating to bankruptcy or insolvency or any similar proceeding?

Yes ☐ No ☐

If "Yes", complete Schedule M, Item 16.1(b).

c) proceedings under any legislation relating to the winding up or dissolution of the entity, or under the *Companies' Creditors Arrangement Act* (Canada)?

Yes ☐ No ☐

If "Yes", complete Schedule M, Item 16.1(c).

d) any proceedings, arrangement or compromise with creditors?

Yes ☐ No ☐

If "Yes", complete Schedule M, Item 16.1(d).

2. Debt obligations

During the past 10 years

- have you failed to meet a financial obligation of $10,000 or more as it came due, or
- to the best of your knowledge, has any entity, while you were a partner, director, officer or major shareholder of that entity, failed to meet any financial obligation of $10,000 or more as it came due?

Yes ☐ No ☐

If "Yes", complete Schedule M, Item 16.2.

3. Surety bond or fidelity bond

Have you ever been refused for a surety or fidelity bond?

Yes ☐ No ☐

If "Yes", complete Schedule M, Item 16.3.

4. Garnishments, seizure in the hands of third persons, unsatisfied judgments or directions to pay

Has any governmental or regulatory authority or court, in any jurisdiction, ever issued any of the following

- against you regarding your indebtedness, or
- to the best of your knowledge, against an entity regarding the entity's indebtedness incurred at the time you were a partner, director, officer or major shareholder of the entity:

Yes No

Garnishment or seizure in the hands of third persons	☐	☐
Unsatisfied judgment	☐	☐
Direction to pay	☐	☐

If “Yes”, complete Schedule M, Item 16.4.

Item 17 Ownership of securities and derivatives firms

Are you now, or have you ever been, a partner or major shareholder of any firm (including your sponsoring firm) whose business is trading in or advising on securities or derivatives or both?

Yes ☐ No ☐

If “Yes”, complete Schedule N.

Item 18 Agent for service

By submitting this form, you certify that in each jurisdiction of Canada where you have appointed an agent for service, you have completed the appointment of agent for service required in that jurisdiction.

Item 19 Submission to jurisdiction

By submitting this form, you agree to be subject to the securities legislation or derivatives legislation or both of each jurisdiction of Canada, and to the by-laws, regulations, rules, rulings and policies (collectively referred to as “rules” in this form) of the SROs to which you have submitted this form. This includes the jurisdiction of any tribunals or any proceedings that relate to your activities as a registrant or a partner, director or officer of a registrant under that securities legislation or derivatives legislation or both or as an Approved Person under SRO rules.

Item 20 Notice and consent for collection and use of personal information

1. Notice of collection and use of personal information

Your personal information is collected by, or on behalf of, each securities regulatory authority and SRO set out in Schedule O. Any of the securities regulatory authorities or SROs set out in Schedule O may contact governmental or regulatory authorities, private bodies or agencies, individuals, corporations, employers, and other organizations, in Canada and in other countries, for information about you.

This personal information is being collected under the authority of the applicable securities legislation, derivatives legislation (including commodity futures legislation) or both of the securities regulatory authorities and under the SRO rules of an SRO set out in Schedule O. The collection, use and disclosure are done in accordance with applicable freedom of information and privacy legislation.

The principal purpose of this collection by the securities regulatory authorities is to administer, enforce, carry out their duties or exercise their powers under their respective securities legislation, derivatives legislation (including commodity futures legislation) or both, and by the SROs to administer and enforce the rules of the SROs.

The information submitted by you in this form with your consent, or collected indirectly with your authorization, may be collected

- at the time of your application,
- at any time during your registration or while you are a permitted individual, or
- at the time the regulator or, in Québec, the securities regulatory authority, or the SRO is informed by your sponsoring firm that you no longer have authority to act on behalf of the sponsoring firm or are not a permitted individual of the sponsoring firm.

If you have any questions about the collection, use and disclosure of this information, contact the securities regulatory authority or SRO in any jurisdiction in which the required information is submitted. See Schedule O for details.

Certain information, such as your name(s) (including aliases, trade names or some past names), your sponsoring firm, and other relevant registration information, will be listed in a publicly available registry of registered individuals and, if applicable, on the Disciplined List.

Certain securities regulatory authorities may provide to or receive from certain entities information under separate provisions of their securities legislation or derivatives legislation (including commodity futures legislation) or both, and SROs may provide or receive information under the rules of the SROs. This consent and notice does not limit the authority, powers,

obligations, or rights conferred on any of the securities regulatory authorities by legislation or regulations in effect in their jurisdiction.

2. Consent to collect and use personal information

By submitting this form, you consent to and authorize the collection, directly and indirectly, of personal information by each securities regulatory authority and SRO and to the use of your personal information as set out above.

The personal information that each securities regulatory authority or SRO collects includes the following:

- the personal information provided in this form;
- the personal information provided by your sponsoring firm;
- registration or financial services licensing information;
- law enforcement records, including police records;
- credit records;
- bankruptcy or other insolvency records;
- employment records and information received from an employer;
- records and information received from entities you had or have an independent contractor or agency relationship with;
- personal information available online;
- records from governmental or regulatory authorities, SROs or professional bodies;
- records of, and used in, court proceedings, including probation records.

Item 21 [*repealed*]

Item 22 [*repealed*]

Schedule A
Names (Item 1)

Item 1.2 Other personal names

Name 1:

Last name First name Second name (N/A ☐) Third name (N/A ☐)

Provide the reasons for the use of this name (for example, marriage, divorce, court order, commonly used name or nickname): _____

When did you use this name? From: To:

(YYYY/MM) (YYYY/MM)

Name 2:

Last name First name Second name (N/A ☐) Third name (N/A ☐)

Provide the reasons for the use of this name (for example, marriage, divorce, court order, commonly used name or nickname): _____

When did you use this name? From: To:

(YYYY/MM) (YYYY/MM)

Name 3:

Last name First name Second name (N/A ☐) Third name (N/A ☐)

Provide the reasons for the use of this name (for example, marriage, divorce, court order, commonly used name or nickname): _____

When did you use this name? From: To:

(YYYY/MM) (YYYY/MM)

Item 1.3 Use of other names

Name 1:

Name: _____

Provide the reasons for the use of this other name (for example, trade name or team name): _____

If this other name is or was used in connection with any sponsoring firm, did the sponsoring firm approve the use of the name?

Yes ☐ No ☐ N/A ☐

When did you use this name? From: To:

(YYYY/MM) (YYYY/MM)

Name 2:

Name: _____

Provide the reasons for the use of this other name (for example, trade name or team name)?: _____

If this other name is or was used in connection with any sponsoring firm, did the sponsoring firm approve the use of the name?

Yes ☐ No ☐ N/A ☐

When did you use this name? From: _____ (YYYY/MM) To: _____ (YYYY/MM)

Name 3:

Name: _____

Provide the reasons for the use of this other name (for example, trade name or team name)?: _____

If this other name is or was used in connection with any sponsoring firm, did the sponsoring firm approve the use of the name?

Yes ☐ No ☐ N/A ☐

When did you use this name? From: _____ (YYYY/MM) To: _____ (YYYY/MM)

Schedule B
Residential address (Item 2)

Item 2.1 Current and previous residential addresses

If you have lived at your current address for less than 10 years, list all previous addresses for the past 10 years.

You do not have to include a postal code or ZIP code, or a telephone number for any previous address.

Address 1:

Residential address: _____
(number, street, city, province, territory or state, country)

When did you live at this address? From: _____ (YYYY/MM) To: _____ (YYYY/MM)

Address 2:

Residential address: _____
(number, street, city, province, territory or state, country)

When did you live at this address? From: _____ (YYYY/MM) To: _____ (YYYY/MM)

Address 3:

Residential address: _____
(number, street, city, province, territory or state, country)

When did you live at this address? From: _____ (YYYY/MM) To: _____ (YYYY/MM)

Schedule C
Individual Categories (Item 6)

Check each category for which you are seeking registration, approval or review as a permitted individual.

Categories common to all jurisdictions under securities legislation

Firm categories [Format other than NRD format only]

☐ Investment Dealer

☐ Mutual Fund Dealer

☐ Scholarship Plan Dealer

☐ Exempt Market Dealer

☐ Restricted Dealer

☐ Portfolio Manager

☐ Restricted Portfolio Manager

☐ Investment Fund Manager

Individual categories and permitted activities

☐ Dealing Representative

☐ Advising Representative

☐ Associate Advising Representative

☐ Ultimate Designated Person

☐ Permitted Individual as described in paragraph (c) of the definition of "permitted individual" in section 1.1 of National Instrument 33-109 *Registration Information*

☐ Chief Compliance Officer

☐ Officer – Specify title:

☐ Director

☐ Partner

☐ Shareholder

☐ Branch Manager (MFDA members only)

☐ IIROC approval only

IIROC

Approval categories

☐ Executive

☐ Director (Industry)

☐ Director (Non-Industry)

☐ Supervisor

☐ Investor

☐ Registered Representative

☐ Investment Representative

☐ Portfolio Manager

☐ Associate Portfolio Manager

☐ Trader

Additional approval categories

☐ Chief Compliance Officer

☐ Chief Financial Officer

☐ Ultimate Designated Person

Products

☐ Non-Trading

☐ Securities

☐ Options

☐ Futures Contracts and Futures Contract Options

☐ Mutual Funds only

Customer type

☐ Retail

☐ Institutional

☐ Not Applicable

Portfolio management

☐ Portfolio Management

Categories under local commodity futures and derivatives legislation

Ontario

Firm categories

☐ Commodity Trading Adviser

☐ Commodity Trading Counsel

☐ Commodity Trading Manager

☐ Futures Commission Merchant

Individual categories and permitted activities

☐ Advising Representative

☐ Salesperson

☐ Branch Manager

☐ Officer – Specify title:

☐ Director

☐ Partner

☐ Shareholder

☐ IIROC approval only

Manitoba

Firm categories

☐ Dealer (Merchant)

☐ Dealer (Futures Commission Merchant)

☐ Dealer (Floor Broker)

☐ Adviser

☐ Local

Individual categories and permitted activities

☐ Floor Broker

☐ Salesperson

☐ Branch Manager

☐ Adviser

☐ Officer – Specify title:

☐ Director

☐ Partner

☐ Futures Contracts Portfolio Manager

☐ Associate Futures Contracts Portfolio Manager

☐ IIROC approval only

☐ Local

Québec

Firm categories

☐ Derivatives Dealer

☐ Derivatives Portfolio Manager

Individual categories and permitted activities

☐ Derivatives Dealing Representative

☐ Derivatives Advising Representative

☐ Derivatives Associate Advising Representative

Schedule D
Address and agent for service (Item 7)

Item 7.1 Address for service

You must have one address for service in each province or territory in which you are now, or are seeking to become, a registered individual or permitted individual. A post office box is not an acceptable address for service.

Address for service: _____
(number, street, city, province or territory, postal code)

Telephone number: (_____) _____ Fax number: (_____) _____

Business e-mail address: _____

Item 7.2 Agent for service

If you have appointed an agent for service, provide the following information about the agent. The address for service provided above must be the address of the agent named below.

Name of agent for service: _____

(*if applicable*)

Contact person: _____
Last name, First name

Schedule E
Proficiency (Item 8)

Item 8.1 Course, examination or designation information and other education

Instructions: Please see Division 2 [Education and experience requirements] in Part 3 [Registration requirements - individuals] of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations for the education and experience requirements for the categories that you are seeking to be registered in or the relevant SRO rules for the SRO approval categories.

Below, state each course, examination and designation that:

- is required for the registration categories or SRO approval categories you are applying for, and
- you have successfully completed.

***For IIROC applicants only** - If applicable, please indicate the date of any exemption granted for any course, examination, designation or other education required for approval.

Course, examination, designation or other education	**Date completed (YYYY/MM/DD)**	**Date exempted (YYYY/MM/DD)***	**Regulator / securities regulatory authority granting the exemption***

If you have listed the CFA Charter in Item 8.1, please indicate by checking "Yes" below if you are a current member of the CFA Institute permitted to use this charter.

Yes ☐ No ☐

If "No", please explain why you no longer hold this designation:

_____

_____

_____

If you have listed the Canadian Investment Management Designation in Item 8.1, please indicate by checking "Yes" below if you are currently permitted to use this designation.

Yes ☐ No ☐

If "No", please explain why you no longer hold this designation:

_____

_____

_____

Schedule F
Proficiency (Items 8.3 and 8.4)

Item 8.3 Exemption refused

Complete the following for each exemption that was refused.

1. Which securities regulator, derivatives regulator or SRO refused to grant the exemption?

State the name of the course, examination, designation or experience requirement:

State the reason given for not being granted the exemption:

Date exemption refused: _____
(YYYY/MM/DD)

2. Which securities regulator, derivatives regulator or SRO refused to grant the exemption?

State the name of the course, examination, designation or experience requirement:

State the reason given for not being granted the exemption:

Date exemption refused: _____
(YYYY/MM/DD)

3. Which securities regulator, derivatives regulator or SRO refused to grant the exemption?

State the name of the course, examination, designation or experience requirement:

State the reason given for not being granted the exemption:

Date exemption refused: _____
(YYYY/MM/DD)

Item 8.4 Relevant securities experience

Instructions:

- *Some registration categories require a specified amount of experience to have been obtained within specified timeframes. Please see National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations or the relevant SRO rules for more information.*

- *If you are applying to be an advising representative or an associate advising representative, or with IIROC as a portfolio manager, associate portfolio manager, or supervisor designated to be responsible for the supervision of managed accounts, provide details of the activities you performed for each position in which you gained relevant investment management experience. Such details may include the level of responsibility; value of accounts under direct supervision; number of years of experience in performing securities research and analysis for the purpose of portfolio securities selection, portfolio construction and analysis; type of experience in performing client relationship management; number of years of experience collecting know-your-client information; or number of years of experience conducting suitability assessments.*
- *If you are applying as an advising representative limited to client relationship management, indicate this by including the following statement: "Individual seeking registration as CRM AR".*
- *For all other categories, provide details of activities that you performed for each position in which you gained relevant securities industry experience.*

1. If you are applying

- to be an advising representative or an associate advising representative of a portfolio manager, describe the relevant investment management experience that you have gained, or
- for any other category, describe the relevant securities industry experience that you have gained.

For each position in which you gained relevant experience, provide the following information:

(a) the name of the firm or entity with which you gained this experience;

(b) your title;

(c) the start and end dates of this position;

(d) the details of the activities you performed that are relevant for the category of registration that you are applying for;

(e) the percentage of your time in this position that was spent on activities relating to the experience.

_____

_____

_____

2. Indicate the continuing education activities in which you have participated during the last 36 months and that are relevant to the category of registration you are applying for:

_____

_____

_____

Schedule G
Reportable Activities (Item 10)

1. Start date _____
(YYYY/MM/DD)

2. Sponsoring firm or other entity information

☐ Check here if the reportable activity is with your sponsoring firm.

If the reportable activity is with your sponsoring firm, you are not required to indicate the firm's name and address but are required to provide the name and title of your immediate supervisor. For all other types of reportable activity, enter all of the information below:

Name of business or employer: _____

Address of business or employer: _____
(number, street, city, province, territory or state, country)

Name and title of your immediate supervisor: _____

3. Description of the reportable activity and your roles and responsibilities

Instructions: If you are completing this schedule in relation to your activities with your sponsoring firm, for (e) below, provide the title(s) you will use once registered, and if you are already registered, provide the title(s) you use as of the date of this filing.

(a) Describe the entity that you carry on the activity with or for, including the nature of the entity's business.

(b) Is the entity listed on an exchange?

(c) Describe your relationship with the entity.

(d) Describe all of your roles and responsibilities relating to the activity

(e) Provide all business title(s) and professional designation(s) you use for the activity.

4. Number of work hours per week

How many hours per week do you spend on this activity?_____

5. Conflicts of interest

Instructions: Complete this section if you have a reportable activity outside your sponsoring firm. Do not complete this section if your reportable activity is solely with your sponsoring firm.

Take into consideration existing and reasonably foreseeable material conflicts of interest and existing and potential client confusion.

(a) Does the activity give rise to any material conflicts of interest between the client and the sponsoring firm or you? Does the activity give rise to client confusion? If no material conflicts of interest or client confusion are expected, explain why.

(b) Describe (i) the material conflicts of interest, and (ii) how these conflicts will be addressed in the best interest of the client.

(c) Describe (i) the client confusion, and (ii) how the client confusion will be addressed.

(d) Does your sponsoring firm and the entity have procedures for identifying and addressing material conflicts of interest? If so, confirm you are complying with both sets of procedures.

(e) State the name and title of the individual at your sponsoring firm who has reviewed and approved the activity.

Schedule H
Previous employment and other activities (Item 11)

Provide the following information for each of your employment and other activities in the past 10-years. Account for all of your time, including full-time and part-time employment, self-employment or military service. Include your status for each, such as unemployed, full-time student, or other similar statuses. Do not include short-term employment of four months or less while a student, unless it was in the securities, derivatives or financial industry.

In addition to the information required in the paragraph above, if you were employed or had business activities in the securities or derivatives industry or both during and before the 10-year period, disclose all your securities and derivatives or both employment or business activities (both before and during the 10-year period).

☐ Unemployed

☐ Full-time student

☐ Employed or self-employed

From: _____
(YYYY/MM)

To: _____
(YYYY/MM)

Complete the following only if you are, or were, employed or self-employed during this period.

Name of business or employer:

Address of business or employer:

(number, street, city, province, territory or state, country)

Name and title of immediate supervisor, if applicable:

Describe the firm's business, your position, duties and your relationship to the firm. If you are seeking registration in a category of registration that requires specific experience, include details of that experience. Examples include level of responsibility, value of accounts under direct supervision, number of years of that experience and research experience, and percentage of time spent on each activity.

Reason why you left the firm:

Schedule I
Resignations and terminations (Item 12)

Item 12.1

For each allegation of contravention of any statute, regulation, order of a court or regulatory body, rule or bylaw or failure to meet any standard of conduct of a sponsoring firm or of any professional body, state below (1) the name of the firm from which you resigned or were terminated, (2) whether you resigned or were terminated, (3) the date you ceased to carry on duties, (4) the circumstances relating to your resignation or termination, (5) details of the allegation (regardless of whether the allegation caused or contributed to your resignation or termination), including the statutes, regulations, orders, rules or bylaws allegedly contravened or standards of conduct allegedly not met, (6) details of how the allegation was addressed, and (7) any details of the resignation, termination, or allegation relevant to the determination of your suitability for registration or whether your registration is otherwise objectionable.

Item 12.2

For each allegation of failure to supervise compliance with any statute, regulation, order of a court or regulatory body, rule or bylaw or with any standard of conduct of a sponsoring firm or of any professional body, state below, (1) the name of the firm from which you resigned or were terminated, (2) whether you resigned or were terminated, (3) the date you ceased to carry on duties, (4) the circumstances relating to your resignation or termination, (5) details of the allegation of failure to supervise (regardless of whether the allegation caused or contributed to your resignation or termination), (6) details of how the allegation was addressed, and (7) any details of the resignation, termination, or allegation relevant to the determination of your suitability for registration or whether your registration is otherwise objectionable.

Item 12.3

For each allegation that you committed fraud or the wrongful taking of property, including theft, state below (1) the name of the firm from which you resigned or were terminated, (2) whether you resigned or were terminated, (3) the date you ceased to carry on duties, (4) the circumstances relating to your resignation or termination, (5) details of the allegation (regardless of whether the allegation caused or contributed to your resignation or termination), (6) details of how the allegation was addressed, and (7) any details of the resignation, termination, or allegation relevant to the determination of your suitability for registration or whether your registration is otherwise objectionable.

Schedule J
Regulatory disclosure (Item 13)

Item 13.1 Securities and derivatives regulation

a) For each registration or licence, state below (1) the name of the firm, (2) the securities or derivatives regulator with which you are, or were, registered or licensed, (3) the type or category of registration or licence, and (4) the period that you held the registration or licence.

b) For each registration or licence refused, state below (1) the name of the firm, (2) the securities or derivatives regulator that refused the registration or licence, (3) the type or category of registration or licence refused, (4) the date of the refusal, and (5) the reasons for the refusal.

c) For each order or disciplinary proceeding, state below (1) the name of the firm, (2) the SRO that issued the order or that is, or was, conducting the proceeding, (3) the date any notice of proceeding was issued, (4) the date any order or settlement was made, (5) a summary of any notice, order or settlement, including any sanctions imposed, (6) whether you are or were a partner, director, officer or major shareholder of the firm and named individually in the order or disciplinary proceeding, and (7) any details of the order or disciplinary proceeding relevant to the determination of your suitability for registration or whether your registration is otherwise objectionable.

d) For each order or disciplinary proceeding, state below (1) the name of the firm, (2) the securities or derivatives regulator that issued the order or is conducting or conducted the proceeding, (3) the date any notice of proceeding was issued, (4) the date any order or settlement was made, (5) a summary of any notice, order or settlement (including any sanctions imposed), (6) whether you are or were a partner, director, officer or major shareholder of the firm and named individually in the order or disciplinary proceeding, and (7) any other relevant details.

Item 13.2 SRO regulation

a) For each approval, state below (1) the name of the firm, (2) the SRO with which you are or were an approved person, (3) the categories of approval, and (4) the period that you held the approval.

b) For each approval refused, state below (1) the name of the firm, (2) the SRO that refused the approval, (3) the category of approval refused, (4) the date of the refusal, and (5) the reasons for the refusal.

c) For each order or disciplinary proceeding, state below (1) the name of the firm, (2) the SRO that issued the order or that is, or was, conducting the proceeding, (3) the date any notice of proceeding was issued, (4) the date any order or settlement was made, (5) a summary of any notice, order or settlement (including any sanctions imposed), (6) whether you are or were a partner, director, officer or major shareholder of the firm and named individually in the order or disciplinary proceeding, and (7) any other information that you think is relevant or that the regulator or, in Québec, the securities regulatory authority may request.

Item 13.3 Non-securities regulation

a) For each registration or licence, state below (1) the party who is, or was, registered or licensed, (2) if applicable, the employer or entity for whom you performed the registerable or licensable activity, (3) the period that the party held the registration or licence, (4) the type or category of registration or licence, (5) with which regulatory authority, or under what legislation, the party is, or was, registered or licensed, and (6) the licence number.

b) For each registration or licence refused, state below (1) the party that was refused registration or licensing, (2) if applicable, the employer or entity for whom you performed the registerable or licensable activity, (3) with which regulatory authority, or under what legislation, the registration or licence was refused, (4) the type or category of registration or licence refused, (5) the date of the refusal, and (6) the reasons for the refusal.

c) For each order or disciplinary proceeding, indicate below (1) the party against whom the order was made or the proceeding taken, (2) the regulatory authority that made the order or that is, or was, conducting the proceeding, or under what legislation the order was made or the proceeding is being, or was conducted, (3) the date any notice of proceeding was issued, (4) the date any order or settlement was made, (5) a summary of any notice, order or settlement, including any sanctions imposed, (6) whether you are or were a partner, director, officer or major shareholder of the entity and named individually in the order or disciplinary proceeding, and (7) any details of the order or disciplinary proceeding relevant to the determination of your suitability for registration or whether your registration is otherwise objectionable.

Schedule K
Criminal disclosure (Item 14)

Item 14.1

For each charge, state below (1) the type of charge, (2) the date of the charge, (3) any trial or appeal dates, and (4) the court location.

Item 14.2

For each finding of guilty, pleading no contest to, or granting of an absolute or conditional discharge from a criminal offence state below (1) the offence, (2) the date found guilty, and (3) the disposition (any penalty or fine and the date any fine was paid).

Item 14.3

For each charge, state below (1) the name of the entity, (2) the type of charge, (3) the date of the charge, (4) any trial or appeal dates, and (5) the court location.

Item 14.4

For each finding of guilty, pleading no contest to, or granting of an absolute or conditional discharge from a criminal offence state below (1) the name of the entity, (2) the offence, (3) the date of the conviction, and (4) the disposition (any penalty or fine and the date any fine was paid).

Schedule L
Civil disclosure (Item 15)

Item 15.1

For each outstanding civil proceeding, state below (1) the dates the statement of claim and statement of defence were issued, (2) the name of each plaintiff in the proceeding, (3) whether the proceeding is pending or on appeal, (4) whether the proceeding was against an entity where you are, or were, a partner, director, officer or major shareholder and whether you have been named individually in the allegations, and (5) the jurisdiction where the action is being pursued.

