

**REGULATION TO AMEND REGULATION 31-103 RESPECTING
REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING
REGISTRANT OBLIGATIONS**

Securities Act

(chapter V-1.1, s. 331.1, par. (1), (4.1), (8), (9), (11), (26) and (34))

1. Section 1.1 of Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations is amended:

(1) by inserting, after the definition of “book cost”, the following:

““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 and licensed or registered under the laws of Canada or a jurisdiction, 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, 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 it 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 securities and cash of a client or investment fund;”;

(2) by inserting, after the definition of “exempt market dealer”, the following:

““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) or paragraphs (a), (b), or (c) of the definition of “Canadian custodian” 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) or paragraphs (a), (b), or (c) of the definition of “Canadian custodian” 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;”;

(3) by inserting, after the definition of “principal regulator”, the following:

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

2. Section 1.2 of the Regulation is replaced with the following:

“1.2. Interpretation of “securities” in Alberta, British Columbia, New Brunswick and Saskatchewan

(1) Subject to sections 8.2, 8.26 and 14.5.1, in British Columbia, New Brunswick and Saskatchewan, unless the context otherwise requires, a reference to “securities” in this Regulation includes “exchange contracts.”

(2) Subject to sections 8.2, 8.26 and 14.5.1, in Alberta, unless the context otherwise requires, a reference to “securities” in this Regulation includes “derivatives”.

3. Section 3.16 of the Regulation is amended:

(1) by replacing, in paragraphs (1) and (1.1) the words “a member of IIROC” with the words “an investment dealer that is a member of IIROC”;

(2) by replacing, in paragraphs (2) and (2.1), the words “a member of the MFDA” with the words “a mutual fund dealer that is a member of the MFDA”.

4. Section 7.1 of the Regulation is amended:

(1) in subparagraph (d) of paragraph (2):

(a) by deleting, in subparagraph (i), “whether or not a prospectus was filed in respect of the distribution;”;

(b) by replacing subparagraph (ii) with the following:

“(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”;

(2) by repealing paragraph (5).

5. Section 8.6 of the Regulation is amended, in paragraph (1):

(1) by replacing, in the part preceding subparagraph (a), the word “both” with the word “all”;

(2) by deleting, in subparagraph (a), the words “and investment fund manager”;

(3) by inserting, after subparagraph (a), the following:

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

6. Section 8.20 of the Regulation is amended by inserting, in the part preceding subparagraph (a) of paragraph (1.1) and after the words “clearing agency”, the words “if one of the following applies”.

7. Section 8.20.1 of the Regulation is amended by replacing, in paragraph (1.1), number “1.1” with number “2”.

8. Section 8.24 of the Regulation is amended by inserting, before the words “is a member of IIROC”, the words “is an investment dealer that”.

9. Section 8.26 of the Regulation is amended by replacing paragraph (3) with the following:

“(3) The adviser registration requirement does not apply to a person in respect of its acting as an adviser to a permitted client in relation to a foreign security, other than a permitted client that is a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, if the adviser does not advise that client on securities that are not foreign securities, unless providing that advice is incidental to its providing advice on a foreign security.”.

10. Section 9.3 of the Regulation is amended:

(1) in paragraph (1):

(a) by replacing the part preceding subparagraph (a) with the following:

“(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:”;

(b) by replacing subparagraph (m) with the following:

“(m) subsections 14.2(2) to (6);”;

(c) by inserting, after subparagraph (m), the following:

“(m.1) section 14.2.1;

(m.2) section 14.5.2;

(m.3) section 14.5.3;”;

(d) by deleting subparagraphs (o) and (p);

(e) by inserting, after subparagraph (p), the following:

“(p.1) section 14.11.1;”;

(f) by adding, after subparagraph (q), the following:

“(r) section 14.14;

(s) section 14.14.1;

(t) section 14.14.2;

(u) section 14.17;

- (v) section 14.18;
- (w) section 14.19;
- (x) section 14.20.”;

(2) by replacing, in paragraph (1.1), “(a)” with “(x)”;

(3) in paragraph (2):

(a) by replacing, in the part preceding subparagraph (a), the words “a registered firm is a member of IIROC” with the words “an investment dealer is a member of IIROC”;

(b) by replacing subparagraph (i) with the following:

“(i) subsections 14.2(2) to (6);”;

(c) by inserting, after subparagraph (i), the following:

“(i.1) section 14.2.1;

(i.2) section 14.5.2;

(i.3) section 14.5.3;”;

(d) by deleting subparagraphs (k) and (l);

(e) by inserting, after subparagraph (l), the following:

“(l.1) section 14.11.1;”;

(f) by adding, after subparagraph (m), the following:

“(n) section 14.17;

(o) section 14.18;

(p) section 14.19;

(q) section 14.20.”;

(4) by replacing, in paragraph (2.1), “(m)” with “(q)”.