Item 15.2

For each civil proceeding, state below (1) the dates the statement of claim and statement of defence were issued, (2) the name of each plaintiff in the proceeding, (3) the jurisdiction where the action was pursued, (4) whether the proceeding was about an entity where you are, or were, a partner, director, officer or major shareholder and whether you have been named individually in the allegations, and (5) a summary of any disposition or any settlement over $10,000. You must disclose any actions settled without admission of liability.

Schedule M
Financial Disclosure (Item 16)

Item 16.1 Bankruptcies, insolvencies, consumer proposals and creditor arrangements

Instructions: Proposals includes consumer proposals.

(a) For each event, state below (1) the date of the petition or voluntary assignment into bankruptcy or similar proceeding, (2) the person or entity about whom this disclosure is being made, (3) any amounts currently owing, (4) the creditors, (5) the status of the matter, (6) a summary of any disposition or settlement, (7) the date of discharge or release, if applicable, and (8) any details of the petition or voluntary assignment into bankruptcy or similar proceeding relevant to the determination of your suitability for registration or whether your registration is otherwise objectionable.

(b) For each event, state below (1) the date of the proposal, (2) the person or firm about whom this disclosure is being made, (3) any amounts currently owing, (4) the creditors, (5) the status of the matter, (6) a summary of any disposition or settlement, and (7) any details of the proposal relevant to the determination of your suitability for registration or whether your registration is otherwise objectionable.

(c) For each event, state below (1) the date of the proceeding, (2) the person or entity about whom this disclosure is being made, (3) any amounts currently owing, (4) the creditors, (5) the status of the matter, (6) a summary of any disposition or settlement, and (7) any details of the proceeding relevant to the determination of your suitability for registration or whether your registration is otherwise objectionable.

(d) For each proceeding, arrangement or compromise with creditors, state below (1) the date of the proceeding, arrangement or compromise, (2) the person or entity about whom this disclosure is being made, (3) any amounts currently owing, (4) the creditors, (5) the status of the matter, (6) a summary of any disposition or settlement, and (7) any details of the proceeding, arrangement or compromise relevant to the determination of your suitability for registration or whether your registration is otherwise objectionable.

Item 16.2 Debt obligation

For each event, state below (1) the person or entity that failed to meet its financial obligation, (2) the amount that was owing at the time the person or entity failed to meet its financial obligation, (3) the person or entity to whom the amount is, or was, owing, (4) any relevant dates (for example, when payments are due or when final payment was made), (5) any amounts currently owing, and (6) any details of the debt obligation relevant to the determination of your suitability for registration or whether your registration is otherwise objectionable, including why the obligation has not been met or satisfied.

Item 16.3 Surety bond or fidelity bond

For each bond refused, state below (1) the name of the bonding company, (2) the address of the bonding company, (3) the date of the refusal, and (4) the reasons for the refusal.

Item 16.4 Garnishments, seizure in the hands of third persons, unsatisfied judgments or directions to pay

For each garnishment, seizure in the hands of third persons, unsatisfied judgment or direction to pay regarding your indebtedness or the indebtedness of an entity incurred at the time you were a partner, director, officer or major shareholder, indicate below (1) the amount that was owing at the time the garnishment, seizure in the hands of third persons, judgment or direction to pay was rendered, (2) the person or entity to whom the amount is, or was, owing, (3) any relevant dates (for example, when payments are due or when final payment was made), (4) why the indebtedness has not been met or satisfied, (5) the percentage of earnings to be garnished or seized in the hands of third persons or the amount to be paid, (6) any amounts currently owing, and (7) any details of the garnishment, seizure in the hands of third persons, unsatisfied judgment or direction to pay relevant to the determination of your suitability for registration or whether your registration is otherwise objectionable.

Schedule N
Ownership of securities and derivatives firms (Item 17)

Name of firm (whose business is trading in or advising on securities or derivatives, or both):

_____

What is your relationship to the firm? Partner ☐ Major shareholder ☐

What is the period of this relationship?

From: To: *(if applicable)*

_____ _____
(YYYY/MM) (YYYY/MM)

Provide the following information:

a) State the number, value, class and percentage of securities, or the amount of partnership interest you own or propose to acquire when you are registered or approved as a result of the review of this form. If acquiring shares when you are so approved or registered, state the source (for example, treasury shares, or if upon transfer, state name of transferor).

_____

b) State the market value (approximate, if necessary) of any subordinated debentures or bonds of the firm to be held by you or any other subordinated loan to be made by you to the firm:

_____

c) If another person or entity has provided you with funds to invest in the firm, provide the name of the person or entity and state the relationship between you and that person or entity:

_____

d) Is the payment of the funds to be invested (or proposed to be invested) guaranteed directly or indirectly by any person or entity?

Yes ☐ No ☐

If “Yes”, provide the name of the person or entity and state the relationship between you and that person or entity:

_____

e) Have you directly or indirectly given up any rights relating to these securities or this partnership interest, or do you, when you are registered or approved as a result of the review of this form, intend to give up any of these rights (including by hypothecation, pledging or depositing as collateral the securities or partnership interest with any entity or person)?

Yes ☐ No ☐

If “Yes”, provide the name of the person or entity, state the relationship between you and that person or entity and describe the rights that have been or will be given up:

_____

f) Is a person other than you the beneficial owner of the shares, bonds, debentures, partnership units or notes held by you?

Yes ☐ No ☐

If “Yes”, complete (g), (h) and (i).

g) Name of beneficial owner:

Last name	First name	Second name N/A ☐	Third name N/A ☐

h) Residential address:

(number, street, city, province, territory or state, country, postal code)

i) Occupation:

Schedule O
Contact information for
Notice and consent for collection and use of personal information

Alberta
Alberta Securities Commission,
Suite 600, 250-5th St. SW
Calgary, AB T2P 0R4
Attention: Information Officer
Telephone: (403) 297-6454

British Columbia
British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
Attention: Registration staff
Telephone: (604) 899-6500 or (800) 373-6393
(in Canada)
E-mail: Registration@bcsc.bc.ca

Manitoba
The Manitoba Securities Commission
500 - 400 St. Mary Avenue
Winnipeg, MB R3C 4K5
Attention: Director of Registrations
Telephone (204) 945-2548
Fax (204) 945-0330

New Brunswick
Financial and Consumer Services Commission of
New Brunswick/Commission des services financiers et
des services aux consommateurs du Nouveau-Brunswick
Suite 300, 85 Charlotte Street
Saint John, NB E2L 2J2
Attention: Registration
Telephone: (506) 658-3060

Newfoundland and Labrador
Superintendent of Securities, Service NL
Government of Newfoundland and Labrador
P.O. Box 8700, 2nd Floor, West Block
Confederation Building
St. John's, NL A1B 4J6
Attention: Manager of Registrations
Telephone: (709) 729-5661

Nova Scotia
Nova Scotia Securities Commission
Suite 400, 5251 Duke Street
Halifax, NS B3J 1P3
Attention: Registration
Telephone: (902) 424-7768

Northwest Territories
Government of the Northwest Territories
Department of Justice
1st Floor Stuart M. Hodgson Building
5009 – 49th Street
Yellowknife, NWT X1A 2L9
Attention: Superintendent of Securities
Telephone: (867) 920-8984

Nunavut
Government of Nunavut
Department of Justice
P.O. Box 1000 Station 570
Iqaluit, NU X0A 0H0
Attention: Superintendent of Securities
Telephone: (867) 975-6590

Ontario
Ontario Securities Commission
22nd Floor
20 Queen Street West
Toronto, ON M5H 3S8
Attention: Compliance and Registrant Regulation
Telephone: (416) 593-8314
e-mail: registration@osc.gov.on.ca

Prince Edward Island
Securities Office
Department of Community Affairs and Attorney General
P.O. Box 2000
Charlottetown, PE C1A 7N8
Attention: Superintendent of Securities
Telephone: (902) 368-6288

Québec
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Attention: Responsable de l'accès à l'information
Telephone: (514) 395-0337 or (877) 525-0337

Saskatchewan
Financial and Consumer Affairs Authority of
Saskatchewan
Suite 601, 1919 Saskatchewan Drive
Regina, SK S4P 4H2
Attention: Director, Capital Markets
Telephone: (306) 787-5871
E-mail: registrationfcaa@gov.sk.ca

Yukon
Government of Yukon
Office of the Yukon Superintendent of Securities
Department of Community Services
P.O. Box 2703 C-6
Whitehorse, YT Y1A 2C6
Attention: Superintendent of Securities
Telephone: (867) 667-5466

Self-regulatory organization
Investment Industry Regulatory Organization of Canada
121 King Street West, Suite 2000
Toronto, Ontario M5H 3T9
Attention: Privacy Officer
Telephone: (416) 364-6133
E-mail: PrivacyOfficer@iiroc.ca

FORM 33-109F5
CHANGE OF REGISTRATION INFORMATION
(Sections 3.1 and 4.1)

WARNING – It is an offence to knowingly give false or misleading information to the regulator or the securities regulatory authority.

CERTIFICATION

1. Form 33-109F4: Use the following certification when making changes to Form 33-109F4

Individual

I, the individual, certify to the regulator or, in Québec, the securities regulatory authority in each jurisdiction where I am submitting this form and to any applicable self-regulatory organization (SRO) that

- I have read this form,
- I have read Form 33-109F4 and understand all matters within this form, including its questions and, for greater certainty, if the business location is a residence, the notice in Item 9,
- I have discussed Form 33-109F4 with a branch manager, supervisor, officer or partner of my sponsoring firm and that to the best of my knowledge, the branch manager, supervisor, officer or partner is satisfied that I understand all matters within Form 33-109F4, including the questions,
- to the best of my knowledge and after reasonable inquiry, all of the information provided on this form is true and complete, including information required to be disclosed by Form 33-109F4 that I am not changing with this form, and
- if applicable, I will limit my activities to those allowed by my category of registration and any SRO approval.

I consent to and authorize the collection, directly and indirectly, of personal information by each regulator, securities regulatory authority and SRO and to the use of my personal information as set out in Item 3.

Firm

I, on behalf of the firm, certify to the regulator or, in Québec, the securities regulatory authority in each jurisdiction where the firm is submitting this form and to any applicable SRO that

- the individual identified in this form will be engaged by the sponsoring firm as a registered individual or a permitted individual, and
- I have, or a branch manager, supervisor, officer or partner has, discussed Form 33-109F4 with the individual. To the best of my knowledge, the individual understands all matters within Form 33-109F4, including the questions.

NRD format:

☐ I, the authorized firm representative, am making this submission under authority delegated by the firm and the individual identified in this form. By checking this box, I certify that

(a) the firm provided me with all of the information on this form and makes the firm certification above,

(b) the individual provided the firm with all of the information on this form and makes the individual certification above, and

(c) the individual provided the above consent and authorization for the collection and use of the individual's personal information.

Non-NRD format:

Individual

By signing below, I, the individual, make the above individual certification and provide my consent and authorization for the collection, directly and indirectly, and use of my personal information.

Signature of individual _____

Date signed _____
(YYYY/MM/DD)

Firm

By signing below, I, on behalf of the firm, make the firm certification above.

Name of firm _____

Name of authorized signing officer or partner _____

Title of authorized signing officer or partner _____

Signature of authorized signing officer or partner _____

Date signed _____
(YYYY/MM/DD)

1. Form 33-109F6: Use the following certification when making changes to Form 33-109F6

By signing below, I, on behalf of the firm, certify to the regulator or, in Québec, the securities regulatory authority in each jurisdiction where the firm is submitting this form and to any applicable SRO that

- I have read this form and understand all matters within this form, including the questions, and to the best of my knowledge and after reasonable inquiry, all of the information provided on this form is true and complete.

Name of firm _____

Name of authorized signing officer or partner _____

Title of authorized signing officer or partner _____

Signature of authorized signing officer or partner _____

Date signed _____
(YYYY/MM/DD)

GENERAL INSTRUCTIONS

Complete and submit this form to notify the relevant regulator(s) or, in Québec, the securities regulatory authority, or self-regulatory organization (SRO) of changes to information in the following forms:

- Form 33-109F6, except for the changes set out in section 3.1 of National Instrument 33-109, or
- Form 33-109F4.

How to submit this form

To report changes to information in a Form 33-109F4, submit this form at the National Registration Database website in NRD format at www.nrd.ca.

Submit this form in a format other than NRD format to report changes to information in a:

a) Form 33-109F6, or

b) Form 33-109F4, if the individual is relying on the temporary hardship exemption in section 5.1 of National Instrument 31-102 *National Registration Database*.

Name of firm _____

Registration categories _____

NRD number (firm) _____

Item 1 Type of form

Check the form that is being updated:

☐ Form 33-109F6

If submitting changes to Form 33-109F6, please attach a blackline of the amended sections of the form.

☐ Form 33-109F4 Name of individual _____

Item 2 Details of change

Provide the item number and details for each change to the form selected above:

Item number _____ Details _____

Effective date of change _____
(YYYY/MM/DD)

Item 3 Notice and consent for collection and use of personal information

1. Notice of collection and use of personal information

Your personal information is collected by, or on behalf of, each securities regulatory authority and SRO set out in Schedule A. Any of the securities regulatory authorities or SROs set out in Schedule A may contact governmental or regulatory authorities, private bodies or agencies, individuals, corporations, employers, and other organizations, in Canada and in other countries, for information about you.

This personal information is being collected under the authority of the applicable securities legislation, derivatives legislation (including commodity futures legislation) or both of the securities regulatory authorities and under the SRO rules of an SRO set out in Schedule A. The collection, use and disclosure are done in accordance with applicable freedom of information and privacy legislation.

The principal purpose of this collection by the securities regulatory authorities is to administer, enforce, carry out their duties or exercise their powers under their respective securities legislation, derivatives legislation (including commodity futures legislation) or both, and by the SROs to administer and enforce the rules of the SROs.

The information submitted by you in this form with your consent, or collected indirectly with your authorization, may be collected

- at any time during your registration or while you are a permitted individual,

or

- at the time the regulator or, in Québec, the securities regulatory authority, or the SRO is informed by your sponsoring firm that you no longer have authority to act on behalf of the sponsoring firm or are not a permitted individual of the sponsoring firm.

If you have any questions about the collection, use and disclosure of this information, contact the securities regulatory authority or SRO in any jurisdiction in which the required information is submitted. See Schedule A for details.

Certain information, such as your name(s) (including aliases, trade names or some past names), your sponsoring firm, and other relevant registration information, will be listed in a publicly available registry of registered individuals and, if applicable, on the Disciplined List.

Certain securities regulatory authorities may provide to or receive from certain entities information under separate provisions of their securities legislation or derivatives legislation (including commodity futures legislation) or both, and SROs may provide or receive information under the rules of the SROs. This consent and notice does not limit the authority, powers, obligations or rights conferred on any of the securities regulatory authorities by legislation or regulations in effect in their jurisdiction.

2. Consent to collect and use personal information

By submitting this form, you consent to and authorize the collection, directly and indirectly, of personal information by each securities regulatory authority and SRO and to the use of your personal information as set out above.

The personal information that each securities regulatory authority or SRO collects includes the following:

- the personal information provided in this form;
- the personal information provided by your sponsoring firm;
- registration or financial services licensing information;
- law enforcement records, including police records;
- credit records;
- bankruptcy or other insolvency records;
- employment records and information received from an employer;
- records and information received from entities you had or have an independent contractor or agency relationship with;
- personal information available online;
- records from governmental or regulatory authorities, SROs or professional bodies;

- records of, and used in, court proceedings, including probation records.

Item 4 [*repealed*]

Item 5 [*repealed*]

Schedule A
Contact information for
Notice and consent for collection and use of personal information

Alberta
Alberta Securities Commission,
Suite 600, 250-5th St. SW
Calgary, AB T2P 0R4
Attention: Information Officer
Telephone: (403) 297-6454

British Columbia
British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
Attention: Registration staff
Telephone: (604) 899-6500 or (800) 373-6393 (in Canada)
E-mail: Registration@bcsc.bc.ca

Manitoba
The Manitoba Securities Commission
500 - 400 St. Mary Avenue
Winnipeg, MB R3C 4K5
Attention: Director of Registrations
Telephone (204) 945-2548
Fax (204) 945-0330

New Brunswick
Financial and Consumer Services Commission of New Brunswick/Commission des services financiers et des services aux consommateurs du Nouveau-Brunswick
Suite 300, 85 Charlotte Street
Saint John, NB E2L 2J2
Attention: Registration
Telephone: (506) 658-3060

Newfoundland and Labrador
Superintendent of Securities, Service NL
Government of Newfoundland and Labrador
P.O. Box 8700, 2nd Floor, West Block
Confederation Building
St. John's, NL A1B 4J6
Attention: Manager of Registrations
Telephone: (709) 729-5661

Nova Scotia
Nova Scotia Securities Commission
Suite 400, 5251 Duke Street
Halifax, NS B3J 1P3
Attention: Registration
Telephone: (902) 424-7768

Northwest Territories
Government of the Northwest Territories
Department of Justice
1st Floor Stuart M. Hodgson Building
5009 – 49th Street
Yellowknife, NWT X1A 2L9
Attention: Superintendent of Securities
Telephone: (867) 920-8984

Nunavut
Government of Nunavut
Department of Justice
P.O. Box 1000 Station 570
Iqaluit, NU X0A 0H0
Attention: Superintendent of Securities
Telephone: (867) 975-6590

Ontario
Ontario Securities Commission
22nd Floor
20 Queen Street West
Toronto, ON M5H 3S8
Attention: Compliance and Registrant Regulation
Telephone: (416) 593-8314
e-mail: registration@osc.gov.on.ca

Prince Edward Island
Securities Office
Department of Community Affairs and Attorney General
P.O. Box 2000
Charlottetown, PE C1A 7N8
Attention: Superintendent of Securities
Telephone: (902) 368-6288

Québec
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Attention: Responsable de l'accès à l'information
Telephone: (514) 395-0337 or (877) 525-0337

Saskatchewan
Financial and Consumer Affairs Authority of Saskatchewan
Suite 601, 1919 Saskatchewan Drive
Regina, SK S4P 4H2
Attention: Director, Capital Markets
Telephone: (306) 787-5871
E-mail: registrationfcaa@gov.sk.ca

Yukon
Government of Yukon
Office of the Yukon Superintendent of Securities
Department of Community Services
P.O. Box 2703 C-6
Whitehorse, YT Y1A 2C6
Attention: Superintendent of Securities
Telephone: (867) 667-5466

Self-regulatory organization
Investment Industry Regulatory Organization of Canada
121 King Street West, Suite 2000
Toronto, Ontario M5H 3T9

Attention: Privacy Officer
Telephone: (416) 364-6133
E-mail: PrivacyOfficer@iiroc.ca

FORM 33-109F6
FIRM REGISTRATION

Who should complete this form?

This form is for firms seeking registration under securities legislation, derivatives legislation or both.

Complete and submit this form to seek initial registration as a dealer, adviser or investment fund manager, or to add one or more jurisdiction of Canada or categories to a firm's registration.

Definitions

In this form:

Chief compliance officer – see section 2.1 of NI 31-103.

Derivatives – financial instruments, such as futures contracts (including exchange traded contracts), futures options and swaps whose market price, value or payment obligations are derived from or based on one or more underlying interests. Derivatives can be in the form of instruments, agreements or securities.

Firm – the person or company seeking registration.

Foreign jurisdiction – see National Instrument 14-101 *Definitions.*

Form – Form 33-109F6 *Firm registration*.

Jurisdiction or jurisdiction of Canada – see National Instrument 14-101 *Definitions.*

NI 31-103 – National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

NI 33-109 – National Instrument 33-109 *Registration Information*.

NI 52-107 – National Instrument 52-107 *Acceptable Accounting Practices and Auditing Standards.*

NRD – National Registration Database. For more information, visit www.nrd-info.ca.

Parent – a person or company that directly or indirectly has significant control of another person or company.

Permitted individual – see NI 33-109.

Predecessor – any entity listed in question 3.6 of this form.

Principal regulator – see NI 33-109.

Significant control – a person or company has significant control of another person or company if the person or company:

- directly or indirectly holds voting securities representing more than 20 per cent of the outstanding voting rights attached to all outstanding voting securities of the other person or company, or
- directly or indirectly is able to elect or appoint a majority of the directors (or individuals performing similar functions or occupying similar positions) of the other person or company.

Specified affiliate – a person or company that is a parent of the firm, a specified subsidiary of the firm, or a specified subsidiary of the firm's parent.

Specified subsidiary – a person or company of which another person or company has significant control.

SRO – see National Instrument 14-101 *Definitions*.

Ultimate designated person – see section 2.1 of NI 31-103.

You – the individual who completes, submits, files and/or signs the form on behalf of the firm.

We and the regulator – the securities regulatory authority or regulator in the jurisdiction(s) of Canada where the firm is seeking registration

Contents of the form

This form consists of the following:
Collection and use of personal information
Certification
Part 1 – Registration details
Part 2 – Contact information
Part 3 – Business history and structure
Part 4 – Registration history
Part 5 – Financial condition
Part 6 – Client relationships
Part 7 – Regulatory action
Part 8 – Legal action
Part 9 – [repealed]
Schedule A – Contact information for consent and notice of collection and use of personal information
Schedule B – Submission to jurisdiction and appointment of agent for service
Schedule C – Form 31-103F1 *Calculation of excess working capital*

You are also required to submit the following supporting documents with your completed form:

1. Schedule B – Submission to jurisdiction and appointment of agent for service for each jurisdiction where the firm is seeking registration (question 2.4)
2. Business plan, policies and procedures manual, and client agreements (except in Ontario) (question 3.3)
3. Constating documents (question 3.7)
4. Organization chart (question 3.11)
5. Ownership chart (question 3.12)
6. Calculation of excess working capital (question 5.1)
7. Directors' resolution approving insurance (question 5.7)
8. Audited financial statements (question 5.13)
9. Letter of direction to auditors (question 5.14)

How to complete and submit the form

The firm is required to pay a registration fee in each jurisdiction of Canada where it is submitting and filing this form. Refer to the prescribed fees of the applicable jurisdiction for details.

All dollar values are in Canadian dollars. If a question does not apply to the firm, write "n/a" in the space for the answer.

If the firm is seeking registration in more than one jurisdiction of Canada or category, other than in the category of restricted dealer, you only need to complete and submit one form. If the firm is seeking registration as a restricted dealer, submit and file the form with each jurisdiction of Canada where the firm is seeking that registration.

You can complete this form:

- on paper and deliver it to the principal regulator or relevant SRO
- on paper, scan it and e-mail it to the principal regulator or SRO

If the firm is seeking registration in Ontario, and Ontario is not the firm's principal regulator, you must also file a copy of this form, without supporting documents, with the Ontario Securities Commission.

You can find contact information for submitting and filing the form in Appendix B of Companion Policy 33-109CP Registration information.

We may accept the form in other formats. Please check with the regulator before you complete, submit and file the form. If you are completing the form on paper and need more space to answer a question, use a separate sheet of paper and attach it to this form. Clearly identify the question number.

You must include all supporting documents with your submission. We may ask you to provide other information and documents to help determine whether the firm is suitable for registration.

In most of this form, answers are required to questions which apply only to Canadian provinces and territories; you will find that the questions are referenced to "jurisdictions" or "jurisdiction of Canada". These refer to all provinces and territories of Canada. However, the questions in Part 4 – *Registration History* and Part 7 – *Regulatory Action* are to be answered in respect of any jurisdiction in the world.

It is an offence to knowingly give false or misleading information to the regulator or securities regulatory authority.

Updating the information on the form

See Part 3 of NI 33-109.

The firm is required to notify the regulator, within specified times, of any changes to the information on this form by submitting and filing Form 33-109F5 *Change of Registration Information*.

Collection and use of personal information

In obtaining information about the firm, each securities regulatory authority and SRO set out in Appendix A may receive and collect personal information about individuals, if any, associated with the firm and its directors, officers, partners, employees, contractors and agents.

This may include the collection of

- the personal information provided in this form,
- registration or financial services licensing information,
- personal information available online,
- records from governmental or regulatory authorities, SROs or professional bodies, or
- records of, and used in, court proceedings, including probation records.

Any of the securities regulatory authorities or SROs set out in Schedule A may contact governmental or regulatory authorities, private bodies or agencies, individuals, corporations, employers, and other organizations, in Canada and in other countries, for information about the individual.

This personal information is being collected under the authority of the applicable securities legislation, derivatives legislation (including commodity futures legislation), or both of the securities regulatory authorities and under the SRO rules of an SRO set out in Schedule A. The collection, use and disclosure are done in accordance with applicable freedom of information and privacy legislation.

The principal purpose of this collection by the securities regulatory authorities is to administer, enforce, carry out their duties or exercise their powers under their respective securities legislation, derivatives legislation (including commodity futures legislation) or both, and for the SROs to administer and enforce the rules of the SROs.

The information may be collected

- at the time of the firm's application,
- at any time during the firm's registration, or
- at the time the regulator or, in Québec, the securities regulatory authority, or the SRO is informed by the firm that it is surrendering its registration.

If you or anyone referred to in this form has any questions about the collection, use, and disclosure of this information, you or they can contact the regulator or, in Québec, the securities regulatory authority, or SRO in any jurisdiction in which the required information is submitted. See Schedule A for details.

Certain registration information about the firm and its registered individuals will be listed in a publicly available registry, including names used by the firm, the address of the firm's head office, whether the firm is on the Disciplined List, the jurisdictions and categories in which the firm is registered, and whether any terms and conditions have been imposed on the firm's registration, and the firm's registered individuals.

Certain securities regulatory authorities may provide to or receive from certain entities information under separate provisions of their securities legislation or derivatives legislation (including

commodity futures legislation) or both, and SROs may provide or receive information under the rules of the SROs. This consent and notice does not limit the authority, powers, obligations, or rights conferred on any of the securities regulatory authorities by legislation or regulations in effect in their jurisdiction.

WARNING: It is an offence to knowingly give false or misleading information to the regulator or the securities regulatory authority.

CERTIFICATION

By signing this form, I, on behalf of the firm,

1. certify to the regulator or, in Québec, the securities regulatory authority in each jurisdiction where the firm is submitting this form and to any applicable self-regulatory organization (SRO) that

- I have read this form,
- the firm has submitted and filed all information required to be submitted and filed under securities legislation and/or derivatives legislation in the principal jurisdiction of Canada where the firm is seeking registration, and
- to the best of my knowledge and after reasonable inquiry, all of the information provided on this form is true and complete,

2. authorize the principal regulator to give each non-principal regulator and, where applicable, SRO access to any information the firm has submitted or filed with the principal regulator under securities legislation or derivatives legislation or both in relation to the firm's registration in that jurisdiction,

3. acknowledge that the regulator or, in Québec, the securities regulatory authority, and SRO may collect and provide personal information about the individuals referred to in this form under the heading Collection and Use of Personal Information, and

4. confirm that the individuals referred to in this form have been notified that the individuals' personal information is disclosed on this form, the legal reason for doing so, how it will be used and who to contact for more information.

Name of firm _____

Name of authorized signing officer or partner _____

Title of authorized signing officer or partner _____

Signature of authorized signing officer or partner _____

Date signed _____ ,
(YYYY/MM/DD)

PART 1 – Registration Details

1.1 Firm's full legal name

Provide the full legal name of the firm as it appears on the firm's constating documents required under question 3.7. If the firm is a sole proprietorship, provide your first, last and any middle names.

If the firm's legal name is in English and French, provide both versions.

For more information, visit www.nrd-info.ca.

1.2 Firm's NRD number

1.3 Why are you submitting this form?

Complete:

☐	To seek initial registration as a firm in one or more jurisdictions of Canada	The entire form
☐	To add one or more jurisdictions of Canada to the firm's registration	Questions 1.1, 1.2, 1.4, 1.5, 2.4, 3.9, 5.4, 5.6*, and Part 9
☐	To add one or more categories to the firm's registration	Questions 1.1, 1.2, 1.4, 1.5, 3.1, 5.1, 5.4, 5.5, 5.6*, 5.7, 5.8, Part 6 and Part 9

* If the firm is adding Québec as a jurisdiction for registration in the category of mutual fund dealer or scholarship plan dealer, complete question 5.6.

1.4 In what category and jurisdiction is the firm seeking registration? Check all that apply.

(a) Categories under securities legislation

Abbreviations
Alberta (AB)
British Columbia (BC)
Manitoba (MB)
New Brunswick (NB)
Newfoundland and Labrador (NL)
Northwest Territories (NT)
Nova Scotia (NS)
Nunavut (NU)
Ontario (ON)
Prince Edward Island (PE)
Québec (QC)
Saskatchewan (SK)
Yukon (YT)

	Jurisdiction												
Category	**AB**	**BC**	**MB**	**NB**	**NL**	**NS**	**NT**	**NU**	**ON**	**PE**	**QC**	**SK**	**YT**
Investment dealer	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Mutual fund dealer	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Scholarship plan dealer	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Exempt market dealer	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Restricted dealer	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Investment fund manager	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Portfolio manager	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Restricted portfolio manager	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

(b) Categories under derivatives legislation (Manitoba and Ontario only)

Category	**Manitoba**
Dealer (merchant)	☐
Dealer (futures commission merchant)	☐
Dealer (floor broker)	☐
Local	☐
Adviser	☐

	Ontario
Commodity trading adviser	☐
Commodity trading counsel	☐
Commodity trading manager	☐
Futures commission merchant	☐

(c) Investment dealers and portfolio manager (Québec only)

If the firm is seeking registration in Québec as an investment dealer or a portfolio manager, will the firm also act as a:

Derivatives dealer	Yes	☐	No	☐
Derivatives portfolio manager	Yes	☐	No	☐

1.5 Exemptions

Is the firm applying for any exemptions under securities or derivatives legislation?

Yes ☐ No ☐

If yes, provide the following information for each exemption:

Type of exemption												
Legislation												
Jurisdiction(s) where the firm has applied for the exemption												
AB	BC	MB	NB	NL	NS	NT	NU	ON	PE	QC	SK	YU
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

PART 2 – Contact Information

Addresses

2.1 Head office address

A post office box on its own is not acceptable for a head office address.

Address line 1	
Address line 2	
City	Province/territory/state
Country	Postal/zip code
Telephone number	Fax number
Website	

If the firm's head office is in Canada, go to question 2.3

If the firm's head office is not in Canada, go to question 2.2

2.2 Firm's whose head office is not in Canada

(a) Does the firm have any business location addresses in Canada?

Yes ☐ No ☐

If yes, provide the firm's primary Canadian location business address:

Address line 1	
Address line 2	
City	Province/territory
Postal code	

The securities regulatory authority in this jurisdiction of Canada is the firm's principal regulator in Canada.

(b) If a firm is not registered in a jurisdiction of Canada, indicate the jurisdiction of Canada in which the firm expects to conduct most of its activities that require registration as at the end of its current financial year or conducted most of its activities that require registration as at the end of its most recently completed financial year.

AB	BC	MB	NB	NL	NS	NT	NU	ON	PE	QC	SK	YU
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

A post office box is acceptable for a mailing address.

2.3 Mailing address

☐ Same as the head office address

Address line 1	
Address line 2	
City	Province/territory/state
Country	Postal code

If the firm does not have an office in a jurisdiction of Canada where it is seeking registration, it must appoint an agent for service in that jurisdiction of Canada.

2.4 Address for service and agent for service

Attach an executed Schedule B *Submission to jurisdiction and appointment of agent for service* for each jurisdiction of Canada where the firm is seeking registration and does not have an office.

A registered firm must have an individual registered in the category of ultimate designated person.

Contact Names

2.5 Ultimate designated person

Legal name	
Officer title	
Telephone number	
E-mail address	
NRD number, if available	
Address ☐ Same as firm head office address	
Address line 1	
Address line 2	
City	Province/territory/state
Country	Postal code

Telephone number	E-mail address

2.6 Chief compliance officer

☐ Same as ultimate designated person

A registered firm must have an individual registered in the category of chief compliance officer

Legal name	
Officer title	
Telephone number	
E-mail address	
NRD number, if available	
Address ☐ Same as firm head office address	
Address line 1	
Address line 2	
City	Province/territory/state
Country	Postal code
Telephone number	E-mail address

PART 3 – Business history and structure

Business activities

3.1 The firm's business

Provide a description of the firm's proposed business, including its primary business activities, target market, and the products and services it will provide to clients.

3.2 Other names

In addition to the firm's legal name in question 1.1, does the firm use any other names, such as a trade name?

Yes ☐ No ☐

If yes, list all other names and indicate if each name has been registered.

3.3 Business documents

Does the firm have the following documents to support its business activities?

		Yes	No
(a)	Business plan for at least the next three years		
(b)	Policies and procedures manual, including account opening procedures and the firm's policy on fairness in allocation of investment opportunities, if applicable		

If no, explain why the firm does not have the document:

Attach the firm's business plan, policies and procedures manual and client agreements, including any investment policy statements and investment management agreements except if the regulator in Ontario is the principal regulator of the firm seeking registration, unless the regulator in Ontario has requested they be provided.

History of the firm

3.4 When was the firm created?

yyyy/mm/dd

3.5 How was the firm created?

New start-up	☐	Go to question 3.7
Merger or amalgamation	☐	Go to question 3.6
Reorganization	☐	Go to question 3.6
Other statutory arrangement	☐	Please specify below and go to question 3.6

3.6 Predecessors

List the entities that were merged, amalgamated, reorganized or otherwise arranged to create the firm.

3.7 Constating documents

Attach the legal documents that established the firm as an entity, for example, the firm's articles and certificate of incorporation, any articles of amendments, partnership agreement or declaration of trust. If the firm is a sole proprietorship, provide a copy of the registration of trade name.

As part of their constating documents, firms whose head office is outside Canada may be required to provide proof of extra-provincial registration.

Business structure and ownership

3.8 Type of legal structure

Sole proprietorship	☐	
Partnership	☐	
Limited partnership	☐	Name of general partner _____
Corporation	☐	
Other	☐	Please specify _____

This is the firm's corporate registration number or Québec enterprise number (NEQ).

3.9 Business registration number, if applicable

List the firm's business registration number for each jurisdiction of Canada where the firm is seeking registration.

Business registration number	Jurisdiction of Canada

3.10 Permitted individuals

List all permitted individuals of the firm.

State why the individual is considered a permitted individual (e.g., director, partner, officer, shareholder, or a permitted individual as described in paragraph (c) of the definition of "permitted individual" in section 1.1 of National Instrument 33-109 *Registration Information*).

Name	Type of Permitted Individual	NRD number, if applicable

3.11 Organization chart

Attach an organization chart showing the firm's reporting structure. Include all permitted individuals, the ultimate designated person and the chief compliance officer.

3.12 Ownership chart

Attach a chart showing the firm's structure and ownership. Include all parents, specified affiliates and specified subsidiaries. Indicate which of the parents, specified affiliates and specified subsidiaries are registered under securities legislation in any jurisdiction of Canada and provide their NRD number.

Include the name of the person or company, and class, type, amount and percentage ownership of the firm's voting securities.

PART 4 – Registration history

The questions in Part 4 apply to any jurisdiction and any foreign jurisdiction.

4.1 Securities registration

In the last seven years, has the firm, or any predecessors or specified affiliates of the firm been registered or licensed to trade or advise in securities or derivatives?

Yes ☐ No ☐

If yes, provide the following information for each registration.

Name of entity	
Registration category	
Regulator/organization	
Date of registered or licensed (yyyy/mm/dd)	Expiry date, if applicable (yyyy/mm/dd)
Jurisdiction	

4.2 Exemption from securities registration

Is the firm currently relying on any exemptions from registration or licensing to trade or advise in securities or derivatives (other than those exemptions with respect to which the firm has already notified the securities regulator, or, in Québec, the securities regulatory authority in accordance with the applicable exemption)?

Yes ☐ No ☐

If yes, provide the following information for each exemption:

Type of exemption
Registrator/organization
Date of exemption (yyyy/mm/dd)
Jurisdiction

4.3 Membership in an exchange or SRO

In the last seven years, has the firm, or any predecessors or specified affiliates of the firm been a member of a securities or derivatives exchange, SRO or similar organization?

Yes ☐ No ☐

If yes, provide the following information for each membership.

Name of entity	
Registration category	
Date of membership (yyyy/mm/dd)	Expiry date, if applicable (yyyy/mm/dd)
Jurisdiction	

4.4 Exemption from membership in an exchange or SRO

Is the firm currently relying on any exemptions from membership with a securities or derivatives exchange, SRO or similar organization?

Yes ☐ No ☐

If yes, provide the following information for each exemption:

Type of exemption
Organization
Date of exemption (yyyy/mm/dd)
Jurisdiction

4.5 Refusal of registration, licensing or membership

Has the firm, or any predecessors or specified affiliates of the firm been refused registration, licensing or membership with a financial services regulator, securities or derivatives exchange, SRO or similar organization?

Yes ☐ No ☐

If yes, provide the following information for each refusal:

Name of entity
Reason for refusal
Regulator/organization
Date of refusal (yyyy/mm/dd)
Jurisdiction

4.6 Registration for other financial products

Examples of other financial products include financial planning, life insurance and mortgages.

In the last seven years, has the firm, or any predecessors or specified affiliates of the firm been registered or licensed under legislation that requires registration or licensing to sell or advise in a financial product other than securities or derivatives?

Yes ☐ No ☐

If yes, provide the following information for each registration or licence.

Name of entity	
Type of licence or registration	
Licence number	
Regulator/organization	
Date of registration (yyyy/mm/dd)	Expiry date, if applicable (yyyy/mm/dd)
Jurisdiction	

PART 5 – Financial condition

Capital requirements

5.1 Calculation of excess working capital

Attach the firm's calculation of excess working capital.

- Investment dealers must use the capital calculation form required by the Investment Industry Regulatory Organization of Canada (IIROC).
- Mutual fund dealers must use the capital calculation form required by the Mutual Fund Dealers Association of Canada (MFDA), except for mutual fund dealers registered in Québec only.
- Firms that are not members of either IIROC or the MFDA must use Form 31-103F1 *Calculation of Excess Working Capital*. See Schedule C.

5.2 Sources of capital

List all cash, cash equivalents, debt and equity sources of the firm's capital.

Name of person or entity providing the capital	Type of capital	Amount ($)

5.3 Guarantors

See Schedule C Form 31-103F1 *Calculation of Excess Working Capital*.

In relation to its business, does the firm:

		Yes	No
(a)	Have any guarantors?		
(b)	Act as a guarantor for any party?		

If yes, provide the following information for each guarantee:

Name of party to the guarantee	
NRD number, if applicable	
Relationship to the firm	Amount of guarantee ($)

Details of the guarantee

Bonding and insurance

Questions 5.4 to 5.8 apply to the firm's bonding or insurance coverage or proposed bonding or insurance coverage for securities and derivatives activities only. This in accordance with Part 12, Division 2 of NI 31-103.

5.4 Jurisdictions covered

Where does the firm have bonding or insurance coverage?

This information is on the financial institution bond.

AB ☐
BC ☐
MB ☐
NB ☐
NL ☐
NS ☐
NT ☐
NU ☐
ON ☐
PE ☐
QC ☐
SK ☐
YT ☐

If the firm's bonding or insurance does not cover all jurisdictions of Canada where it is seeking registration, explain why.

5.5 Bonding or insurance details

This information is on the binder of insurance or on the financial institution bond.

Name of insurer	
Bond or policy number	
Specific insuring agreements and clauses	
Coverage for each claim ($)	Annual aggregate coverage ($)
Total Coverage ($)	
Amount of the deductible ($)	Expiry date (yyyy/mm/dd)

If the firm's insurance or proposed insurance is not in the form of a financial institution bond, explain how it provides equivalent coverage to the bond.

5.6 Professional liability insurance (Québec only)

This information is required only if the firm is applying for registration in Québec as a mutual fund dealer or as a scholarship plan dealer.

If the firm is seeking registration in Québec as a mutual fund dealer or a scholarship plan dealer, provide the following information about the firm's professional liability insurance:

Name of insurer
Policy number

Specific insuring agreements and clauses	
Coverage for each claim ($)	Annual aggregate coverage ($)
Total Coverage ($)	
Amount of the deductible ($)	Renewal date (yyyy/mm/dd)

Jurisdiction covered:

AB	BC YT	MB	NB	NL	NS	NT	NU	ON	PE	QC	SK
☐	☐ ☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

Which insurance policy applies to your representatives?

Firm's policy ☐ Individual's policy ☐ Both ☐

5.7 Directors' resolution approving insurance

Attach a directors' resolution confirming that the firm has sufficient insurance coverage for its securities or derivatives-related activities.

5.8 Bonding or insurance claims

In the last seven years, has the firm made any claims against a bond or on its insurance?

Yes ☐ No ☐

If yes, provide the following information for each claim:

Type of bond or insurance	
Date of claim (yyyy/mm/dd)	Amount ($)
Reason for claim	
Date resolved (yyyy/mm/dd)	Result
Jurisdiction	

Solvency

5.9 Bankruptcy

In the last seven years, has the firm or any of its specified affiliates declared bankruptcy, made an assignment or proposal in bankruptcy, or been the subject of a petition in bankruptcy, or the equivalent in any jurisdiction?

Yes ☐ No ☐

If yes, provide the following information for each bankruptcy or assignment in bankruptcy:

Name of entity

Reason for bankruptcy or assignment	
Date of bankruptcy, assignment or petition (yyyy/mm/dd)	Date discharge granted, if applicable (yyyy/mm/dd)
Name of trustee	
Jurisdiction	

If applicable, attach a copy of any discharge, release or equivalent document.

5.10 Appointment of receiver

In the last seven years, has the firm or any of its specified affiliates appointed a receiver or receiver manager, or had one appointed, or the equivalent in any jurisdiction?

Yes ☐ No ☐

If yes, provide the following information for each appointment of receiver:

Name of entity	
Date of appointment (yyyy/mm/dd)	Reason for appointment
Date of appointment ended (yyyyy/mm/dd)	Reason for appointment ended
Name of receiver or receiver manager	
Jurisdiction	

Financial reporting

5.11 Financial year-end

(mm/dd)

If the firm has not established its financial year-end, explain why.

5.12 Auditor

Provide the name of the individual auditing the financial statements and the name of the firm, if applicable.

Name of auditor and accounting firm

5.13 Audited financial statements

(a) Attach, for your most recently completed year, either

(i) non-consolidated audited financial statements; or
(ii) audited financial statements prepared in accordance with section 3.2(3) of NI 52-107.

(b) If the audited financial statements attached for item (a) were prepared for a period ending more than 90 days before the date of this application, also

attach an interim financial information (as set out in section 12.11 of NI 31-103) for a period of not more than 90 days before the date of this application.

If the firm is a start-up company, you can attach an audited opening statement of financial position instead.

5.14 Letter of direction to auditors

We may request an audit of the firm at any time while the firm is registered

Attach a letter of direction from the firm authorizing the auditor to conduct any audit or review of the firm that the regulator may request.

PART 6 – Client relationships

See Part 14, Division 3 of NI 31-103 and Companion Policy 31-103CP.

6.1 Client assets

Will the firm hold or have access to client assets?

Yes ☐ No ☐

For guidance regarding whether a firm will hold or have access to client assets see section 12.4 of Companion Policy 31-103CP.

If yes, provide the following information for each financial institution where the trust accounts for client assets are held.

Name of financial institution	
Address line 1	
Address line 2	
City	Province/territory/state
Postal code	Telephone number

6.2 Conflicts of interest

Does the firm have or expect to have any relationships that could reasonably result in any significant conflicts of interest in carrying out its registerable activities in accordance with securities or derivatives legislation?

Yes ☐ No ☐

If yes, complete the following questions:

(a) Provide details about each conflict:

(b) Does the firm have policies and procedures to identify and respond to its conflicts of interest?

Yes ☐ No ☐

If no, explain why:

PART 7 – Regulatory action

The questions in Part 7 apply to any jurisdiction and any foreign jurisdiction. The information must be provided in respect of the last 7 years.

7.1 Settlement agreements

Has the firm, or any predecessors or specified affiliates of the firm entered into a settlement agreement with any financial services regulator, securities or derivatives exchange, SRO or similar organization?

Yes ☐ No ☐

If yes, provide the following information for each settlement agreement:

Name of entity
Regulator/organization
Date of settlement (yyyy/mm/dd)
Details of settlement
Jurisdiction

7.2 Disciplinary history

Has any financial services regulator, securities or derivatives exchange, SRO or similar organization ever:

		Yes	No
(a)	Determined that the firm, or any predecessors or specified affiliates of the firm violated any securities regulations or any rules of a securities or derivatives exchange, SRO or similar organization?		
(b)	Determined that the firm, or any predecessors or specified affiliates of the firm made a false statement or omission?		
(c)	Issued a warning or requested an undertaking by the firm, or any predecessors or specified affiliates of the firm?		
(d)	Suspended or terminated any registration, licensing or membership of the firm, or any predecessors or specified affiliates of the firm?		
(e)	Imposed terms or conditions on any registration or membership of the firm, or predecessors or specified affiliates of the firm?		
(f)	Conducted a proceeding or investigation involving the firm, or any predecessors or specified affiliates of the firm?		
(g)	Issued an order (other than an exemption order) or a sanction to the firm, or any predecessors or specified affiliates of the firm for securities or derivatives-related activity (e.g. cease trade order)?		

If yes, provide the following information for each action:

Name of entity

Type of action	
Regulator/organization	
Date of action (yyyy/mm/dd)	Reason for action
Jurisdiction	

7.3 Ongoing investigations

Is the firm aware of any ongoing investigations of which the firm or any of its specified affiliates is the subject?

Yes ☐ No ☐

If yes, provide the following information for each investigation:

Name of entity
Reason or purpose of investigation
Regulator/organization
Date investigation commenced (yyyy/mm/dd)
Jurisdiction

PART 8 – Legal action

The firm must disclose offences or legal actions under any statute governing the firm and its business activities in any jurisdiction. The information must be provided in respect of the last 7 years.

8.1 Criminal convictions

Has the firm, or any predecessors or specified affiliates of the firm been convicted of any criminal or quasi-criminal offence?

Yes ☐ No ☐

If yes, provide the following information for each conviction:

Name of entity	
Type of offence	
Case name	Case number, if applicable
Date of conviction (yyyy/mm/dd)	
Jurisdiction	

8.2 Outstanding criminal charges

Is the firm or any of its specified affiliates currently the subject of any outstanding criminal or quasi-criminal charges?

Yes ☐ No ☐

If yes, provide the following information for each charge:

Name of entity
Type of offence
Date of charge (yyyy/mm/dd)
Jurisdiction

8.3 Outstanding legal actions

		Yes	No
(a)	Is the firm currently a defendant or respondent (or the equivalent in any jurisdiction) in any outstanding legal action?		
(b)	Are any of the firm's specified affiliates currently a defendant or respondent (or the equivalent in any jurisdiction) in any outstanding legal action that involves fraud, theft or securities-related activities, or that could significantly affect the firm's business?		

If yes, provide the following information for each legal action:

Name of entity
Type of legal action
Date of legal action (yyyy/mm/dd)
Current stage of litigation
Remedies requested by plaintiff or appellant
Jurisdiction

8.4 Judgments

		Yes	No
(a)	Has any judgment been rendered against the firm or is any judgment outstanding in any civil court for damages or other relief relating to fraud, theft or securities-related activities?		
(b)	Are any of the firm's specified affiliates currently the subject of any judgments that involve fraud, theft or securities-related activities, or that could significantly affect the firm's business?		

If yes, provide the following information for each judgment:

Name of entity
Type of judgment
Date of judgment (yyyy/mm/dd)
Current stage of litigation, if applicable
Remedies requested by plaintiff

PART 9 [*repealed*]

Schedule A
Contact information for
Notice of collection and use of personal information

Alberta
Alberta Securities Commission,
Suite 600, 250-5th St. SW
Calgary, AB T2P 0R4
Attention: Information Officer
Telephone: (403) 297-6454

British Columbia
British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
Attention: Registration staff
Telephone: (604) 899-6500 or (800) 373-6393
(in Canada)
E-mail: Registration@bcsc.bc.ca

Manitoba
The Manitoba Securities Commission
500 - 400 St. Mary Avenue
Winnipeg, MB R3C 4K5
Attention: Director of Registrations
Telephone (204) 945-2548
Fax (204) 945-0330

New Brunswick
Financial and Consumer Services Commission of
New Brunswick/Commission des services financiers et
des services aux consommateurs du Nouveau-Brunswick
Suite 300, 85 Charlotte Street
Saint John, NB E2L 2J2
Attention: Registration
Telephone: (506) 658-3060

Newfoundland and Labrador
Superintendent of Securities, Service NL
Government of Newfoundland and Labrador
P.O. Box 8700, 2nd Floor, West Block
Confederation Building
St. John's, NL A1B 4J6
Attention: Manager of Registrations
Telephone: (709) 729-5661

Nova Scotia
Nova Scotia Securities Commission
Suite 400, 5251 Duke Street
Halifax, NS B3J 1P3
Attention: Registration
Telephone: (902) 424-7768

Northwest Territories
Government of the Northwest Territories
Department of Justice
1st Floor Stuart M. Hodgson Building
5009 – 49th Street
Yellowknife, NWT X1A 2L9
Attention: Superintendent of Securities
Telephone: (867) 920-8984

Nunavut
Government of Nunavut
Department of Justice
P.O. Box 1000 Station 570
Iqaluit, NU X0A 0H0
Attention: Superintendent of Securities
Telephone: (867) 975-6590

Ontario
Ontario Securities Commission
22nd Floor
20 Queen Street West
Toronto, ON M5H 3S8
Attention: Compliance and Registrant Regulation
Telephone: (416) 593-8314
e-mail: registration@osc.gov.on.ca

Prince Edward Island
Securities Office
Department of Community Affairs and Attorney General
P.O. Box 2000
Charlottetown, PE C1A 7N8
Attention: Superintendent of Securities
Telephone: (902) 368-6288

Québec
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Attention: Responsable de l'accès à l'information
Telephone: (514) 395-0337 or (877) 525-0337

Saskatchewan
Financial and Consumer Affairs Authority of
Saskatchewan
Suite 601, 1919 Saskatchewan Drive
Regina, SK S4P 4H2
Attention: Director, Capital Markets
Telephone: (306) 787-5871
E-mail: registrationfcaa@gov.sk.ca

Yukon
Government of Yukon
Office of the Yukon Superintendent of Securities
Department of Community Services
P.O. Box 2703 C-6
Whitehorse, YT Y1A 2C6
Attention: Superintendent of Securities
Telephone: (867) 667-5466

Self-regulatory organization
Investment Industry Regulatory Organization of Canada
121 King Street West, Suite 2000
Toronto, Ontario M5H 3T9
Attention: Privacy Officer
Telephone: (416) 364-6133
E-mail: PrivacyOfficer@iiroc.ca

Schedule B
Submission to jurisdiction and appointment of agent for service

1. Name of person or company (the “Firm”): _____

2. Jurisdiction of incorporation of the person or company: _____

3. Name of agent for service of process (the "Agent for Service"): _____

4. Address for service of process on the Agent for Service: _____

   _____

   _____

   _____

   Phone number of the Agent for Service:

   _____

5. The 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 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.

6. The Firm irrevocably and unconditionally submits to the non-exclusive jurisdiction of the judicial, quasi-judicial and administrative tribunals of the local jurisdiction and any administrative proceeding in the local jurisdiction, in any proceeding arising out of or related to or concerning the Firm's activities in the local jurisdiction.

7. Until six years after the Firm ceases to be registered, the Firm must file a new executed Submission to jurisdiction and appointment of agent for service in this form

   a. no later than the 15th day after the date this Submission to jurisdiction and appointment of agent for service is terminated, and

   b. no later than the 15th day after any change in the name or address of the Agent for Service.

8. 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 Firm or authorized signatory)

_____
(Name and Title of authorized signatory)

Acceptance

The undersigned accepts the appointment as Agent for Service of (Insert name of the 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)

Schedule C
FORM 31-103F1 *Calculation of Excess Working Capital*

_____
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 Line 1 minus line 2 =		
4.	Current liabilities		
5.	Add 100% of non-current related party debt unless the firm and the lender have executed a subordination agreement in the form set out in Appendix B of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and the firm has delivered a copy of the agreement to the regulator or, in Québec, the securities regulatory authority. See section 12.2 of National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.		
6.	Adjusted current liabilities Line 4 plus line 5 =		
7.	Adjusted working capital Line 3 minus line 6 =		
8.	Less minimum capital		
9.	Less market risk		
10.	Less any deductible under the bonding or insurance policy required under Part 12 of National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations* or, in Québec, for a firm registered only in that jurisdiction and solely in the category of a mutual fund dealer, less the deductible under liability insurance required under section 193 of the Québec Securities Regulation.		
11.	Less Guarantees		
12.	Less unresolved differences		
13.	Excess working capital		

Notes:

Form 31 103-F1 *Calculation of Excess Working Capital* must be prepared using the accounting principles that you use to prepare your financial statements in accordance with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*. Section 12.1 of the Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* provides

– Any unresolved differences that could result in a loss from either firm or client assets must be included in the capital calculation. further guidance in respect of these accounting principles.

Line 5. Related-party debt – Refer to the Handbook for the definition of "related party" for publicly accountable enterprises. The firm is required to deliver a copy of the executed subordination agreement to the regulator or, in Québec, the securities regulatory authority on the earlier of a) 10 days after the date the agreement is executed or b) the date an amount subordinated by the agreement is excluded from its calculation of excess working capital on Form 31-103F1 *Calculation of Excess Working Capital*. **The firm must notify the regulator or, in Québec, the securities regulatory authority, 10 days before it repays the loan (in whole or in part), or terminates the subordination agreement.** See section 12.2 of National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

Line 8. Minimum Capital – The amount on this line must be not less than (a) $25,000 for an adviser and (b) $50,000 for a dealer. For an investment fund manager, the amount must be not less than $100,000 unless subsection 12.1(4) applies of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* applies.

Line 9. Market Risk – The amount on this line must be calculated according to the instructions set out in Schedule 1 to Form 31-103F1 *Calculation of Excess Working Capital*. A schedule supporting the calculation of any amounts included in Line 9 as market risk should be provided to the regulator or, in Québec, the securities regulatory authority in conjunction with the submission of Form 31-103F1 *Calculation of Excess Working Capital*.

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 statement of financial position 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 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 fair 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 fair 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.

Please refer to section 12.1 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* for further guidance on how to prepare and file Form 31 103-F1 *Calculation of Excess Working Capital*.

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 purposes of completing this form:

(1) "Fair value" means the value of a security determined in accordance with Canadian GAAP applicable to publicly accountable enterprises.

(2) For each security whose value is included in line 1, Current Assets, multiply the fair 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 or of any other national foreign government (provided those foreign government securities have a current credit rating described in subparagraph (i.1)) maturing (or called for redemption):

within 1 year:	1% of fair value multiplied by the fraction determined by dividing the number of days to maturing by 365
over 1 year to 3 years:	1 % of fair value
over 3 years to 7 years:	2% of fair value
over 7 years to 11 years:	4% of fair value
over 11 years:	4% of fair value

(i.1) A credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of such successor credit rating organization, that is the same as one of the following corresponding rating categories or that is the same as a category that replaces one of the following corresponding rating categories:

Designated Rating Organization	Long Term Debt	Short Term Debt
DBRS Limited	AAA	R-1(high)
Fitch Ratings, Inc.	AAA	F1+
Moody's Canada Inc.	Aaa	Prime-1
S&P Global Ratings Canada	AAA	A-1+

(ii) Bonds, debentures, treasury bills and other securities of or guaranteed by any jurisdiction of Canada and obligations of the International Bank for Reconstruction and Development, maturing (or called for redemption):

within 1 year:	2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years:	3% of fair value
over 3 years to 7 years:	4% of fair value
over 7 years to 11 years:	5% of fair value
over 11 years:	5% of fair 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 fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years:	5% of fair value
over 3 years to 7 years:	5% of fair value
over 7 years to 11 years:	5% of fair value
over 11 years:	5% of fair value

(iv) Other non-commercial bonds and debentures, (not in default): 10% of fair value

(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 fair value
over 1 year to 3 years:	6% of fair value
over 3 years to 7 years:	7% of fair value

over 7 years to 11 years:	10% of fair value
over 11 years:	10% of fair 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 fair 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 fair 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

Securities of mutual funds qualified by prospectus for sale in any jurisdiction of Canada:

(i) 5% of the net asset value per security as determined in accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure*, where the fund is a money market mutual fund as defined in National Instrument 81-102 *Investment Funds*; or

(ii) the margin rate determined on the same basis as for listed stocks multiplied by the net asset value per security of the fund as determined in accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure*.

Securities of mutual funds qualified by prospectus for sale in the United States of America: 5% of the net asset value per security if the fund is registered as an investment company under the *Investment Company Act of 1940*, as amended from time to time, and complies with Rule 2a-7 thereof.

(e) Stocks

In this paragraph, "securities" includes rights and warrants and does not include bonds and debentures.

(i) On securities including investment fund securities, rights and warrants, listed on any exchange in Canada or the United States of America:

Long Positions – Margin Required

Securities selling at $2.00 or more – 50% of fair value

Securities selling at $1.75 to $1.99 – 60% of fair value

Securities selling at $1.50 to $1.74 – 80% of fair value

Securities selling under $1.50 – 100% of fair value

Short Positions – Credit Required

Securities selling at $2.00 or more – 150% of fair value

Securities selling at $1.50 to $1.99 - $3.00 per share

Securities selling at $0.25 to $1.49 – 200% of fair value

Securities selling at less than $0.25 – fair value plus $0.25 per shares

(ii) For positions in securities that are constituent securities on a major broadly-based index of one of the following exchanges, 50% of the fair value:

(a) Australian Stock Exchange Limited
(b) Bolsa de Madrid

(c) Borsa Italiana
(d) Copenhagen Stock Exchange
(e) Euronext Amsterdam
(f) Euronext Brussels
(g) Euronext Paris S.A.
(h) Frankfurt Stock Exchange
(i) London Stock Exchange
(j) New Zealand Exchange Limited
(k) Stockholm Stock Exchange
(l) Swiss Exchange
(m) The Stock Exchange of Hong Kong Limited
(n) Tokyo Stock Exchange

(f) Mortgages

(i) For a firm registered in any jurisdiction of Canada except Ontario:

(a) Insured mortgages (not in default): 6% of fair value

(b) Mortgages which are not insured (not in default): 12% of fair value.

(ii) For a firm registered in Ontario:

(a) Mortgages insured under the National Housing Act (Canada) (not in default): 6% of fair value

(b) Conventional first mortgages (not in default): 12% of fair value.

If you are registered in Ontario regardless of whether you are also registered in another jurisdiction of Canada, you will need to apply the margin rates set forth in (ii) above.

(g) For all other securities – 100% of fair value

FORM 33-109F7
REINSTATEMENT OF REGISTERED INDIVIDUALS AND PERMITTED INDIVIDUALS
(Sections 2.3 and 2.5(c))

WARNING - It is an offence to knowingly give false or misleading information to the regulator or the securities regulatory authority.

CERTIFICATION

Individual

I, the individual, certify to the regulator or, in Québec, the securities regulatory authority in each jurisdiction where I am submitting this form and to any applicable self-regulatory organization (SRO) that

- I have read this form and understand all matters within this form, including the questions and, for greater certainty, if the business location is a residence, the notice in Item 5,
- I have discussed this form with a branch manager, supervisor, officer or partner of my sponsoring firm and that to the best of my knowledge, the branch manager, supervisor, officer or partner is satisfied that I understand all matters within this form, including the questions,
- to the best of my knowledge and after reasonable inquiry, all of the information provided on this form is true and complete,
- if applicable, I will limit my activities to those allowed by my category of registration and any SRO approval, and
- the new sponsoring firm understands that if my registration was subject to any terms and conditions that were unsatisfied when I left my former sponsoring firm, those terms and conditions remain in effect and the new sponsoring firm agrees to assume any ongoing obligations that applied to the former sponsoring firm in respect of my registration under those terms and conditions.

I consent to and authorize the collection, directly and indirectly, of personal information by each regulator, securities regulatory authority and SRO and to the use of my personal information as set out in Item 10.

Firm

I, on behalf of the firm, certify to the regulator or, in Québec, the securities regulatory authority in each jurisdiction where the firm is submitting this form and to any applicable SRO that

- the individual identified in this form will be engaged by the new sponsoring firm as a registered individual or a permitted individual,
- I have, or a branch manager, supervisor, officer or partner has, discussed this form with the individual. To the best of my knowledge, the individual understands all matters within this form, including the questions, and
- the new sponsoring firm understands that if the individual's registration was subject to any undischarged terms and conditions when the individual left the individual's former sponsoring firm, those terms and conditions remain in effect and agrees to assume any ongoing obligations that apply to the former sponsoring firm in respect of the individual under those terms and conditions.

NRD format:

☐ I, the authorized firm representative, am making this submission under authority delegated by the firm and the individual identified in this form. By checking this box, I certify that

(a) the firm provided me with all of the information on this form and makes the firm certification above,

(b) the individual provided the firm with all of the information on this form and makes the individual certification above, and

(c) the individual provided the above consent and authorization for the collection and use of the individual's personal information.

Non-NRD format:

Individual

By signing below, I, the individual, make the above individual certification and provide my consent and authorization for the collection, directly and indirectly, and use of my personal information.

Signature of individual _____

Date signed _____

(YYYY/MM/DD)

Firm

By signing below, I, on behalf of the firm, make the firm certification above.

Name of firm _____//_____

Name of authorized signing officer or partner _____

Title of authorized signing officer or partner _____

Signature of authorized signing officer or partner _____

Date signed _____ ,
(YYYY/MM/DD)

General Instructions

Complete and submit this form to the relevant regulator(s) or, in Québec, the securities regulatory authority, or self-regulatory organization (SRO) if

- an individual has left a sponsoring firm and is seeking to reinstate the individual's registration in one or more of the same categories or reinstate the same status of permitted individual as before with a new sponsoring firm, and
- the new sponsoring firm is registered in the same category of registration in which the individual's former sponsoring firm was registered.

You only need to complete and submit one form regardless of the number of registration categories or permitted individual statuses you are seeking to be reinstated in.

An individual may reinstate the individual's registration or permitted individual status by submitting this form. This form must not be used unless all of the following apply:

1. this form is submitted on or before the 90th day after the cessation date of the individual's employment, partnership or agency relationship with the individual's former sponsoring firm;

2. the information in the individual's Form 33-109F4 was up-to-date as of the cessation date of the individual's employment, partnership or agency relationship with the individual's former sponsoring firm;

3. if this form is submitted on or after June 6, 2023, on the date this form is submitted, the individual's information in the National Registration Database does not state "there is no response to this question" for any item of the individual's Form 33-109F4;

4. there have been no changes to the information previously submitted in respect of the following items of the individual's Form 33-109F4 since the individual left the individual's former sponsoring firm:

- Item 13 (Regulatory disclosure), other than changes to Item 13.3(a);
- Item 14 (Criminal disclosure);
- Item 15 (Civil disclosure);
- Item 16 (Financial disclosure);

5. at the time of cessation with the individual's former sponsoring firm, there were no allegations against the individual, in Canada or in any foreign jurisdiction, relevant to an assessment of whether the individual is not suitable for registration or the registration is objectionable, including, for greater certainty, an allegation against the individual of any of the following:

- a crime;
- a contravention of any statute, regulation, or order of a court or regulatory body;
- a contravention of any rule or bylaw of an SRO, of a professional body, or of a similar organization;
- a failure to meet any standard of conduct of the sponsoring firm or of any professional body.

If you do not meet all of the above conditions, then you must apply for reinstatement by completing on NRD a Form

Terms

In this form, "you", "your" and "individual" means the individual who is seeking to reinstate their registration or their status as permitted individual.

"former sponsoring firm" means the registered firm where you most recently carried out duties as a registered or permitted individual.

"major shareholder" and "shareholder" mean a shareholder who, in total, directly or indirectly owns voting securities carrying 10 per cent or more of the votes carried by all outstanding voting securities.

"new sponsoring firm" means the registered firm where you will begin carrying out duties as a registered or permitted individual when your registration or permitted individual status is reinstated.

Several terms used in this form are defined in the Form 33-109F4 [*Registration of Individuals and Review of Permitted Individuals*] that you submitted when you first became registered.

How to submit this form

NRD format

Submit this form at the National Registration Database (NRD) website in NRD format at www.nrd.ca. If you have any questions, contact the compliance, registration or legal department of the new sponsoring firm or a legal adviser with securities law experience, or visit the NRD information website at www.nrd-info.ca.

Format, other than NRD format

If you are relying on the temporary hardship exemption in section 5.1 of National Instrument 31-102 *National Registration Database*, you may submit this form in a format other than NRD format.

If you need more space, use a separate sheet of paper. Clearly identify the Item and question number. Complete and sign the form, and send it to the relevant regulator(s) or, in Québec, the securities regulatory authority, SRO(s) or similar authority. The number of originally signed copies of the form you are required to submit depends on the province or territory, and on the regulator, the securities regulatory authority or SRO.

To avoid delays in processing this form, be sure to answer all of the items that apply to you. If you have questions, contact the compliance, registration or legal department of the new sponsoring firm or a legal adviser with securities law experience, or visit the National Registration Database information website at www.nrd-info.ca.

Item 1 Name

1. NRD number _____

2. Legal name

Last name	First name	Second name (N/A ☐)	Third name (N/A ☐)

3. Date of birth (YYYY/MM/DD):

4. Use of other names

Are you currently using, or have you ever used, operated under, or carried on business under, a name other than the name(s) mentioned above (for example, trade names for sole proprietorships or team names)?

Yes ☐ No ☐

If "Yes", complete Schedule A.

Item 2 Number of jurisdictions

1. Are you seeking to reinstate your registration or permitted individual status in more than one jurisdiction of Canada?

   Yes ☐ No ☐

2. Check each province or territory in which you are seeking reinstatement of registration or, if you are seeking reinstatement as a permitted individual, check each province or territory where your sponsoring firm is registered:

   ☐ All jurisdictions
   ☐ Alberta
   ☐ British Columbia
   ☐ Manitoba
   ☐ New Brunswick
   ☐ Newfoundland and Labrador
   ☐ Northwest Territories

☐ Nova Scotia

☐ Nunavut

☐ Ontario

☐ Prince Edward Island

☐ Québec

☐ Saskatchewan

☐ Yukon

Item 3 Individual categories

1. On Schedule B, check each category for which you are seeking to reinstate your registration or permitted individual status. If you are seeking reinstatement of status as a permitted individual, check each category that describes your position with your new sponsoring firm.

2. If you are seeking reinstatement as a representative of a mutual fund dealer or of a scholarship plan dealer in Québec, are you covered by your new sponsoring firm's professional liability insurance?

   Yes ☐ No ☐

   If "No", state:

The name of your insurer _____

Your policy number _____

Item 4 Address and agent for service

1. Address for service

You must have one address for service in each province or territory where you are submitting this form. A residential or business address is acceptable. A post office box is not acceptable. Complete Schedule C for each additional address for service you are providing.

Address for service:

_____
(number, street, city, province or territory, postal code)

Telephone number _____ Fax number, if applicable _____

Business e-mail address _____

2. Agent for service

If you have appointed an agent for service, provide the following information for the agent in each province or territory where you have an agent for service. The address of your agent for service must be the same as the address for service above. If your agent for service is not an individual, provide the name of your contact person.

Name of agent for service: _____

Contact person:

_____
Last name, First name

Item 5 Location of employment

1. Provide the following information for your new sponsoring firm. If you will be working out of more than one business location, provide the following information for the business location out of which you will be doing most of your business. If you are only filing this form because you are a permitted individual and are not employed by, or acting as agent for, the sponsoring firm, select "N/A".

Unique Identification Number (optional): _____

NRD location number: _____

Business location address: _____
(number, street, city, province, territory or state, country, postal code)

Telephone number (____) _____ Fax number (____) _____

N/A ☐

2. If the new sponsoring firm has a foreign head office, and/or you are not a resident of Canada, provide the address for the business location in which you will be conducting most of your business. If you are only filing this form because you are a permitted individual and are not employed by, or acting as agent for, the sponsoring firm, select "N/A".

Business location address: _____
(number, street, city, province, territory or state, country, postal code)

Telephone number: (____) _____ Fax number: (____) _____

N/A ☐

[The following under #3 "Type of location", #4 and #5 is for a Format other than NRD format only]

3. Type of business location:

☐ Head office ☐ Branch or business location ☐ Sub-branch (Mutual Fund Dealers Association of Canada members only)

4. Name of branch manager: _____

5. ☐ **Check here if the mailing address of the business location is the same as the business address provided above. Otherwise, complete the following:**

Mailing address: _____
(number, street, city, province, territory or state, country, postal code)

6. Notice regarding a business location that is a residence

For the administration of securities legislation or derivatives legislation, including commodity futures legislation, or both, the regulator or, in Québec, the securities regulatory authority may require access to the business location to review the books, records and documents of the registered firm. If applicable, the SRO may also require access to the business location for the administration of the rules of the SRO.

If the business location specified in this form is a residence, the regulator, securities regulatory authority or SRO may request consent to enter the residence.

If consent is not provided, it may affect the ability of the regulator, securities regulatory authority or SRO to access the books, records or documents of a registered firm and to determine whether securities legislation, derivatives legislation (including commodity futures legislation) or the rules of the SRO are being complied with. As a result, the regulator, securities regulatory authority or SRO may take action if it is are unable to access and review the books, records or documents of a registered firm held at the business location.

Item 6 Previous employment

Provide the following information for your former sponsoring firm.

Name: _____

Date on which you were no longer authorized to act on behalf of your former sponsoring firm as a registered individual or permitted individual: _____
(YYYY/MM/DD)

The reason why you left your former sponsoring firm:

_____

Item 7 Reportable activities

Name of your new sponsoring firm: _____

1. Activities with your sponsoring firm

Instructions: Describe all of your roles and responsibilities with your sponsoring firm, whether these roles and responsibilities are securities-related or not (e.g., sale of securities, review of marketing materials, IT help desk, negotiation of employment contracts, sales of banking and insurance products and services). Include any other information about your position with your sponsoring firm that is relevant for the regulator or, in Québec, the securities regulatory authority to know (e.g., if your role is specialized). For example, if you are applying as an advising representative limited to client relationship management, indicate this by including the following statement in Schedule D: "Individual is seeking registration as CRM AR."

Complete a Schedule D with respect to your roles and responsibilities with your sponsoring firm.

2. Reportable outside activities

Instructions: Consider all of the activities that you participate in outside of your sponsoring firm, whether or not you receive compensation for such activities and whether or not any such activity is business-related. Activities performed for an affiliated entity are considered activities outside of your sponsoring firm. If any of the categories below describes one or more activities that you participate in, complete a separate Schedule D for each activity or entity. If multiple activities are performed for one entity, complete a single Schedule D identifying all the activities performed.

Uncompensated activities that do not fall within Categories 1 to 5 (i.e., generally activities that do not involve securities or financial services and are not a position of influence, such as being a little league soccer coach) are not reportable.

Category 1 - Activities with another registered firm

Instructions: Report activities with registered firms, other than your sponsoring firm. All activities in this category are reportable, whether or not you receive compensation for such activities. Major shareholder means a shareholder who, in total, directly or indirectly owns voting securities carrying 10 percent or more of the votes carried by all outstanding voting securities.

If you are a director, officer, employee, contractor, consultant, agent, or service provider of a registered firm other than your sponsoring firm, or are in any other equivalent position with or for that registered firm, or are a major shareholder or partner of that registered firm, complete a separate Schedule D for the registered firm.

Category 2 - Activities with an entity that receives compensation from a registered firm

If you are a director, officer, employee, contractor, consultant, or agent of a specified entity, or are in any other equivalent position with or for a specified entity, or are a shareholder or partner of a specified entity, complete a separate Schedule D for the specified entity.

For the purposes of this category, “specified entity” means an entity that receives compensation from a registered firm for activities that you provide for your sponsoring firm or another registered firm.

Category 3 - Other securities-related activities

Instructions: All activities in this category are reportable, whether or not you receive compensation for such activities. Charitable or other fundraising activities that do not involve the issuance of securities or derivatives are not reportable.

If you have been at any time in the last 7 years directly involved in raising money for an entity through the issuance of securities or derivatives or promoting the sale of an entity’s securities or derivatives outside of your activities with your sponsoring firm or another registered firm, complete a separate Schedule D for each entity for which you performed these activities.

Directors and officers of reporting issuers and of entities that have been at any time in the last 7 years raising money through the issuance of securities or derivatives are considered to be directly involved in raising money for that entity.

Category 4 - Provision of financial or finance-related services

Instructions: All activities in this category are reportable, whether or not you receive compensation for such activities. For example, volunteer activities pertaining to your securities or financial services knowledge must be reported under this category. Also report if you are the owner or management of an entity that provides these services. Major shareholder means a shareholder who, in total, directly or indirectly owns voting securities carrying 10 percent or more of the votes carried by all outstanding voting securities.

Complete a separate Schedule D for each activity, as applicable, if you

- sell or negotiate insurance, including being an insurance broker or agent,
- provide loan or deposit or other banking products and services,
- carry on a money service business, including exchanging one type of currency for another, transferring money from one person to another, or issuing or redeeming money orders, traveller’s cheques or anything similar,
- facilitate or administer mortgages, including acting as a mortgage broker, agent or administrator,
- prepare tax returns or provide tax advice,
- help create programs for persons to meet their long-term financial goals, including providing financial planning (including estate planning) or financial advice,
- provide corporate finance services, including services provided in the capacity of a comptroller, treasurer and chief financial officer,
- advise persons under financial stress on credit/debt restructuring,

- are a pension consultant,
- provide advice on mergers and acquisitions,
- provide accounting or bookkeeping services,
- provide oversight or independent review or expert opinion on the management of an entity's financial assets,
- lend money or accept deposits of money (e.g., alternative financing, non-bank financial institutions), or
- provide other financial or finance-related services not identified above.

Also complete a separate Schedule D for each activity, as applicable, if you are a director or officer, or are in any other equivalent position with or for, or are a major shareholder or active partner of, an entity that provides one or more of the services in the above list.

Category 5 - Positions of influence

Instructions: All positions of influence (e.g., medical doctor, leader in a religious organization) are reportable, whether or not you receive compensation for such activities. Guidance: see also section 13.4.3 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and the Companion Policy to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

Complete a separate Schedule D for each position of influence that you are in.

Item 8 Ownership of securities in new sponsoring firm

Are you a partner or major shareholder of your new sponsoring firm?

Yes ☐ No ☐

If "Yes", complete Schedule E.

Item 9 Confirm permanent record

1. Check the appropriate box to indicate that, since leaving your former sponsoring firm, there has been a change to any information previously submitted for the items of your Form 33-109F4 that are listed below.

☐ Regulatory disclosure (Item 13, other than changes to Item 13.3(a))

☐ Criminal disclosure (Item 14)

☐ Civil disclosure (Item 15)

☐ Financial disclosure (Item 16)

2. Check the box below – *I am eligible to file this Form 33-109F7* – only if you satisfy all of the following conditions

(a) the information in your Form 33-109F4 was up-to-date when you left your sponsoring firm;

(b) there are no changes to any of the disclosure items under Item 9.1 above;

(c) if this form is submitted on or after June 6, 2023, on the date this form is submitted, your information in the National Registration Database does not state "there is no response to this question" for any item of Form 33-109F4;

(d) at the time of cessation with your former sponsoring firm, there was no allegation against you, in Canada or in any foreign jurisdiction, relevant to an assessment of whether you are not suitable for registration or your registration is objectionable, including, for greater certainty, any allegations against you of

- a crime,
- a contravention of any statute, or regulation, or order of a court or regulatory body,
- a contravention of any rule or bylaw of an SRO, or a professional body, or of a similar organization, or
- a failure to meet any standard of conduct of the sponsoring firm or of any professional body.

If you do not meet the above conditions for selecting the box 'I am eligible to file this Form 33-109F7', then you must apply for reinstatement by completing on NRD a Form 33-109F4 by making the NRD submission entitled "Reactivation of Registration". If you are submitting a Form 33-109F4 in a format other than NRD format you must complete the entire form.

☐ I am eligible to file this Form 33-109F7.

Item 10 Submission to jurisdiction and notice and consent for collection and use of personal information

1. Submission to jurisdiction

By submitting this form, you agree to be subject to the securities legislation or derivatives legislation (including commodity futures legislation) or both of each jurisdiction of Canada, and to the bylaws, regulations, rules, rulings and policies (collectively referred to as "rules" in this form) of the SROs to which you have submitted this form. This includes the jurisdiction of any tribunals or any proceedings that relate to your activities as a registrant or a partner, director or officer of a registrant under that securities legislation or derivatives legislation or both or as an approved person under SRO rules.

2. Notice of collection and use of personal information

Your personal information is collected by, or on behalf of, each securities regulatory authority and SRO set out in Schedule F. Any of the securities regulatory authorities or SROs set out in Schedule F may contact governmental or regulatory authorities, private bodies or agencies, individuals, corporations, employers, and other organizations, in Canada and in other countries, for information about you.

This personal information is being collected under the authority of the applicable securities legislation, derivatives legislation (including commodity futures legislation) or both of the securities regulatory authorities and under the SRO rules of an SRO set out in Schedule F. The collection, use and disclosure are done in accordance with applicable freedom of information and privacy legislation.

The principal purpose of this collection by the securities regulatory authorities is to administer, enforce, carry out their duties or exercise their powers under their respective securities legislation, derivatives legislation (including commodity futures legislation) or both, and by the SROs to administer and enforce the rules of the SROs.

The information submitted by you in this form with your consent, or collected indirectly with your authorization, may be collected

- at the time of your application,
- at any time during your registration or while you are a permitted individual, or
- at the time the regulator or, in Québec, the securities regulatory authority, or the SRO is informed by your sponsoring firm that you no longer have authority to act on behalf of the sponsoring firm or are not a permitted individual of the sponsoring firm.

If you have any questions about the collection, use and disclosure of this information, contact the securities regulatory authority or SRO in any jurisdiction in which the required information is submitted. See Schedule F for details.

Certain information, such as your name(s) (including aliases, trade names or some past names), your sponsoring firm, and other relevant registration information, will be listed in a publicly available registry of registered individuals and, if applicable, on the Disciplined List.

Certain securities regulatory authorities may provide to or receive from certain entities information under separate provisions of their securities legislation or derivatives legislation (including commodity futures legislation) or both, and SROs may provide or receive information under the rules of the SROs. This consent and notice does not limit the authority, powers, obligations or rights conferred on any of the securities regulatory authorities by legislation or regulations in effect in their jurisdiction.

3. Consent to collect and use personal information

By submitting this form, you consent to and authorize the collection, directly and indirectly, of personal information by each securities regulatory authority and SRO and to the use of your personal information as set out above.

The personal information that each securities regulatory authority or SRO collects includes the following: • the personal information provided in this form;

- the personal information provided by your sponsoring firm;
- registration or financial services licensing information;
- law enforcement records, including police records;
- credit records;
- bankruptcy or other insolvency records;
- employment records and information received from an employer;
- records and information received from entities you had or have an independent contractor or agency relationship with;

- personal information available online;
- records from governmental or regulatory authorities, SROs or professional bodies;
- records of, and used in, court proceedings, including probation records.

Item 11 [*repealed*]

Item 12 [*repealed*]

Schedule A
Use of other names (Item 1.4)

Item 1.4 Use of other names

Name 1:

Name: _____

Provide the reasons for the use of this other name (for example, trade name or team name)?

_____

If this other name is or was used in connection with any sponsoring firm, did the sponsoring firm approve the use of the name?

Yes ☐ No ☐

When did you use this name? From: _____ (YYYY/MM) To: _____ (YYYY/MM)

Name 2:

Name: _____

Provide the reasons for the use of this other name (for example, trade name or team name):

_____

If this other name is or was used in connection with any sponsoring firm, did the sponsoring firm approve the use of the name?

Yes ☐ No ☐

When did you use this name? From: _____ (YYYY/MM) To: _____ (YYYY/MM)

Name 3:

Name: _____

Provide the reasons for the use of this other name (for example, trade name or team name):

_____

If this other name is or was used in connection with any sponsoring firm, did the sponsoring firm approve the use of the name?

Yes ☐ No ☐

When did you use this name? From: _____ (YYYY/MM) To: _____ (YYYY/MM)

Schedule B
Individual Categories (Item 3)

Check each category for which you are seeking reinstatement of registration, approval or permitted individual status

Categories Common to all jurisdictions under securities legislation

Firm categories [Format other than NRD format only]

☐ Investment Dealer

☐ Mutual Fund Dealer

☐ Scholarship Plan Dealer

☐ Exempt Market Dealer

☐ Restricted Dealer

☐ Portfolio Manager

☐ Restricted Portfolio Manager

☐ Investment Fund Manager

Individual categories and permitted activities

☐ Dealing Representative

☐ Advising Representative

☐ Associate Advising Representative

☐ Ultimate Designated Person

☐ Chief Compliance Officer

☐ Permitted Individual as described in paragraph (c) of the definition of "permitted individual" in section 1.1 of National Instrument 33-109 *Registration Information*

☐ Officer – Specify title:

☐ Director

☐ Partner

☐ Shareholder

☐ Branch Manager (MFDA members only)

☐ IIROC approval only

IIROC

Approval categories

☐ Executive

☐ Director (Industry)

☐ Director (Non-Industry)

☐ Supervisor

☐ Investor

☐ Registered Representative

☐ Investment Representative

☐ Portfolio Manager

☐ Associate Portfolio Manager

☐ Trader

Additional approval categories

☐ Chief Compliance Officer

☐ Chief Financial Officer

☐ Ultimate Designated Person

Products

☐ Non-Trading

☐ Securities

☐ Options

☐ Futures Contracts and Futures Contract Options

☐ Mutual Funds only

Customer type

☐ Retail

☐ Institutional

☐ Not Applicable

Portfolio management

☐ Portfolio Management

Categories under local commodity futures and derivatives legislation

Ontario

Firm categories

☐ Commodity Trading Adviser

☐ Commodity Trading Counsel

☐ Commodity Trading Manager

☐ Futures Commission Merchant

Individual categories and permitted activities

☐ Advising Representative

☐ Salesperson

☐ Branch Manager

☐ Officer – Specify title:

☐ Director

☐ Partner

☐ Shareholder

☐ IIROC approval only

Manitoba

Firm categories

☐ Dealer (Merchant)

☐ Dealer (Futures Commission Merchant)

☐ Dealer (Floor Broker)

☐ Adviser

☐ Local

Individual categories and permitted activities

☐ Floor Broker

☐ Salesperson

☐ Branch Manager

☐ Adviser

☐ Officer – Specify title

☐ Director

☐ Partner

☐ Futures Contracts Portfolio Manager

☐ Associate Futures Contracts Portfolio Manager

☐ IIROC approval only

☐ Local

Québec

Firm categories

☐ Derivatives Dealers

☐ Derivatives Portfolio Manager

Individual categories and permitted activities

☐ Derivatives Delating Representative

☐ Derivatives Advising Representative

☐ Derivatives Associate Advising Representative

Schedule C
Address and agent for service (Item 4)

Item 4.1 Address for service

You must have one address for service in each province or territory in which you are now, or are seeking to become, a registered individual or permitted individual. A post office box is not an acceptable address for service.

Address for service:

_____

(number, street, city, province or territory, postal code)

Telephone number: (____) _____ Fax number: (____) _____

Business e-mail address: _____

Item 4.2 Agent for service

If you have appointed an agent for service, provide the following information for the agent. The address for service provided above must be the address of the agent named below.

Name of agent for service: _____

(*if applicable*)

Contact person:

_____

Last name, First name

Schedule D
Reportable activities (Item 7)

1. Start date _____
(YYYY/MM/DD)

2. Sponsoring firm or other entity information

☐ Check here if this activity is employment with your sponsoring firm.

If the reportable activity is with your sponsoring firm, you are not required to indicate the firm's name and address but are required to provide the name and title of your immediate supervisor. For all other types of reportable activity, enter all of the information below:

Name of business or employer: _____

Address of business or employer: _____
(number, street, city, province, territory or state, country)

Name and title of your immediate supervisor: _____

3. Description of the reportable activity and your roles and responsibilities

Instructions: If you are completing this schedule in relation to your activities with your sponsoring firm, for (e) below, provide the title(s) you will use once registered, and if you are already registered, provide the title(s) you use as of the date of this filing.

(a) Describe the entity that you carry on the activity with or for, including the nature of the entity's business.

(b) Is the entity listed on an exchange?

(c) Describe your relationship with the entity.

(d) Describe all of your roles and responsibilities relating to the activity.

_____

(e) Provide all business title(s) and professional designation(s) you use for the activity.

_____

4. Number of work hours per week

How many hours per week do you spend on this activity? _____

5. Conflicts of interest

Instructions: Complete this section if you have a reportable activity outside your sponsoring firm. Do not complete this section if your reportable activity is solely with your sponsoring firm.

Take into consideration existing and reasonably foreseeable material conflicts of interest and existing and potential client confusion.

(a) Does the activity give rise to any material conflicts of interest between the client and the sponsoring firm or you? Does the activity give rise to client confusion? If no material conflicts of interest or client confusion are expected, explain why.

_____

_____

_____

(b) Describe (i) the material conflicts of interest, and (ii) how these conflicts will be addressed in the best interest of the client.

_____

(c) Describe (i) the client, and (ii) how the client confusion will be addressed.

_____

(d) Does your sponsoring firm and the entity have procedures for identifying and addressing material conflicts of interest? If so, confirm you are complying with both sets of procedures.

_____

(e) State the name and title of the individual at your sponsoring firm who has reviewed and approved the activity.

Schedule E
Ownership of securities in new sponsoring firm
(Item 8)

Firm name: (where business is trading in or advising on securities or derivatives, or both)

_____

What is your relationship to the firm? Partner ☐
Major shareholder ☐

What is the period of this relationship?

From: (*if applicable*) _____ (YYYY/MM)
To: _____ (YYYY/MM)

Provide the following information:

(a) State the number, value, class and percentage of securities, or the amount of partnership interest you own or propose to acquire when you are reinstated or approved as a result of the review of this form. If acquiring shares when you are so approved or registered, state the source (for example, treasury shares, or if upon transfer, state name of transferor).

_____

(b) State the market value (approximate, if necessary) of any subordinated debentures or bonds of the firm to be held by you or any other subordinated loan to be made by you to the firm:

_____

(c) If another person or entity has provided you with funds to invest in the firm, provide the name of the person or entity and state the relationship between you and that person or entity:

_____

(d) Is the payment of the funds to be invested (or proposed to be invested) guaranteed directly or indirectly by any person or entity?

Yes ☐ No ☐

If "Yes", provide the name of the person or entity and state the relationship between you and that person or entity:

_____

(e) Have you directly or indirectly given up any rights relating to these securities or this partnership interest, or do you, when you are registered or approved as a result of the review of this form, intend to give up any of these rights (including by hypothecation, pledging or depositing as collateral the securities or partnership interest with any entity or person)?

Yes ☐ No ☐

If "Yes", provide the name of the person or entity, state the relationship between you and that person or entity and describe the rights that have been or will be given up:

_____

(f) Is a person other than you the beneficial owner of the shares, bonds, debentures, partnership units or notes held by you?

Yes ☐ No ☐

If "Yes", complete (g), (h) and (i).

(g) Name of beneficial owner:

_____
Last name First name
Second name Third name

N/A ☐ N/A ☐

(h) Residential address:

_____
(number, street, city, province, territory or state, country, postal code)

(i) Occupation: _____

Schedule F
Contact information for
Notice and Consent for Collection and Use of Personal Information

Alberta
Alberta Securities Commission,
Suite 600, 250-5th St. SW
Calgary, AB T2P 0R4
Attention: Information Officer
Telephone: (403) 297-6454

British Columbia
British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
Attention: Registration staff
Telephone: (604) 899-6500 or (800) 373-6393
(in Canada)
E-mail: Registration@bcsc.bc.ca

Manitoba
The Manitoba Securities Commission
500 - 400 St. Mary Avenue
Winnipeg, MB R3C 4K5
Attention: Director of Registrations
Telephone (204) 945-2548
Fax (204) 945-0330

New Brunswick
Financial and Consumer Services Commission of
New Brunswick/Commission des services financiers et
des services aux consommateurs du Nouveau-Brunswick
Suite 300, 85 Charlotte Street
Saint John, NB E2L 2J2
Attention: Registration
Telephone: (506) 658-3060

Newfoundland and Labrador
Superintendent of Securities, Service NL
Government of Newfoundland and Labrador
P.O. Box 8700, 2nd Floor, West Block
Confederation Building
St. John's, NL A1B 4J6
Attention: Manager of Registrations
Telephone: (709) 729-5661

Nova Scotia
Nova Scotia Securities Commission
Suite 400, 5251 Duke Street
Halifax, NS B3J 1P3
Attention: Registration
Telephone: (902) 424-7768

Northwest Territories
Government of the Northwest Territories
Department of Justice
1st Floor Stuart M. Hodgson Building
5009 – 49th Street
Yellowknife, NWT X1A 2L9
Attention: Superintendent of Securities
Telephone: (867) 920-8984

Nunavut
Government of Nunavut
Department of Justice
P.O. Box 1000 Station 570
Iqaluit, NU X0A 0H0
Attention: Superintendent of Securities
Telephone: (867) 975-6590

Ontario
Ontario Securities Commission
22nd Floor
20 Queen Street West
Toronto, ON M5H 3S8
Attention: Compliance and Registrant Regulation
Telephone: (416) 593-8314
E-mail: registration@osc.gov.on.ca

Prince Edward Island
Securities Office
Department of Community Affairs and Attorney General
P.O. Box 2000
Charlottetown, PE C1A 7N8
Attention: Superintendent of Securities
Telephone: (902) 368-6288

Québec
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Attention: Responsable de l'accès à l'information
Telephone: (514) 395-0337 or (877) 525-0337

Saskatchewan
Financial and Consumer Affairs Authority of
Saskatchewan
Suite 601, 1919 Saskatchewan Drive
Regina, SK S4P 4H2
Attention: Director, Capital Markets
Telephone: (306) 787-5871
E-mail: registrationfcaa@gov.sk.ca

Yukon
Government of Yukon
Office of the Yukon Superintendent of Securities
Department of Community Services
P.O. Box 2703 C-6
Whitehorse, YT Y1A 2C6
Attention: Superintendent of Securities
Telephone: (867) 667-5466

Self-regulatory organization
Investment Industry Regulatory Organization of Canada
121 King Street West, Suite 2000
Toronto, Ontario M5H 3T9
Attention: Privacy Officer
Telephone: (416) 364-6133
E-mail: PrivacyOfficer@iiroc.ca

COMPANION POLICY 33-109CP
REGISTRATION INFORMATION

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COMPANION POLICY 33-109CP
REGISTRATION INFORMATION

PART 1 – GENERAL

1.1 Purpose

This Companion Policy sets out how the Canadian Securities Administrators interpret or apply National Instrument 33-109 *Registration Information* (the Rule).

The registration requirement in securities legislation provides protection to investors from unfair, improper or fraudulent practices and enhances capital market integrity and efficiency. The information required under the Rule allows regulators to assess a filer's fitness for registration or for permitted individual status, with regard to their solvency, integrity and proficiency. These fitness requirements are the cornerstones of the registration requirement. In each jurisdiction of Canada the registration requirement and the Rule apply to dealers, underwriters, advisers and investment fund managers and to individuals who act on their behalf as registered or permitted individuals.

1.2 Definition of permitted individuals (Section 1.1)

Section 1.1 of the Rule defines a permitted individual as an individual who meets the criteria set forth in paragraph (a), (b), or (c) of the definition. A permitted individual may or may not be a registered individual. For example, the chief executive officer of a registered firm is registered as the firm's ultimate designated person and is also a permitted individual. The definition of permitted individual allows the Rule to separate out the filing requirements which are applicable only to permitted individuals from those which are applicable to registered individuals.

1.3 Overview of the forms

The following forms are for firms:

- Form 33-109F3 *Business Locations other than Head Office* – to disclose each business location of the firm and any change of business location
- Form 33-109F6 *Firm Registration* – to apply for registration as a dealer, adviser or investment fund manager

The following forms are for individuals and are submitted in NRD format:

- Form 33-109F1 *Notice of End of Individual Registration* or Permitted Individual Status – to notify the regulator or, in Québec, the securities regulatory authority that a registered individual or permitted individual has ceased to have authority to act on behalf of the sponsoring firm
- Form 33-109F2 - *Change or Surrender of Individual Categories* – to apply for registration or review in an additional category or to surrender a category
- Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* – to apply for registration or review as a permitted individual
- Form 33-109F7 – *Reinstatement of Registered Individuals and Permitted Individuals* – to reinstate an individual's registration or a permitted individual status

1.4 Notice requirements (Sections 3.1 and 4.1)

Form 33-109F5 *Change of Registration Information* is used by firms and individuals to notify regulators of any change to their registration information. Under sections 3.1 and 4.1 of the Rule, a registrant and a permitted individual must keep their registration information current on an ongoing basis by filing notices of change of information within the required time.

Appendix A summarizes the notice requirements, time periods and the forms under the Rule to notify regulators of a change to a firm's or individual's registration information.

1.5 Contact information

When a firm submits a Form 33-109F6, supporting documents or a Form 33-109F5, it can make the submission using e-mail, fax or mail. Appendix B attached to this policy sets out the contact information for the regulator in each jurisdiction of Canada and for the Investment Industry Regulatory Organization of Canada (**IIROC**) in those jurisdictions where the securities regulatory authority has delegated, assigned or authorized IIROC to perform registration functions.

PART 2 – FORMS USED BY INDIVIDUALS

2.1 National Registration Database (NRD)

The NRD is the database containing information about all registrants and permitted individuals under securities or commodity futures legislation in each jurisdiction of Canada. The requirement for firms to enrol, and to make certain submissions, on NRD are set out in National Instrument 31-102 *National Registration Database*. Detailed information about the NRD and the enrolment process is available in the NRD User Guide published at www.nrd-info.ca.

2.2 Form 33-109F4

Types of submissions using Form 33-109F4 (Subsections 2.2(1) and 2.5(1))

The NRD format for submitting a completed Form 33-109F4 under subsection 2.2(1) or 2.5(1) of the Rule include four distinct NRD submission types that are made in the following circumstances:

- *Initial Registration*, when an individual is seeking registration, or review as a permitted individual, through NRD for the first time
- *Registration in an Additional Jurisdiction*, when an individual is registered or is a permitted individual in a jurisdiction of Canada and is seeking registration, or review as a permitted individual, in an additional jurisdiction
- *Registration with an Additional Sponsoring Firm*, when an individual is registered, or is a permitted individual, on behalf of one sponsoring firm and applies for registration, or seeks review as a permitted individual, to act on behalf of an additional sponsoring firm
- *Reactivation of Registration*, when an individual who has an NRD record is applying for registration, reinstatement of registration or is seeking review as a permitted individual and is not eligible under subsection 2.3(2) or 2.5(2) of the Rule to submit a Form 33-109F7

Submissions by permitted individuals (Sections 2.3 and 2.5)

Under subsection 2.5(1) of the Rule, within 15 days of becoming a permitted individual, the individual must submit a Form 33-109F4 for review by the regulator. An individual whose registration is suspended may apply to reinstate the registration by submitting a completed Form 33-109F4 to the regulator. This is done with the *Reactivation of registration* submission on NRD. After making this submission the individual may not conduct activities requiring registration unless and until the regulator has approved the application. However, an application for reinstatement or review is not required if the individual meets all of the conditions for automatic reinstatement in subsection 2.3(2) or 2.5(2) of the Rule, which include submitting a completed Form 33-109F7 to the regulator as described in section 2.5 below.

Relevant securities experience (Form 33-109F2 – Item 4.3 and Schedule A; Form 33-109F4 – Item 8.4 and Schedule F)

The regulators or, in Québec, the securities regulatory authority will assess whether an individual has gained relevant securities experience on a case-by-case basis. It may include experience acquired:

- during employment at a registered dealer, a registered adviser or an investment fund manager;
- in related investment fields, such as investment banking, securities trading on behalf of a financial institution, securities
- research, portfolio management, investment advisory services or supervision of those activities;
- in legal, accounting or consulting practices related to the securities industry; and
- in other professional service fields that relate to the securities industry, or in a securities-related business in a foreign jurisdiction.

The securities experience described should be relevant to the category applied for. Please see section 3.4 [Proficiency – *initial and ongoing*] of the Companion Policy to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* for more guidance on relevant securities experience.

Reportable activities (Form 33-109F4 – Item 10 and Schedule G; Form 33- 109F7 – Item 7 and Schedule D)

Individuals must report all activities with their sponsoring firm and certain activities carried on outside of their sponsoring firm (which includes activities performed for affiliated entities of their sponsoring firm) in Form 33-109F4 and Form 33-109F7. Activity changes must be reported by the individuals in Form 33- 109F5.

To illustrate the analysis on whether an activity outside of the sponsoring firm is reportable in Item 10.2 [*Reportable outside* activities] of Form 33-109F4 or in Item 7.2 [*Reportable outside activities*] of Form 33-109F7, Appendix C has been included in this Companion Policy.

The regulator or, in Québec, the securities regulatory authority will take into account reportable activities when assessing that individual's application for registration or continuing fitness for registration and the sponsoring firm's fitness for registration, including the following considerations in relation to the reportable activities:

- whether there is a risk of client confusion and if so, what the risk is and whether there are effective controls and supervision in place to address the risk,
- whether the reportable outside activity presents a material conflict of interest for the individual, and whether that material conflict of interest has been addressed in the best interest of the client,
- whether the reportable outside activity provides the individual with access to privileged, confidential or insider information relevant to their registerable activities,
- whether the individual will have sufficient time to effectively carry out their registerable activities, including remaining current on securities law and product knowledge,
- whether the individual will be able to properly service clients.

Information on outside activities reported to the regulators or, in Québec, the securities regulatory authority also helps facilitate their understanding and supervision of registrants and, in some circumstances, may prompt further review of an applicant, a registrant, a permitted individual, or an unregistered person.

Although only certain outside activities are required to be reported to regulators or, in Québec, the securities regulatory authority, registrants are required to identify and address all material conflicts of interest and risks associated with their sponsored individuals, including those arising from outside activities that a registered individual may participate in. Accordingly, the assessment of material conflicts of interests by registrants should not be limited to only the outside activities reportable to regulators or, in Québec, the securities regulatory authority.

Category 1 – Activities with another registered firm

Generally, we expect any activity with another registered firm to be reported, whether or not the activity at the other firm requiresthe individual to be registered. For example, the following roles are reportable: being an advising or dealing representative, owner, director, research analyst, compliance consultant, client relationship manager, human resources manager, or IT service provider for another registered firm.

Category 2 – Activities with an entity that receives compensation from a registered firm

If the individual is the owner (e.g., shareholder, partner), management (e.g., director or officer), or employee of an unregistered entity that receives compensation, such as sales commissions or referral fees, from a registered firm, this activity is reportable. For example, being an employee or owner of an entity that has entered into an agreement in the form set out in Schedule 'A' of MFDA Staff Notice MSN-0072 *Payment of Commissions to Unregistered Corporations* is reportable.

Category 3 – Other securities-related activities

Activities that involve raising money for an entity, such as structuring the security or derivative, preparing the offering document, soliciting investors, or promoting the sale of a security or derivative are reportable. The activity must be reported if it was carried out any time in the last 7 years.

Given the role of a director or officer in a corporation as the directing mind and management and the nature of partnerships and trusts, we would consider a director, officer, partner, or equivalent position (such as trustees) of an entity that, within the last 7 years, raised money through the issuance of securities or derivatives to be directly involved and thus would be reportable. For example, being the President of a mortgage investment entity that is raising money would be reportable. We would also consider being a director or officer of a reporting issuer to be reportable, such as being a director of a TSX-listed company.

An individual who works at an entity that is raising money through the issuance of securities or derivatives, but has no direct involvement in the capital raising activity, such as a computer programmer at a fintech start-up, would not be required to report, unless the activity falls within another reporting category.

Similarly, charitable or other fundraising activities that do not involve the issuance of securities or derivatives would not be reportable. For example, volunteering for an organization to seek charitable donations would not be reportable.

Category 4 – Provision of financial or finance-related services

An individual is required to report certain financial and finance-related activities, whether or not compensation is received for providing the services. An individual is also expected to report if the individual is a shareholder, partner, director, or officer of an entity that provides one of those services. This includes activities where the individual is responsible for the oversight or provides independent review or expert opinion on the management of an entity's financial assets. For example, being a member of an investment committee that oversees the management of a university's endowment funds or a charity's financial capital, or being a trustee of a family trust.

Category 5 – Positions of influence

All positions of influence are reportable. Please see the guidance in section 13.4.3 of the Companion Policy to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

Uncompensated activities and personal holding companies

Generally, uncompensated activities that do not involve securities or financial services and are not positions of influence are not reportable. For example, volunteer activities, such as being a little league soccer coach or volunteering at an animal shelter, are not required to be reported as they do not fall within Categories 1 to 5.

Additionally, involvement with entities with non-active operations, such as being the owner of a holding company (e.g., passive management of personal investments), would likely not be reportable. However, in some cases personal holding companies are used to hold securities of a registered firm and through this arrangement the individual receives indirect compensation from a registered firm. In this case the involvement with the holding company would be reportable under Category 2. In other circumstances the holding

company is used to provide financial or finance-related services, to provide services for registered firms, or is otherwise involved in securities-related activities. If an individual's holding company is used for activities that would require disclosure under any of Categories 1 to 5, we would generally consider this entity to be active and the individual should disclose the individual's involvement with this entity.

Resignation and terminations (Form 33-109F4 – Item 12 and Schedule I)

Individuals must report whether they have resigned or been terminated from a position or contract and whether, at the time of their resignation or termination, there existed allegations that the individual: (i) contravened any statutes, regulations, orders of a court or regulatory body, rules or bylaws, or failed to meet standards of conduct, (ii) failed to appropriately supervise compliance with any statutes, regulations, orders of a court or regulatory body, rules, bylaws or standards of conduct, or (iii) committed fraud or the wrongful taking of property, including theft. Standards of conduct may be internal to the sponsoring firm, such as a sponsoring firm's policies and procedures, or may be external to the sponsoring firm, such as the standards of conduct of a professional body. Standards of conduct may include codes of conduct. Sales targets of the firm are not considered standards of conducts.

When providing information about resignations or terminations, individuals must disclose the day that they ceased to carry on duties for the entity or firm they resigned or were terminated from. This date may coincide with the end of the individual's employment, partnership or agency relationship. However, this date can also occur earlier, such as when an individual is subjected to an internal firm suspension or the individual's authority has otherwise been reduced or curtailed pending an internal review. Individuals should provide the date they ceased to carry on duties and not merely the end of an individual's employment, partnership or agency relationship.

Agent for service (Form 33-109F4 – Item 18)

Item 18 *Agent for service* of Form 33-109F4 is a certification clause by the individual that he or she has completed the appointment for service required in each relevant jurisdiction. There is no distinct form under the Rule for the appointment of an agent for service for use by individuals. Please refer to the form used by the registered firm. This format is acceptable to the regulator.

2.3 Form 33-109F2 (Subsection 2.2(2), Section 2.4, Subsection 2.6(2), Subsection 4.1(4))

This form is used by individuals to apply to add or to surrender a registration category or to seek review of a change in their permitted individual category or to change any information on Schedule C of a previously submitted Form 33-109F4. If an individual has ceased to have authority to act on behalf of their sponsoring firm as a registered or permitted individual in the last jurisdiction of Canada where they were so acting, they cannot submit a Form 33-109F2. Instead, the individual's sponsoring firm submits a Form 33-109F1 to notify the regulator of the termination or cessation of authority to act on behalf of the firm.

2.4 Form 33-109F5 for individuals

When an individual submits a Form 33-109F5 to update their registration information, NRD will transmit the information to the regulator in each jurisdiction in which the individual is registered or is a permitted individual. However, only the principal regulator processes the submission to update the individual's registration information on NRD, or if necessary to deny or withdraw the submission.

Form 33-109F5 should not be used by an individual applying to add or surrender a registration category or to seek review of a change in his/her permitted individual category. In this case, Form 33-109F2 is used. It should also be noted that Form 33-109F5 is not used by an individual that is registered or is a permitted individual in a jurisdiction of Canada and is seeking registration, or review as a permitted individual, in an additional jurisdiction. In this case, a Form 33-109F4 is used and is identified on NRD as *Registration in an Additional Jurisdiction.* This also applies to an individual adding a sponsoring firm; Form 33-109F4 is used and is identified on NRD as *Registration with an Additional Sponsoring Firm*.

2.5 Form 33-109F7 for reinstatement (Sections 2.3 and 2.5)

When an individual leaves a sponsoring firm and joins a new registered firm, they may submit a Form 33-109F7 to have their registration or permitted individual status automatically reinstated in one or more of the same categories and jurisdictions as before, subject to all of the conditions set out in subsection 2.3(2) or 2.5(2) of the Rule. An individual who meets all of the applicable conditions will be able to transfer directly from one sponsoring firm to another and start engaging in activities requiring registration from the first day that they submit the Form 33-109F7. If certain allegations existed at the time of the individual leaving a sponsoring firm, then regardless of whether the allegations caused or contributed to the individual leaving, the individual may not use the Form 33-109F7. In addition, at the time the individual ceased to be a registered individual or a permitted individual with the former sponsoring firm, all of the information previously submitted in Form 33- 109F4, including Item 12, must have been up-to-date. If these conditions are not met, then the individual must apply for reinstatement by completing on NRD a Form 33-

109F4 by making the NRD submission entitled "*Reactivation of Registration*".

2.6 Business locations (Form 33-109F4 and Form 33-109F7)

The term "business location" is defined in section 1.1 of the Rule. If the business location specified in Item 9 of Form 33-109F4 or Item 5 of Form 33-109F7 is a residence, the individual must acknowledge that the regulator or, in Québec, the securities regulatory authority may request consent to enter the residence for the administration of securities legislation and derivatives legislation, including commodity futures legislation.

2.7 Ongoing fitness for registration

Every registrant must maintain their fitness for registration on an ongoing basis. Under securities legislation the regulator has discretionary authority to suspend or revoke an individual's registration or to restrict it with terms and conditions at any time. The regulator may do this, for example, if it receives information through a notice of cessation from an individual's former sponsoring firm or any other source that raises concerns about the individual's continued fitness for registration. Individuals will be given an opportunity to be heard before a decision is made to suspend or revoke registration or to impose terms and conditions.

PART 3 – FORMS USED BY FIRMS

3.1 Form 33-109F6 (Paragraph 2.1(a))

When a firm submits a Form 33-109F6 to apply for registration it may pay the regulatory fees to the applicable regulators by cheque or by using the NRD function called *Resubmit Fee Payment*. A firm that applies in multiple jurisdictions should submit its application to the regulator in the principal jurisdiction or, if Ontario is a non-principal jurisdiction, to the regulators in the principal jurisdiction and in Ontario. For more details, refer to National Policy 11-204 *Process for Registration in Multiple Jurisdictions*.

Under section 4A.1 of Multilateral Instrument 11-102 *Passport System*, the principal regulator for a foreign firm is the securities regulatory authority or regulator identified in Item 2.2(b) of the firms most recent Form 33-109F6 or Form 33-109F5 *Change of Registration Information* if the change noted in that form relates to Item 2.2(b) of Form 33-109F6. For firms without a head office in Canada or not already registered in a jurisdiction of Canada, Item 2.2(b) of Form 33-109F6 specifies that the principal regulator is the jurisdiction of Canada in which the firm expects to conduct most of its activities that require registration as at the end of its current financial year or conducted most of its activities that require registration as at the end of its most recently completed financial year. Firms should determine whether to base the selection on where they expect to conduct most of their activities or where they conducted most of their activities the previous year based on which they feel is most appropriate.

The factors a firm should consider in identifying the principal regulator are:

- the jurisdiction in which the firm has a business location
- when applying for dealer registration or adviser registration, the jurisdiction in which the firm expects to have most of its clients as at the end of its current financial year or the jurisdiction in which most of the firm's clients were located at the end of its most recently completed financial year
- when applying for investment fund manager registration, the jurisdiction in which the firm expects to conduct most of its investment fund manager activities as at the end of its current financial year or the jurisdiction in which most of the firm's investment fund manager activities were conducted at the end of its most recently completed financial year
- when applying for investment fund manager registration and another category of registration, the jurisdiction in which firm expects to conduct most of the activities that require registration as at the end of its current financial year or conducted most of the activities that require registration as at the end of its most recently completed financial year based on the foregoing

Under section 4A.2 of Multilateral Instrument 11-102 *Passport System*, a securities regulatory authority or regulator has the discretion to change the principal regulator for the firm.

Changes in outstanding legal actions

Registered firms are required to provide updates on the changes in legal actions reported in item 8.3 of Form 33-109F6. This includes new claims, defenses, counterclaims, third-party claims, amendments, settlements or resolutions of the claims (whether by judgement, dismissal or discontinuance), and appeals. In addition, we expect registered firms to inform regulators or, in Québec, the securities regulatory authority of any decisions in the legal action that could significantly adversely affect the firm's financial health or business or affect the outcome of the legal action. Reporting of discovery, procedural and scheduling developments, such as adjournments, is not required.

3.2 Form 33-109F5 (Subsection 3.1(6))

A firm that is registered in multiple jurisdictions may submit a Form 33-109F5 to its principal regulator only to notify regulators of a change to the firm's registration information, in accordance with subsection 3.1(6) of the Rule.

3.3 Form 33-109F3 (Paragraph 2.1(b); Form 33-109F4 – Item 22)

A firm must notify the regulator of each business location in the jurisdiction. The term "business location" is defined in section 1.1 of the Rule and may include a residence, where a firm's registered individuals are based for the purpose of carrying out activities that require registration.

Firms certify in Item 22 of Form 33-109F4 that if the business location is a residence, the individual conducting business from that business location has completed a Form 33-109F4 certifying that they give their consent for the regulator or, in Québec, the securities regulatory authority to enter the residence for the administration of securities legislation.

Firms certify in Form 33-109F4 that if the business location is a residence, the individual conducting business from that business location has completed a Form 33-109F4. Form 33-109F4 contains a notice to the individual completing the form that the regulator or, in Québec, the securities regulatory authority may request consent to enter the residence for the administration of securities legislation.

3.4 Discretionary exemption for bulk transfers

Regulators will consider an application for an exemption from certain requirements in the Rule to facilitate a reorganization or combination of firms which would otherwise require a large number of submissions to change business locations and transfer individuals. The information required, and the conditions to obtain, this type of exemption application are described in the attached Appendix D.

3.5 Form 33-109F1 (Section 4.2)

Under section 4.2 of the Rule, a registered firm must notify the regulator or, in Québec, the securities regulatory authority no more than 15 days after an individual ceased to have authority to act on behalf of the registered firm, as a registered individual or permitted individual. Typically, this occurs due to the cessation of the individual's employment, partnership or agency relationship with the registered firm. However, it also occurs when an individual is re-assigned to a different position at the registered firm that does not require registration or is no longer a permitted individual category. Section 4.2 requires that firms notify the regulator or, in Québec, the securities regulatory authority within 15 days of the date that the person ceased to have authority to act and not merely the end of an individual's employment, partnership or agency relationship. Please refer to the definition "cessation date". Form 33-109F1 is submitted through the NRD website to give notice of the cessation date and the reason for the cessation.

Under paragraph 4.2(1)(b) of the Rule, the information in Item 5 [*Details about the cessation*] of a Form 33-109F1 must be submitted unless the cessation of authority to act on behalf of the registered firm was caused by the death of the individual. A registered firm can submit the information in Item 5 either at the time of making the initial submission on NRD, if the information is available within that 15 day period, or within 30 days of the cessation date, by making an NRD submission entitled "*Update / Correct Cessation Information*"

PART 4 – DUE DILIGENCE BY FIRMS

4.1 Obligations of former sponsoring firm (Subsections 4.2(3) and (4))

After submitting a Form 33-109F1 with regard to a former sponsored individual a firm should promptly send the individual a copy of the completed Form 33-109F1. Under subsections 4.2(3) and (4) of the Rule, within 15 days of a request by a former sponsored individual a firm must provide the individual with a copy of the Form 33-109F1 that was submitted, and if necessary, a further copy that includes the information in item 5 of the Form 33-109F1, within 15 days of submitting that information.

4.2 Obligations of new sponsoring firm (Section 5.1)

(1) In fulfilling its obligations under subsection 5.1(1) of the Rule a sponsoring firm should make reasonable efforts to do all of the following:

- establish written policies and procedures to verify an individual's information prior to submitting a Form 33-109F4 or Form 33-109F7 on behalf of the individual
- document the sponsoring firm's review of an individual's information in accordance with the sponsoring firm's policies and procedures
- regularly remind registered and permitted individuals about their disclosure obligations under the Rule, such as notifying the regulator about changes to their registration information

Under subsection 5.1(2) of the Rule, within 60 days of hiring a sponsored individual a sponsoring firm must obtain a copy of the most recent Form 33-109F1, if any, for the individual. If a sponsoring firm cannot obtain it from the sponsored individual, as a last resort the sponsored individual should request it from the regulator or, in Québec, the securities regulatory authority.

The information referred to above will assist the sponsoring firm in meeting its obligations under subsection 5.1(1) of the Rule and should inform the sponsoring firm's hiring decisions. If an individual is hired before a completed Form 33-109F1 is available and if the sponsoring firm discovers an inconsistency in the individual's disclosure to the sponsoring firm or the regulator, then the sponsoring firm should take appropriate action. All

of the required information should be available within 60 days of hiring the individual, which will often fall within the individual's probation period under their employment or agency contract.

PART 5 – COMMODITY FUTURES ACT SUBMISSIONS

5.1 Ontario

In Ontario, if a person or company is required to make a submission under both the Rule and OSC Rule 33-506 (*Commodity Futures Act*) *Registration Information* with respect to the same information, the securities regulatory authority is of the view that a single filing on a form required under either rule satisfies both requirements.

5.2 Manitoba

In Manitoba, the Rule is a rule under each of the *Securities Act* and the *Commodity Futures Act*. A single submission with respect to the same information will satisfy the requirements of both statutes.

Appendix A – Summary of Notice Requirements in National Instrument 33-109

Description of Change	Notice Period	Section	Form submitted
Firms – Form 33-109F6 information			**by email, fax or mail**
Part 1 – Registration details	15 days	3.1(1.1)(b)	Form 33-109F5
Part 2 – Contact information, including head office address (except 2.4)	15 days		
Item 2.4 – Agent and Address for service [Items 3 and 4 of Schedule B to Form 33-109F6]	15 days	3.1(4)	Schedule B to Form 33-109F6 *Submission to jurisdiction*
Part 3 – Business history & structure	30 days	3.1(1.1)(a)	Form 33-109F5
Part 4 – Registration history (except item 4.1)	15 days	3.1(1.1)(b)	
Item 4.1 – Securities registration	30 days	3.1(1.1)(a)	
Part 5 – Financial condition (except item 5.12)	15 days	3.1(1.1)(b)	
Item 5.12 – Auditor	30 days	3.1(1.1)(a)	
Part 6 – Client relationships (except items 6.1 and 6.2)	15 days	3.1(1.1)(b)	
Item 6.1 – Client assets	30 days	3.1(1.1)(a)	
Item 6.2 – Conflicts of interest			
Part 7 – Regulatory action	15 days	3.1(1.1)(b)	
Part 8 – Legal action	15 days	3.1(1.1)(b)	
Firms – other notice requirements			**in NRD format**
Open / change of business location (other than head office)	15 days	3.2	Form 33-109F3
Cessation of Authority of a registered or permitted individual – Items 1-4	15 days	4.2(2)(a)	Form 33-109F1
– Item 5	30 days	4.2(2)(b)	
Individuals – Form F4 information			**in NRD format**
Item 1 – Name	15 days	4.1(1)(b)	Form 33-109F5
Item 2 – Address (except items 2.1 and 2.2)	15 days		
Item 2.1 – Current and previous residential address	30 days	4.1(1)(a)	
Item 2.2 – Mailing address			
Item 3 – Personal information	No update required	4.1(2)	
Item 4 – Citizenship	30 days	4.1(1)(a)	
Item 5 – Registration jurisdictions	15 days	4.1(1)(b)	
Item 6 – individual categories	15 days		
Item 7 – Address for service	15 days		
Item 8 – Proficiency	15 days		
Item 9 – Location of employment	15 days		
Item 10 – Reportable activities	30 days		
Item 11 – Previous employment	30 days	4.1(1)(a)	

Item 12 – Resignations and terminations	15 days		
Item 13 – Regulatory disclosure	15 days		
Item 14 – Criminal disclosure	15 days	4.1(1)(b)	
Item 15 – Civil disclosure	15 days		
Item 16 – Financial disclosure	15 days		
Item 17 – Ownership of securities	15 days		
Change of F4: registrant position or relationship with sponsoring firm / permitted status	15 days	4.1(4)	Form 33-109F2
Review of a permitted individual	15 days after appointment	2.5	Form 33-109F4 or Form 33-109F7, subject to conditions

Appendix B – Contact Information for the Regulators and IIROC

- Part 1 provides the regulators' contact information for registrants in all categories, except for those in the jurisdictions and categories listed in Part 2
- Part 2 below, provides IIROC's contact information in the jurisdictions where IIROC performs registration functions for Approved Persons of investment dealers and, in some cases, for investment dealer firms

PART 1 – Regulators' Contact Information

Alberta e-mail: registration@asc.ca fax: (403) 297-4113 Alberta Securities Commission Suite 600, 250 - 5th St. S.W. Calgary, AB T2P 0R4 Attention: Registration	**British Columbia** e-mail: registration@bcsc.bc.ca fax: (604) 899-6506 British Columbia Securities Commission P.O. Box 10142, Pacific Centre 701 West Georgia Street Vancouver, BC V7Y 1L2 Attention: Registration
Manitoba e-mail: registrationmsc@gov.mb.ca fax: (204) 945-0330 The Manitoba Securities Commission 500-400 St. Mary Avenue Winnipeg, MB R3C 4K5 Attention: Registrations	**New Brunswick** e-mail: nrs@fcnb.ca fax:(506) 658-3059 Financial and Consumer Service Commission of New Brunswick Commission des services financiers et des services aux consummateurs du Nouveau-Brunswick Suite 300, 85 Charlotte Street Saint John, NB E2L 2J2 Attention: Registration
Newfoundland and Labrador e-mail: scon@gov.nl.ca fax: (709) 729-6187 Superintendent of Securities, Service NL Government of Newfoundland and Labrador P.O. Box 8700, 2nd Floor, West Block Confederation Building St. John's, NL A1B 4J6 Attention: Registration Section	**Northwest Territories** e-mail: SecuritiesRegistry@gov.nt.ca fax: (867) 873-0243 Government of the Northwest Territories Department of Justice P.O. Box 1320 Yellowknife, NWT X1A 2L9 Attention: Exemption Review Staff
Nova Scotia e-mail: nrs@gov.ns.ca fax: (902) 424-4625 Nova Scotia Securities Commission Suite 400, 5251 Duke Street Halifax, NS B3J 1P3 Attention: Registration	**Nunavut** e-mail: CorporateRegistrations@gov.nu.ca fax: (867) 975-6594 Government of Nunavut Department of Justice P.O. Box 1000 Station 570 Iqaluit, NU X0A 0H0 Attention: Superintendent of Securities
Ontario Telephone: (416) 593-8314 e-mail: registration@osc.gov.on.ca Ontario Securities Commission 22nd Floor 20 Queen Street West Toronto, ON M5H 3S8 Attention: Compliance and Registrant Regulation	**Prince Edward Island** e-mail: ccis@gov.pe.ca fax: (902) 368-5283 Securities Office Department of Community Affairs and Attorney General P.O. Box 2000, 95 Rochford Street Charlottetown, PE C1A 7N8 Attention: Superintendent of Securities

PART 1 – Regulators' Contact Information

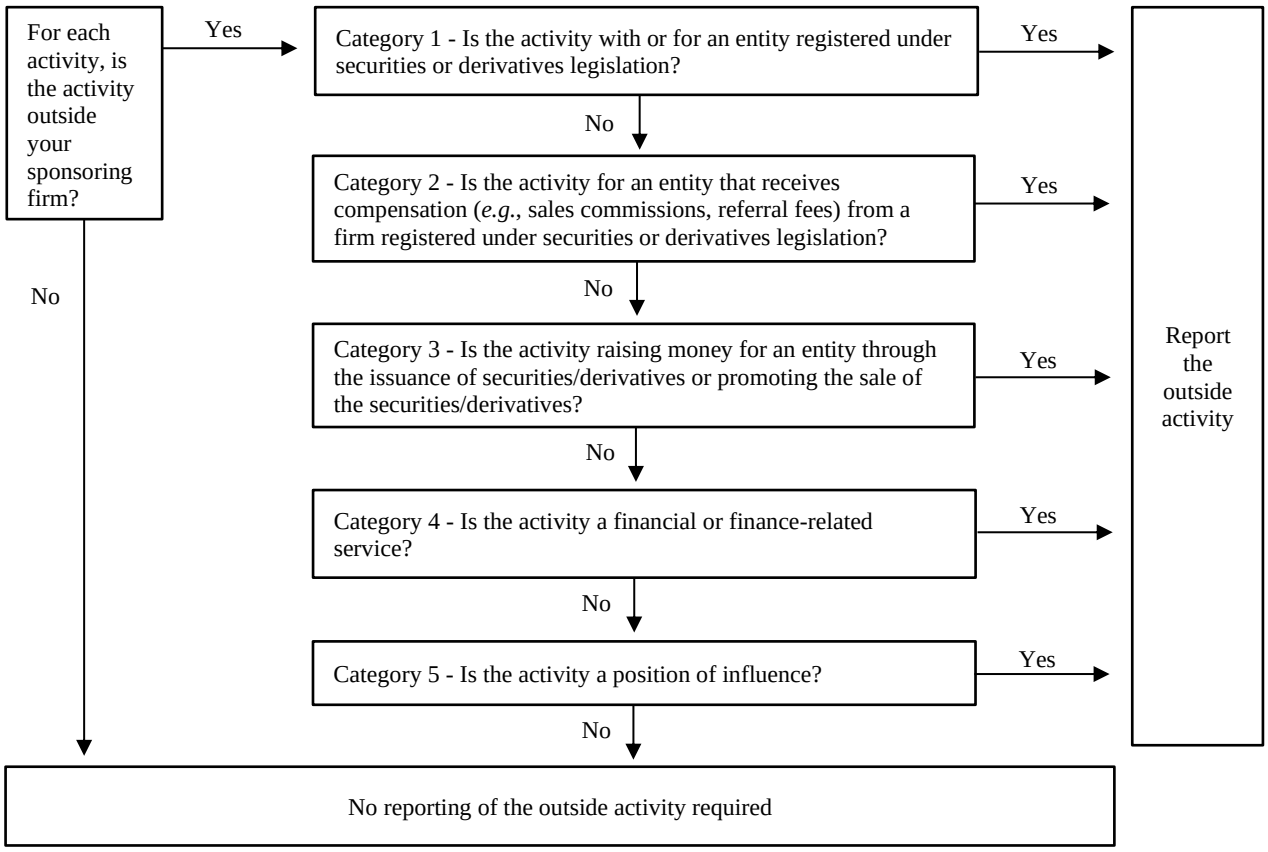
Québec e-mail*: i*nscription@lautorite.qc.ca fax: (514) 873-3090 Autorité des marchés financiers Direction de l'encadrement des intermediaries 800 square Victoria, 22e étage C.P 246, Tour de la Bourse Montréal (Québec) H4Z 1G3	**Saskatchewan** e-mail: registrationsfsc@gov.sk.ca fax: (306) 787-5871 Financial and Consumer Affairs Authority of Saskatchewan Suite 601 1919 Saskatchewan Drive Regina, SK S4P 4H2 Attention: Registration
Yukon e-mail: securities@gov.yk.ca fax: (867) 393-6251 Government of Yukon Office of the Yukon Superintendent of Securities P.O. Box 2703 C-6 Whitehorse, YU Y1A 2C6 Attention: Superintendent of Securities	

PART 2 – Investment Industry Regulatory Organization of Canada Contact Information

** registration of investment dealer firms and their Approved Persons **
* Registration of investment dealer Approved Persons *

**** Alberta – IIROC ****** **** Saskatchewan – IIROC *** e-mail: registration@iiroc.ca fax: (403) 265-4603 #2300, 355 – 4th Avenue SW, Calgary, AB T2P 0J1 Attention: Registration department	**** British Columbia – IIROC ****** e-mail: registration@iiroc.ca fax: (604) 683-3491 1055 West Georgia Street Suite 2800 – Royal Centre Vancouver, BC V6E 3R5 Attention: Registration department
*** Ontario – IIROC *** e-mail: registration@iiroc.ca fax: (416) 364-9177 Suite 1600 121 King Street West Toronto, ON M5H 3T9 Attention: Registration department	**** Newfoundland and Labrador – IIROC ****** **** New Brunswick – IIROC ****** *** Québec – IIROC *** e-mail: registration@iiroc.ca fax: (514) 878-0797 Organisme canadien de réglementation du commerce des valeurs mobilières 525 Viger Avenue West, Suite 601 Montréal (Québec) H2Z 0B2 Attention : Service des inscriptions

Appendix C – Reportable Outside Activities



Appendix D – Discretionary Exemption for Bulk Transfers of Business Locations and Individuals

(1) If a registered firm is acquiring a large number of business locations (for example, as a result of an amalgamation or asset purchase) from one or more other registered firms that are located in the same jurisdiction(s) and registered in the same categories as the acquiring firm, and if a significant number of individuals are associated on NRD with the business locations, the regulator will consider granting an exemption from any or all of the following requirements:

(a) to submit a notice regarding the termination of each employment, partner, or agency relationship under section 4.2 of the Rule;

(b) to submit a registration application or a reinstatement notice for each individual seeking to be a registered individual under section 2.2 or 2.3 of the Rule;

(c) to submit a Form 33-109F4 or Form 33-109F7 for each permitted individual under section 2.5 of the Rule;

(d) to notify the regulator of a change to the business location information in Form 33-109F3 under section 3.2 of the Rule.

(2) The exemption application should be submitted by the registered firm that will acquire control of the business locations at the closing of the transaction and should be submitted well in advance of the date (**transfer date**) on which the business locations will be transferred. It would typically be sufficient if a firm submits the application at least 30 days before the transfer date. An application for this type of exemption should include the following information:

(a) the name and NRD number of the registered firm that will acquire control of the business locations;

(b) for each registered firm that is transferring control of the business locations;

(i) the name and NRD number of the registered firm,

(ii) the address and NRD number of each business location that is being transferred from the registered firm named in (b)(i) to the registered firm named in (a),

(iii) the date that the business locations and individuals will be transferred to the registered firm named in (a).

(3) If the exemption is granted, as soon as practicable after the transfer date, the regulator will instruct the NRD administrator to record on NRD the transfer of the business locations, registered individuals and permitted individuals.

(4) Bulk transfers involving firms that are registered in different categories or different jurisdictions may need to take additional steps. Firms involved in such a transaction should contact their principal regulator to discuss what steps are required for the firm to be eligible for a bulk transfer exemption as described above.

(5) A firm applying for this type of exemption in more than one jurisdiction should refer to National Policy 11-203 *Process for Exemption Applications in Multiple Jurisdictions* for guidance on the form of application and the information required. The firm may set out the information referred to in (2) as follows:

A) <u>Registered firm that will acquire the business locations</u>
Name:
Firm NRD number:

B) <u>Registered firm transferring the business locations</u>
Name:
Firm NRD number:

<u>Business locations that will be transferred</u>
Address of business location:
NRD number of business location:
Address of business location:
NRD number of business location:

(Repeat for each business location as necessary)

C) Date that business locations will be transferred:

National Policy 11-204 Process for Registration in Multiple Jurisdictions

NATIONAL POLICY 11-204
PROCESS FOR REGISTRATION
IN MULTIPLE JURISDICTIONS

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NATIONAL POLICY 11-204
PROCESS FOR REGISTRATION
IN MULTIPLE JURISDICTIONS

PART 1 – APPLICATION

1.1 Application

This policy describes procedures for a firm or individual to register in more than one Canadian jurisdiction.

PART 2 – DEFINITIONS

2.1 Definitions

In this policy,

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

"interface registration" means a registration described in section 3.3 of this policy;

"MI 11-102" means Multilateral Instrument 11-102 *Passport System*;

"NI 31-102" means National Instrument 31-102 *National Registration Database*;

"NRD" has the same meaning as in NI 31-102;

"NRD submission" has the same meaning as in NI 31-102;

"OSC" means the regulator in Ontario;

"passport jurisdiction" means the jurisdiction of a passport regulator;

"passport registration" means a registration described in section 3.2 of this policy;

"passport regulator" means a regulator that has adopted MI 11-102;

"permitted individual" has the same meaning as in NI 33-109;

"regulator" means a securities regulatory authority or regulator; and

"SRO" means self-regulatory organization.

2.2 Further definitions

Terms used in this policy and that are defined in National Instrument 14-101 *Definitions*, MI 11-102 or Companion Policy 11-102CP *Passport System* have the same meanings as in those instruments and policy.

2.3 Interpretation

Unless the context indicates otherwise, a reference in this policy to a 'regulator', 'principal regulator', or the OSC is a reference to the SRO to whom the regulator, principal regulator, or OSC has delegated, assigned or authorized the performance of all or part of its registration function or to the relevant office of that SRO for the jurisdiction of the regulator or principal regulator.

PART 3 – OVERVIEW AND PRINCIPAL REGULATOR

3.1 Overview

This policy deals with a firm's or individual's registration in multiple jurisdictions in the following circumstances:

(i) The firm or individual is seeking registration or is registered in the firm's or individual's principal jurisdiction (including Ontario) and the firm or individual seeks registration in another jurisdiction (excluding Ontario). This is a "passport registration."

(ii) The firm or individual is seeking registration or is registered in the firm's or individual's principal jurisdiction, the principal regulator is a passport regulator, and the firm or individual seeks registration in Ontario. This is an "interface registration."

3.2 Passport registration

Under MI 11-102, if a firm or individual seeks registration or is registered in the firm's or individual's principal jurisdiction (including Ontario) and seeks registration in another jurisdiction (excluding Ontario), the firm or individual makes a submission to register in the other jurisdiction. Only the principal regulator reviews the firm's or individual's submission and the firm or individual's sponsoring firm deals only with the firm's or individual's principal regulator. The principal regulator reviews the firm's or individual's submission to register in the other jurisdiction only to ensure that it is complete. The other regulator does not conduct a review of the firm or individual.

3.3 Interface registration

If a firm or individual seeks registration or is registered in the firm's or individual's principal jurisdiction, the principal regulator is a passport regulator, and the firm or individual seeks registration in Ontario, the firm or individual submits an application to register in Ontario. The principal regulator will review the firm's or individual's application to register in Ontario and the OSC will decide whether to opt in or opt out of the principal regulator's determination. The firm or the individual's sponsoring firm will generally deal only with the firm's or the individual's principal regulator.

3.4 Registration in passport jurisdictions and Ontario

If a firm or individual whose principal regulator is a passport regulator seeks registration in a non-principal passport jurisdiction and in Ontario, the firm or individual should refer to the processes for

- a passport registration, to register in the non-principal passport jurisdiction, and
- an interface registration, to register in Ontario.

3.5 Registration by SRO

In some jurisdictions, the regulator has delegated, assigned or authorized an SRO to perform all or part of its registration function. The SRO continues to perform these functions in the relevant jurisdictions for a passport registration or an interface registration under this policy. At the date of this policy, the following arrangements apply to registration of IIROC member firms and their representatives.

(a) If Alberta, Saskatchewan, British Columbia or Newfoundland and Labrador is the principal jurisdiction of a firm or individual, the firm or the individual's sponsoring firm should deal with the office of IIROC, instead of the regulator, in or for that jurisdiction.

(b) If Ontario or Québec is the principal jurisdiction of an individual, the individual's sponsoring firm should deal with the office of IIROC, instead of the regulator, in or for that jurisdiction in respect of the individual.

3.6 Principal regulator

(1) For purposes of a passport registration and an interface registration under this policy, the principal regulator of a firm or individual is identified in the same manner as in section 4A.1 of MI 11-102. This section summarizes section 4A.1 of MI 11-102 and provides guidance for identifying a firm's or individual's principal regulator. The regulator of any jurisdiction can be a principal regulator for registration under this policy.

If a firm or individual makes an application for exemptive relief from a requirement in Parts 3 and 12 of NI 31-103 or Part 2 of NI 33-109 in connection with an application for registration in the principal jurisdiction, the principal regulator for the application for exemptive relief is identified in the same manner as in section 4.4.1 of MI 11-102. If a firm or individual makes any other application for exemptive relief from a registration requirement, the principal regulator is identified in the same manner as in sections 4.1 to 4.4 of MI 11-102. If a firm or individual is not seeking the relief, or is seeking more than one item of relief and not all of the items of relief, in its principal jurisdiction, the principal regulator is identified in the same manner as in section 4.5 of MI 11-102. A firm or individual should refer to section 3.6 of NP 11-203 for further guidance on how to identify the principal regulator for exemptive relief application purposes.

(2) Subject to subsection (5) of this section and section 3.7 of this policy, the principal regulator of a firm is the regulator in the jurisdiction where the firm has its head office, unless the firm's head office is outside Canada. A firm identifies its head office in item 2.1 *Head office address* of Form 33-109F6 and this information is reflected on NRD.

(3) For greater certainty, a firm is a domestic firm if it is a legal entity and has a head office in Canada. For example, a Canadian subsidiary of a foreign firm is a domestic firm. A Canadian branch office of a foreign firm is not.

(4) Subject to subsection (7) of this section and section 3.7 of this policy, the principal regulator of an individual is the regulator in the jurisdiction where the individual has his or her working office, unless the individual's working office is outside Canada. The working office of a domestic individual is the office of the sponsoring firm where the individual does most of his or her business. A domestic individual identifies his or her working office in item 9 *Location of Employment* of Form 33-109F4 and this information is reflected on NRD.

(5) Subject to section 3.7 of this policy, if the head office of a firm is outside Canada, the principal regulator for the foreign firm is the regulator in the jurisdiction of Canada the firm identified as its principal jurisdiction in its most recently filed Form 33-109F5 or Form 33-109F6. These forms require a foreign firm to identify its principal jurisdiction in Canada. If the foreign firm is not registered in a jurisdiction of Canada or has not completed its first financial year since being registered, the principal jurisdiction is the jurisdiction of Canada in which the firm expects most of its clients to be resident at the end of its current financial year. In all other circumstances, it is the jurisdiction in which most of the firm's clients were resident at the end of its most recently completed financial year.

(6) Subject to section 3.7 of this policy, if the working office of an individual is outside Canada, the principal regulator of the foreign individual is the principal regulator of the individual's sponsoring firm.

(7) A firm should notify the regulator by providing the information about its head office or principal jurisdiction in Form 33-109F6 in accordance with NI 33-109 if

- in the case of a domestic firm, the firm changes the jurisdiction of its head office,
- in the case of a foreign firm, the jurisdiction in which most of the firm's clients were resident at the end of its most recently completed financial year changes.

NI 33-109 provides that the firm may make this submission to a non-principal regulator by giving it only to its principal regulator. A firm should refer to Appendix B of CP 33-109 for guidance on how to make this submission.

(9) In the event of a change in a domestic individual's working office, the individual should make the NRD Submission for a *Location of Employment Change* in accordance with NI 33-109.

(10) Under MI 11-102, a foreign firm registered in a non-principal passport jurisdiction before September 28, 2009 must submit the information required in item 2.2(b) of Form 33-109F6 by submitting a Form 33-109F5 on or before October 28, 2009. A foreign firm may make its submission to a non-principal passport regulator by giving it only to its principal regulator. Foreign firms should refer to Appendix B of CP 33-109 for guidance on how to make this submission.

(11) Under MI 11-102, the principal regulator for a foreign individual is the same as the principal regulator for the individual's sponsoring firm. For that reason, the foreign individual is not required to make a submission to identify the individual's principal regulator.

3.7 Discretionary change of principal regulator

(1) If a regulator thinks that the principal regulator identified under section 3.6 of this policy is inappropriate, the regulator will give the firm or individual written notice of the appropriate principal regulator for the firm or individual and the reasons for the change. The regulator specified in the notice will be the firm or individual's principal regulator as of the later of the date the firm or individual receives the notice and the effective date specified in the notice, if any. To streamline the process, the regulators will give the written notice relating to the principal regulator of an individual to the individual's sponsoring firm.

(2) Regulators do not generally expect changing the principal regulator for a domestic firm or domestic individual. Regulators anticipate changing the principal regulator for a foreign firm only in exceptional circumstances. Regulators may change the principal regulator for a foreign individual if the foreign individual is not registered in his or her sponsoring firm's principal jurisdiction or if the individual's principal regulator under this policy does not correspond to his or her principal regulator as shown on NRD. Regulators will give written notice of a change in principal regulator.

PART 4 – GENERAL GUIDANCE FOR FIRMS AND INDIVIDUALS

4.1 Effect of submission

(1) If an individual makes an NRD submission for the individual in relation to a passport registration or an interface registration in a non-principal jurisdiction, this has the effect of submitting the current information in the individual's entire Form 33-109F4 in the jurisdiction.

(2) Because firms do not file or submit their Form 33-109F6 on NRD, the form requires instead that the firm make a solemn declaration or affirmation that, among other things,

- the information provided on the form is true and complete, and
- with respect to a submission made in respect of a non-principal jurisdiction, at the date of the submission,
    - the firm has filed or submitted all information required to be filed or submitted in relation to the firm's registration in its principal jurisdiction,
    - the information is true and complete.

In addition, the form requires the firm to authorize its principal regulator to give each non-principal regulator access to any information the firm has filed or submitted to the principal regulator under securities legislation of the principal jurisdiction in relation to the firm's registration in that jurisdiction.

Should a regulator discover that a firm made a false declaration or affirmation, the regulator may take appropriate enforcement action against the firm.

4.2 Fees

(1) A firm or an individual must submit any required fees for the firm or the individual under applicable securities legislation in the principal jurisdiction and the non-principal passport jurisdiction when making the relevant submission. A submission is not considered complete unless the required fees are submitted under applicable securities legislation in relevant jurisdictions.

(2) A firm may pay the fee related to a submission by sending a cheque to the relevant regulator or submitting payment to each relevant regulator directly on NRD. A domestic individual must pay the fee related to a submission to each relevant regulator by submitting it on NRD. A foreign individual must pay the fee related to a submission by sending a cheque to the relevant regulator or submitting payment to each relevant regulator directly on NRD.

4.3 Firm submissions

A firm should refer to Appendix B of CP 33-109 for guidance on how to make a submission under section 5.2(1) to (3) or section 6.2(1) or (2) of this policy.

PART 5 – PASSPORT REGISTRATION

5.1 Application

(1) This part applies to a firm or individual seeking registration in any category (other than a firm seeking registration as a restricted dealer) in a non-principal passport jurisdiction. To register in a non-principal jurisdiction, a restricted dealer must apply directly to the non-principal passport regulator. This part applies to an individual seeking registration in a non-principal passport jurisdiction to act on behalf of a restricted dealer if the restricted dealer is registered as such in that jurisdiction and its principal jurisdiction.

(2) A firm seeking registration as a restricted dealer must complete the entire Form 33-109F6 and submit it, along with all supporting materials, in each jurisdiction where it seeks registration as such.

5.2 Filing of materials

For a firm

(1) Under MI 11-102, a firm that seeks registration in a non-principal passport jurisdiction in a category for which the firm is registered or is concurrently seeking registration in its principal jurisdiction (including Ontario) should complete the entire Form 33-109F6 or the items of Form 33-109F6 specified in item 1.3 of the form for the firm's particular situation. The firm should submit the F6 or relevant items together with any supporting materials. Making the submission to the principal regulator satisfies the firm's obligation under MI 11-102 to make the submission to the regulator in the non-principal passport jurisdiction.

For an individual

(2) Under MI 11-102, an individual who seeks registration in a non-principal passport jurisdiction in a category for which the individual is registered or is concurrently seeking registration in his or her principal jurisdiction (including Ontario) should submit a completed Form 33-109F4, or in some cases a completed Form 33-109F2, for the individual in accordance with NI 33-109.

(3) NI 33-109 requires a completed Form 33-109F4 or completed Form 33-109F2 to be submitted on NRD. NRD automatically submits the relevant form to the appropriate regulators. In some circumstances, it is not necessary to complete the entire form. For example, it is not necessary to complete the entire form for an individual to seek registration in the same category in an additional jurisdiction, to add or remove a category of registration, or to register in a category with an additional or a new sponsoring firm. In those circumstances, the relevant NRD submission indicates which items of the form to complete.

(4) Making an NRD submission under subsection (3) satisfies the individual's obligation under MI 11-102 to submit a completed Form 33-109F4.

Fees in non-principal jurisdiction

(5) Fees required for a firm or individual to register automatically in a non-principal passport jurisdiction under MI 11-102 are prescribed in the fee regulation of each jurisdiction. If the principal regulator refuses to register the firm or individual, the regulator in any non-principal passport jurisdiction in respect of which a submission was made will return the fees submitted in relation to the submission.

5.3 Registration

(1) NRD will record a firm's or an individual's category of registration in the principal jurisdiction, any T&C imposed by the principal regulator, and any exemption from Parts 3 and 12 of NI 31-103 or Part 2 of NI 33-109 granted by the principal regulator.

(2) Under MI 11-102, a firm or individual that is registered in a category in the firm's or individual's principal jurisdiction is automatically registered in a non-principal passport jurisdiction in the same category as in the firm's or the individual's principal jurisdiction if the firm or individual submitted the relevant completed NI 33-109 form and is a member or approved person of an SRO if that is required for that category of registration.

For a mutual fund dealer based in Québec, the SRO condition means that the firm must be a member of the Mutual Fund Dealers Association of Canada (MFDA) before it can register in another jurisdiction. However, this condition does not apply if the firm has an exemption in the local jurisdiction from the requirement to be a member of the MFDA.

For a representative of a mutual fund dealer or scholarship plan dealer whose working office is outside Québec, the SRO condition means that he or she must be a member of the Chambre de la sécurité financière before he or she can become registered in Québec. This condition does not apply if the individual has an exemption in Québec from the requirement to be a member of the Chambre.

For a representative of a mutual fund dealer whose working office is in Québec, the SRO conditions means that he or she must be an approved person of the MFDA before he or she can become registered outside of Québec. This condition does not apply if the individual has an exemption in the relevant jurisdiction from the requirement to be an approved person of the MFDA.

If a firm or individual is registered in the same category in the principal jurisdiction and in the non-principal passport jurisdiction, MI 11-102 provides that a T&C imposed on the registration in the principal jurisdiction applies as if it were imposed in the non-principal passport jurisdiction. The T&C applies until the earlier of the date that the regulator that imposed it cancels or revokes it, or the T&C expires.

(3) NRD will record for each non-principal passport jurisdiction in respect of which the firm or individual made the relevant submission

- the firm's or the individual's automatic registration in the same category as in the principal jurisdiction,
- any T&C imposed by the principal regulator that applies automatically to the firm or individual in the non-principal jurisdiction, and

- any exemption from Parts 3 and 12 of NI 31-103 or Part 2 of NI 33-109 granted by the principal regulator that applies automatically in the non-principal jurisdiction.

If a firm or individual made the relevant submission to register concurrently in the principal jurisdiction and one or more non-principal passport jurisdictions, NRD will show the same registration date in the principal jurisdiction and the non-principal passport jurisdiction(s).

If a firm or individual is already registered in the principal jurisdiction when the firm or individual makes the relevant submission in respect of a non-principal jurisdiction, NRD will show the date the submission is made in respect of the non-principal passport jurisdiction as the registration date in the non-principal passport jurisdiction for an individual. For a firm, NRD may show a different registration date in the non-principal passport jurisdiction. If that is the case, the registration date in the non-principal passport jurisdiction is the date on which the relevant submission was made in respect of the non-principal passport jurisdiction. The principal regulator will confirm the firm's registration date in the non-principal passport jurisdiction outside NRD.

(4) The principal regulator may grant or have granted a discretionary exemption application from a requirement of Parts 3 and 12 of NI 31-103 or Part 2 of NI 33-109 in connection with an application to register in the principal jurisdiction. In that case, the exemption applies automatically in the non-principal passport jurisdiction in which the firm or individual is registered automatically under MI 11-102 if certain conditions are met. The conditions are set out section 4.7 of MI 11-102. Among other things, section 4.7(1)(c) of MI 11-102 requires the applicant to give notice of intention to rely on the exemption in the non-principal jurisdiction.

PART 6 – INTERFACE REGISTRATION

6.1 Application

(1) This part applies to a firm or an individual seeking registration in any category (other than a firm seeking registration as a restricted dealer) in Ontario when Ontario is a non-principal jurisdiction. To register in Ontario, a restricted dealer must apply directly to the OSC. This part applies to an individual seeking registration in Ontario to act on behalf of a restricted dealer if the restricted dealer is registered as such in Ontario and its principal jurisdiction.

(2) A firm seeking registration as a restricted dealer in Ontario must complete the entire Form 33-109F6 and submit it, along with all supporting materials, directly to the OSC whether Ontario is the firm's principal jurisdiction or non-principal jurisdiction.

6.2 Filing materials

For a firm

(1) If a firm seeks registration in Ontario in a category for which it is concurrently seeking registration in its principal jurisdiction, the firm should complete the entire Form 33-109F6 and submit it to its principal regulator and the OSC. Supporting materials that are required under Form 33-109F6 may be submitted to the OSC by giving them to the principal regulator.

(2) If a firm is registered in a category in its principal jurisdiction and subsequently seeks registration in the same category in Ontario, the firm should complete the items of Form 33-109F6 specified in item 1.3 of the form and submit the form to the principal regulator and the OSC.

Supporting materials that are required under Form 33-109F6 may be submitted to the OSC by giving them to the principal regulator.

(3) If a firm seeks to add a category in its principal jurisdiction and in Ontario, the firm must complete the items of Form 33-109F6 specified in item 1.3 of the form and submit the form to its principal regulator and the OSC.

Supporting materials that are required under Form 33-109F6 may be submitted to the OSC by giving them to the principal regulator.

For an individual

(4) Under NI 33-109, an individual who seeks registration is required to submit a completed Form 33-109F4, or in some cases a completed Form 33-109F2, through NRD. NRD automatically submits the relevant form to the appropriate regulators. In some circumstances, it is not necessary to complete the entire form. For example, it is not necessary to complete the entire form for an individual to seek registration in the same category in an additional jurisdiction, to add or remove a category of registration, or to register in a category with an additional or a new sponsoring firm. In those circumstances, the relevant NRD submission indicates which items of the form to complete.

(5) Making an NRD submission under subsection (4) satisfies the individual's obligation to submit a completed Form 33-109F4.

6.3 Decision-making process

(1) If a firm or individual seeks registration in the principal jurisdiction and in Ontario, the firm or the individual's sponsoring firm will generally deal only with the principal regulator.

(2) The principal regulator will submit to the OSC (or the Ontario office of IIROC, for an individual seeking registration as a representative of an investment dealer) an interface document containing its proposed determination. The OSC will advise the principal regulator whether it opts in

to, or opts out of, the principal regulator's proposed determination generally within one business day from receiving the interface document. The Ontario office of IIROC will generally do this within one business day from receiving the interface document.

(3) The OSC may impose a local T&C on a firm's or an individual's registration without opting out.

(4) If the OSC opts out, it will give the principal regulator written reasons for its decision and the principal regulator will forward the reasons to the firm or the individual's sponsoring firm and use its best efforts to resolve the opt-out issues with the firm or the sponsoring firm of the individual and the OSC.

(5) If the principal regulator is able to resolve the OSC's opt-out issues with the firm or the individual's sponsoring firm before NRD shows the firm or individual as being registered in the principal jurisdiction, the OSC may opt back into the interface registration. In that case, the OSC will notify the principal regulator and the firm or the individual's sponsoring firm that it has opted back in. If the principal regulator is unable to resolve the OSC's opt-out issues, the firm or individual's sponsoring firm should deal with the OSC directly to resolve them.

6.4 Decision

(1) NRD will record a firm or individual's category of registration in the principal jurisdiction, any T&C that applies in the principal jurisdiction, and any exemption from Part 4 of NI 31-103 or Part 2 of NI 33-109 granted by the principal regulator. If the OSC opts in, NRD will also record that the firm or individual is registered in the same category in Ontario, including the date when the registration takes effect, and that the OSC has adopted the same T&C and granted the same exemption from Divisions 1 and 2 of Part 3 and Part 12 of NI 31-103 or Part 2 of NI 33-109 as the principal regulator.

(2) If the OSC imposes a local T&C on a firm's or an individual's registration, NRD will also record any T&C applicable in Ontario only.

6.5 Opportunity to be heard

(1) If the principal regulator of a firm or an individual that seeks registration in the principal jurisdiction and, concurrently, in Ontario is not prepared to grant registration or is prepared to grant registration with a T&C, the principal regulator will

- send the firm or the individual's sponsoring firm a copy of the principal regulator's proposed T&C, if applicable, and
- notify the firm or the individual's sponsoring firm that it has the right to request an opportunity to be heard from the principal regulator.

If the OSC opts in to the determination of the principal regulator to refuse registration or impose a T&C, the principal regulator will forward to the firm or the individual's sponsoring firm the OSC's notification that the firm or individual has the right to request an opportunity to the heard from the OSC.

(2) If a firm or individual exercises the right to request an opportunity to be heard from the principal regulator or from the principal regulator and the OSC, the principal regulator will notify the OSC.

(3) If the firm or the individual's sponsoring firm also requests an opportunity to be heard in Ontario, the principal regulator and the OSC will decide whether to provide an opportunity to be heard separately, jointly or concurrently. After the firm or individual had an opportunity to be heard and the principal regulator makes a decision, the principal regulator will send to the OSC a new interface document setting out its proposed determination, if applicable.

(4) If a firm or individual is registered in the principal jurisdiction and, subsequently, applies to register in Ontario, and the OSC decides to refuse registration or impose a local T&C, the OSC will send the principal regulator for the firm or the individual

- a copy of the T&C, if applicable, and
- the OSC's notification that the firm or individual has the right to request an opportunity to be heard in Ontario.

The principal regulator will forward these documents to the firm or individual's sponsoring firm. Thereafter, the firm or individual will deal directly with the OSC.

National Instrument 23-102
Use of Client Brokerage Commissions

NATIONAL INSTRUMENT 23-102
USE OF CLIENT BROKERAGE COMMISSIONS

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NATIONAL INSTRUMENT 23-102
USE OF CLIENT BROKERAGE COMMISSIONS

PART 1 – DEFINITIONS

1.1 Definitions

In this Instrument,

"affiliated entity" has the meaning ascribed to it in section 1.3 of National Instrument 21-101 *Marketplace Operation*;

"client brokerage commissions" means brokerage commissions paid for out of, or charged to, a client account or investment fund managed by the adviser;

"managed account" has the meaning ascribed to it in section 1.1 of National Instrument 31-103 *Registration Requirements Exemptions and Ongoing Registrant Obligations*;

"order execution goods and services" means

(a) order execution; and

(b) goods or services to the extent that they are directly related to order execution;

"research goods and services" means

(a) advice relating to the value of a security or the advisability of effecting a transaction in a security,

(b) an analysis, or report, concerning a security, portfolio strategy, issuer, industry, or an economic or political factor or trend, and

(c) a database, or software, to the extent that it supports goods or services referred to in paragraphs (a) and (b).

1.2 Interpretation - Security

For the purposes of this Instrument,

(a) in British Columbia, "security" includes an exchange contract;

(b) in Québec, "security" includes a standardized derivative; and

(c) in Alberta, New Brunswick, Nova Scotia and Saskatchewan, "security" includes a derivative.

1.3 Interpretation - Adviser

For the purposes of this Instrument, "adviser" means

(a) a registered adviser; or

(b) a registered dealer that carries out advisory functions but is exempt from registration as an adviser.

PART 2 – APPLICATION

2.1 Application

This Instrument applies to an adviser or a registered dealer in relation to a trade in a security if brokerage commissions are charged by a dealer for an account, or portfolio, over which the adviser has discretion to make investment decisions without requiring the express consent of the client, including, for greater certainty,

(a) an investment fund; and

(b) a managed account.

PART 3 – COMMISSIONS ON BROKERAGE TRANSACTIONS

3.1 Advisers

(1) An adviser must not direct any brokerage transactions involving client brokerage commissions to a dealer in return for the provision of goods or services by the dealer or a third party, other than any of the following:

(a) order execution goods and services;

(b) research goods and services.

(2) An adviser that directs any brokerage transaction involving client brokerage commissions to a dealer, in return for the provision of any order execution goods and services or research goods and services by the dealer or a third party, must ensure that:

(a) the goods or services are to be used to assist with investment or trading decisions, or with effecting securities transactions, on behalf of the client or clients; and

(b) a good faith determination is made that the client or clients receive reasonable benefit considering both the use of the goods or services and the amount of client brokerage commission paid.

3.2 Registered Dealers

A registered dealer must not accept, or forward to a third party, client brokerage commissions, or any portion of those commissions, in return for the provision to an adviser of goods or services by the dealer or a third party, other than any of the following:

(a) order execution goods and services;

(b) research goods and services.

PART 4 – DISCLOSURE OBLIGATIONS

4.1 Disclosure

(1) An adviser must provide the following disclosure to a client if any brokerage transactions involving the client brokerage commissions of that client have been or might be directed to a dealer in return for the provision of any good or service by

the dealer or a third party, other than order execution:

(a) before the adviser opens a client account or enters into a management contract or a similar agreement to advise an investment fund,

(i) a description of the process for, and factors considered in, selecting a dealer to effect securities transactions, including whether receiving goods or services in addition to order execution is a factor, and whether and how the process may differ for a dealer that is an affiliated entity;

(ii) a description of the nature of the arrangements under which order execution goods and services or research goods and services might be provided;

(iii) a list of each type of good or service, other than order execution, that might be provided; and

(iv) a description of the method by which the determination in paragraph 3.1(2)(b) is made; and

(b) at least annually,

(i) the information required to be disclosed under paragraph (a) other than subparagraph (a)(iii);

(ii) a list of each type of good or service, other than order execution, that has been provided;

(iii) the name of any affiliated entity that provided any good or service referred to in subparagraph (ii), separately identifying each affiliated entity and each type of good or service provided by each affiliated entity; and

(iv) a statement that the name of any other dealer or third party that provided a good or service referred to in subparagraph (ii), if that name was not disclosed under subparagraph (iii), will be provided to the client upon request.

(2) An adviser must maintain a record of the name of any dealer or third party that provided a good or service, other than order execution under section 3.1, and must provide that information to the client upon request.

PART 5 – EXEMPTION

5.1 Exemption

(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.

(2) Despite subsection (1), in Ontario only the regulator may grant an exemption.

(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 6 – EFFECTIVE DATE AND TRANSITION

6.1 Effective Date

This Instrument comes into force on June 30, 2010.

6.2 Transition

On or before December 31, 2010, an adviser must provide to a client, if the client was a client on June 30, 2010, the disclosure required under paragraph 4.1(1)(a) or (b).

COMPANION POLICY 23-102CP
USE OF CLIENT BROKERAGE COMMISSIONS

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COMPANION POLICY 23-102CP
USE OF CLIENT BROKERAGE COMMISSIONS

PART 1 – INTRODUCTION

1.1 Introduction

The purpose of this Companion Policy is to provide guidance regarding the various requirements of National Instrument 23-102 *Use of Client Brokerage Commissions* (the "Instrument"), including:

(a) a discussion of the general regulatory purposes for the instrument;

(b) the interpretation of various terms and provisions in the Instrument; and

(c) guidance on compliance with the Instrument.

1.2 General

Registered dealers and advisers have a fundamental obligation to deal fairly, honestly, and in good faith with their client. Registered dealers and advisers are also required to make reasonable efforts to achieve best execution when acting for clients, and have certain obligations to identify and respond to conflicts of interest. Directing brokerage transactions involving client brokerage commissions to a dealer in return for a provision of goods or services other than order execution should therefore also be evaluated in light of the duty to deal fairly, honestly, and in good faith with clients, the obligation to make reasonable efforts to achieve best execution, and any requirements pertaining to conflicts of interest. The Instrument is therefore intended to provide more specific parameters for obtaining such goods or services when client brokerage commissions are involved. The Instrument also sets out disclosure requirements for advisers. This Companion Policy provides guidance on (a) the characteristics of the types of goods and services that might be eligible, including some examples; (b) the obligations of advisers and registered dealers; and (c) the disclosure obligations.

PART 2 – APPLICATION OF THE INSTRUMENT

2.1 Application

(1) The Instrument applies to advisers and registered dealers. Section 1.3 of the Instrument indicates that for the purposes of the Instrument, adviser means a registered adviser or a registered dealer that carries out advisory functions but is exempt from registration as an adviser. The Instrument governs certain trades in securities where payment for the transaction is made with client brokerage commissions, as set out in section 2.1 of the Instrument. The reference to "client brokerage commissions" includes any brokerage commission or similar transaction-based fee charged for a trade where the amount paid for the security is clearly separate and identifiable (e.g., the security is exchange-traded, or there is some other independent pricing mechanism that enables the adviser to accurately and objectively determine the amount of commissions or fees charged).

(2) The limitation of the Instrument to trades for which a brokerage commission is charged is based on the practical difficulties in applying these requirements to transactions such as principal transactions where an embedded mark-up is charged. An adviser that obtains goods or services other than order execution in conjunction with such transactions is subject to its duty to deal fairly, honestly, and in good faith with client, and its obligation to make reasonable efforts to achieve best execution when acting for clients. As a result, an adviser should consider the goods or services obtained in relation to its duty to deal fairly, honestly, and in good faith with its clients, and in its evaluation of best execution. In addition, an adviser should also consider any relevant conflict of interest provisions, given the incentives created for advisers to place their interests ahead of their clients when obtaining goods or services other than order execution in conjunction with such transactions.

PART 3 – ORDER EXECUTION GOODS AND SERVICES AND RESEARCH GOODS AND SERVICES

3.1 Definitions of Order Execution Goods and Services and Research Goods and Services

(1) Section 1.1 of the Instrument includes the definitions of order execution goods and services and research goods and services and provides the broad characteristics of both.

(2) The definitions do not specify what form (e.g., electronic or paper) the goods or services should take, as it is their substance that is relevant in assessing whether the definitions are met.

(3) An adviser's responsibilities include determining whether any particular good or service, or portion of a good or service, may be obtained through brokerage transactions involving client brokerage commissions. In making this determination, the adviser is required under Part 3 of the Instrument to ensure both that the good or service meets the definition of order execution goods and services or research goods and services and that it is to be used to assist with investment or trading decisions or with effecting securities transactions on behalf of the client or clients.

3.2 Order Execution Goods and Services

(1) Section 1.1 of the Instrument defines "order execution goods and services" as including the actual execution of the order itself, as well as goods or services to the extent that they are directly related to order execution. For the purposes of the Instrument, the term "order

execution", as opposed to "order execution goods and services", refers to the entry, handling or facilitation of an order whether by a dealer or by an adviser (for example, through direct market access or as a subscriber to an alternative trading system), but not other goods or services provided to aid in the execution of trades.

(2) To be considered directly related to order execution, goods or services should generally be integral to the arranging and conclusion of the transactions that generated the commissions. A temporal standard should be applied to ensure that only goods or services used by an adviser that are directly related to the execution process are considered order execution goods and services. As a result, we generally consider that goods or services directly related to the execution process would be provided or used between the point at which an adviser makes an investment or trading decision and the point at which the resulting securities transaction is concluded. The conclusion of the resulting securities transaction occurs at the point that settlement is clearly and irrevocably completed.

(3) For example, order execution goods and services may include order management systems (to the extent they help arrange or effect a securities transaction), algorithmic trading software and market data (to the extent they assist in the execution of orders), and custody, clearing and settlement services that are directly related to an executed order that generated commissions.

3.3 Research Goods and Services

(1) The Instrument defines research goods and services as including advice, analyses or reports regarding various subject matter relating to investments, as well as databases and software to the extent that they support these goods or services. In order to be eligible, research goods and services generally should reflect the expression of reasoning or knowledge and be related to the subject matter referred to in the definition (i.e., securities, portfolio strategy, etc.). We would also consider databases and software that are used by advisers in support of or as an alternative to the provision by dealers of advice, analyses and reports to be research goods and services to the extent they relate to the subject matter referred to in the definition. Additionally, a general characteristic of research goods and services is that, in order to link these to order execution, they should be provided or used before an adviser makes an investment or trading decision.

(2) For example, traditional research reports, publications marketed to a narrow audience and directed to readers with specialized interests, seminars and conferences (i.e., fees, but not incidental expenses such as travel, accommodations and entertainment costs), and trading advice, such as advice from a dealer as to how, when or where to trade an order (to the extent it is provided before an order is transmitted), would generally be considered research goods and services. Databases and software that could be eligible as research goods and services could include quantitative analytical software, market data from feeds or databases, post-trade analytics from prior transactions (to the extent they are used to aid in a subsequent investment or trading decision), and possibly order management systems (to the extent they provide research or assist with the research process).

3.4 Mixed-Use Items

(1) Mixed-use items are those goods or services that contain some elements that may meet the definitions of order execution goods and services or research goods and services, and other elements that either do not meet the definitions or that would not meet the requirements of Part 3 of the Instrument. Where mixed-use items are obtained by an adviser through brokerage transactions involving client brokerage commissions, the adviser should make a reasonable allocation of those commissions paid according to the use of the goods or services. For example, client brokerage commissions might be involved when paying for the portion of order management systems used in the order execution process, but an adviser should use its own funds to pay for any portion of the systems used for compliance, accounting or recordkeeping purposes.

(2) For purposes of making a reasonable allocation, an adviser should make a good faith estimate supported by a fact-based analysis of how the good or service is used, which may include inferring relative costs from relative benefits. Factors to consider might include the relative utility derived from, or the time for which the good or service is used, eligible and ineligible uses.

(3) Advisers are expected to keep adequate books and records concerning the allocations made.

3.5 Non-Permitted Goods and Services

We consider certain goods and services to be clearly outside the scope of the permitted goods and services under the Instrument because they are not sufficiently linked to the securities transactions that generated the commissions. Goods and services that relate to overhead associated with the operation of an adviser's business rather than to the provision of services to its clients would not meet the requirements of Part 3 of the Instrument. Examples of non-permitted goods and services include office furniture and equipment (including computer hardware), trading surveillance or compliance systems, costs associated with correcting error trades, portfolio valuation and

performance measurement services, computer software that assists with administrative functions, legal and accounting services relating to the management of an adviser's own business or operations, memberships, marketing services, and services provided by the adviser's personnel (e.g. payment of salaries, including those of research staff).

PART 4 – OBLIGATIONS OF ADVISERS AND REGISTERED DEALERS

4.1 Obligations of Advisers

(1) Subsection 3.1(1) of the Instrument restricts an adviser from directing any brokerage transactions involving client brokerage commissions to a dealer in return for the provision of goods or services by the dealer or a third party, other than order execution goods and services or research goods and services, as defined in the Instrument. This applies when brokerage transactions involving client brokerage commissions are used to obtain order execution goods and services or research goods and services under both formal and informal arrangements, including informal arrangements for the receipt of these goods and services from a dealer offering proprietary, bundled services. This would also apply when brokerage transactions involving client brokerage commissions are directed to any dealer, including where the adviser has direct market access or is a subscriber to an alternative trading system.

(2) Subsection 3.1(2) of the Instrument requires an adviser that directs any brokerage transaction involving client brokerage commissions to a dealer, in return for the provision of order execution goods and services or research goods and services by the dealer or a third party, to ensure that certain criteria are met. The criteria included under paragraph 3.1(2)(a) requires the adviser to ensure that the goods or services acquired are to be used to assist with investment or trading decisions, or with effecting securities transactions, on behalf of the adviser's client or clients. The goods or services should therefore be used in a manner that provides appropriate assistance to the adviser in making these decisions, or in effecting such transactions. A good or service that meets the definition of order execution goods and services or research goods and services, but is not to be used to assist the adviser with investment or trading decisions, or with effecting securities transactions, should not be obtained through brokerage transactions involving client brokerage commissions. The adviser should be able to demonstrate how the goods or services obtained under the Instrument are used to provide appropriate assistance.

(3) Paragraph 3.1(2)(b) of the Instrument requires the adviser to ensure that a good faith determination is made that the client or clients receive reasonable benefit considering both the use of the goods or services and the amount of client brokerage commissions paid. Benefit to the client is generally derived from the use of the goods and services (i.e., the assistance provided in relation to investment or trading decisions made, or securities transactions effected, on behalf of the client or clients), and is generally relative to the amount of client brokerage commissions paid. The determination required under paragraph 3.1(2)(b) can be made either with respect to a particular transaction or the adviser's overall responsibilities for client accounts.

(4) Also for the purposes of subsection 3.1(2) of the Instrument, a specific order execution good or service or research good or service may be used to benefit more than one client, and may not always be used to directly benefit each particular client whose brokerage commissions paid for the brokerage transactions through which the particular good or service was obtained. However, the adviser should have adequate policies and procedures in place, and apply those policies and procedures, so that, over time, all clients whose brokerage commissions may have been involved with such transactions receive fair and reasonable benefit.

(5) An adviser that, by virtue of paying client brokerage commissions on brokerage transactions, is provided with access to or receives goods or services on an unsolicited basis should consider whether or how usage of those goods or services has affected its obligations under the Instrument as part of its process for assessing compliance with the Instrument. For example, if an adviser considers unsolicited goods or services as a factor when selecting dealers or allocating brokerage transactions to dealers, the adviser should include these goods or services when assessing compliance with the obligations of the Instrument, and should include these in its disclosure.

4.2 Obligations of Registered Dealers

Section 3.2 of the Instrument indicates that a registered dealer must not accept, or forward to a third party, client brokerage commissions, or any portion of those commissions, in return for the provision to an adviser of goods or services by the dealer or a third party, other than order execution goods and services and research goods and services. A dealer may forward to a third party, on the instructions of an adviser, any portion of those commissions in return for order execution goods and services or research goods and services provided to the adviser by that third party. In either situation, the dealer would need to make an assessment as to whether or not the goods or services being paid for meet the definitions of order execution goods and services or research goods and services, in order to be meeting its obligations.

PART 5 – DISCLOSURE OBLIGATIONS

5.1 Disclosure Recipient

Part 4 of the Instrument requires an adviser to provide certain disclosure to a client if any brokerage transactions involving the client brokerage commissions of that client have been or might be directed to a dealer in return for the provision of any goods or services by the dealer or a third party, other than order execution. The recipient of the disclosure should typically be the party with whom the contractual arrangement to provide advisory services exists. For example, for an adviser to an investment fund, the client would typically be considered the fund for purposes of the disclosure requirements.

5.2 Timing of Disclosure

Part 4 of the Instrument requires an adviser to make certain initial and periodic disclosure to its clients. Initial disclosure should be made before an adviser opens a client account or enters into a management contract or a similar agreement to advise an investment fund and then periodic disclosure should be made at least annually. The period of time chosen for the periodic disclosure should be consistent from period to period.

5.3 Adequate Disclosure

(1) For the purposes of the disclosure made under section 4.1 of the Instrument, the information disclosed by an adviser may be client-specific, based on firm-wide information, or based on some other level of customization, so long as the information disclosed relates to those clients to whom the disclosure is directed. In any case, the disclosure required to be made by the adviser under section 4.1 of the Instrument would also reflect information pertaining to the processes, practices, arrangements, types of goods and services, etc., associated with brokerage transactions involving client brokerage commissions that have been or might be directed to dealers by its sub-advisers in return for the provision of any goods and services other than order execution.

(2) Also for the purposes of the disclosure under section 4.1 of the Instrument the use of the phrase “might be” in the requirement to make disclosure in situations where brokerage transactions involving client brokerage commissions have been or might be directed relates primarily to the disclosure to be made on an initial basis under paragraph 4.1(1)(a) of the Instrument. It is intended to require that the initial disclosure be made if it is or becomes reasonably foreseeable that brokerage transactions involving a new client’s brokerage commissions could be directed in such a manner – for example, if brokerage transactions involving other existing clients’ brokerage commissions are directed in such a manner, and it is likely that trades to be made on behalf of the new client will be aggregated with those made on behalf of the other existing clients.

(3) For the purposes of subparagraph 4.1(1)(a)(ii) of the Instrument, disclosure of the nature of the arrangements under which order execution goods and services or research goods and services might be provided should include whether goods and services are provided directly by a dealer or by a third party, and a description of the general mechanics of how client brokerage commissions are charged and might translate into payment for order execution goods and services and research goods and services.

(4) For the purposes of subparagraphs 4.1(1)(a)(iii) and 4.1(1)(b)(ii) of the Instrument, disclosure of each type of good or service should be sufficient to provide adequate description of the goods or services received (e.g., algorithmic trading software, research reports, trading advice, etc.).

(5) For purposes of subparagraph 4.1(1)(a)(iv), to the extent that more than one method is used, the description should be of those methods.

5.4 Form of Disclosure

Part 4 of the Instrument does not specify the form of disclosure. The adviser may determine the form of disclosure based on the needs of its clients, but the disclosure should be provided in conjunction with other initial and periodic disclosure relating to the management and performance of the account or portfolio. For managed accounts and portfolios, the initial disclosure could be included as a supplement to the management contract or similar agreement or the account opening form, and the periodic disclosure could be provided as a supplement to a statement of portfolio.