11. Section 9.4 of the Regulation is amended:

(1) in paragraph (1):

(a) by replacing the part preceding subparagraph (a) with the following:

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

(b) by replacing subparagraph (m) with the following:

“(m) subsections 14.2(2), (3) and (5.1);”;

(c) by inserting, after subparagraph (m), the following:

- “(m.1) section 14.2.1;
- (m.2) section 14.5.2;
- (m.3) section 14.5.3;”;
- (d) by deleting subparagraphs (o) and (p);
- (e) by inserting, after subparagraph (p), the following:
 - “(p.1) section 14.11.1;”;
- (f) by inserting, after subparagraph (q), the following:
 - “(r) section 14.14;
 - (s) section 14.14.1;
 - (t) section 14.14.2;
 - (u) section 14.17;
 - (v) section 14.18;
 - (w) section 14.19;
 - (x) section 14.20.”;
- (2) by replacing, in paragraph (1.1), “(q)” with “(x)”;
- (3) in paragraph (2):
 - (a) by replacing, in the part preceding subparagraph (a), the words “is a member of the MFDA” with the words “is a mutual fund dealer that is a member of the MFDA”;
 - (b) by replacing paragraph (g) with the following:
 - “(g) subsections 14.2(2), (3) and (5.1);”;
 - (c) by inserting, after subparagraph (g), the following:
 - “(g.1) section 14.2.1;
 - (g.2) section 14.5.2;
 - (g.3) section 14.5.3;”;
 - (d) by deleting subparagraphs (i) and (j);
 - (e) by inserting, after subparagraph (j), the following:
 - “(j.1) section 14.11.1;”;
 - (f) by adding, after subparagraph (k), the following:
 - “(l) section 14.17;
 - (m) section 14.18;
 - (n) section 14.19;

(o) section 14.20.”;

(4) by replacing, in paragraph (2.1), “(k)” with “(o)”;

(5) by inserting, in paragraph (4) and after the words “the requirements listed in subsection (1)”, “, except paragraph (1)(h),”.

12. Section 12.1 of the Regulation is amended by replacing, in the part preceding subparagraph (a) of paragraph (5), the words “a registered firm that is a member of IIROC” with the words “an investment dealer that is a member of IIROC”.

13. Section 12.12 is amended:

(1) by replacing, in the part preceding subparagraph (a) of paragraph (2.1), the words “is a member of the MFDA” with the words “is a mutual fund dealer that is a member of the MFDA”;

(2) by adding, after paragraph (3), the following:

“(4) Despite paragraph (1)(b), a firm registered only in Québec and solely in the category of mutual fund dealer may deliver to the 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 (D. 1123-99, 1999 G.O. 2, 3615) 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), a firm registered only in Québec and solely in the category of mutual fund dealer may deliver to the 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 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.”.

14. Section 12.14 of the Regulation is amended:

(1) by replacing the part preceding subparagraph (a) of paragraph (4) with the following:

“(4) If an investment dealer 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”;

(2) by inserting, in the part preceding subparagraph (a) of paragraph (5), and after the words “if a registered firm”, the words “is a mutual fund dealer that”.

15. Section 13.17 of the Regulation is amended by adding, after subparagraph (f) of paragraph (1), the following:

“(g) section 14.14.1;

(h) section 14.14.2;

(i) section 14.17;

(j) section 14.18.”.

16. Section 14.1 of the Regulation is amended by replacing “section 14.1.1, section 14.6” with “sections 14.1.1, 14.5.1, 14.5.2, 14.5.3 and 14.6”.

17. Section 14.2 of the Regulation is amended by inserting, after subparagraph (a) of paragraph (2), the following:

“(a.1) for registered firms that hold client’s assets, or direct or arrange which custodian will hold the client’s assets, disclosure regarding where and the manner in which the client’s assets are held, and the relevant associated risks and benefits to the client;

(a.2) for registered firms that have access to client’s assets, disclosure regarding where and the manner in which the client’s assets are held, the manner in which the client’s assets are accessible by the registered firm, and the relevant associated risks and benefits to the client;”.

18. The Regulation is amended by replacing the title of Division 3 of Part 14 with the following:

“DIVISION 3 Client assets and investment fund assets”.

19. The Regulation is amended by inserting, before section 14.6, the following:

“14.5.1. Definition of “securities” in Alberta, British Columbia, New Brunswick and Saskatchewan

(1) Despite section 1.2, in British Columbia, New Brunswick and Saskatchewan, a reference to “securities” in this Division excludes “exchange contracts”.

(2) Despite section 1.2, in Alberta a reference to “securities” in this Division excludes derivatives which are traded on an exchange pursuant to standardized terms determined by the exchange and cleared by a clearing agency.

“14.5.2. Restriction on self-custody and qualified custodian requirement

(1) A registered firm must not act as the 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 securities or cash 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 sufficient to manage the risks to the client or investment fund associated with the custody of the client’s or investment fund’s securities or cash.

(2) A registered firm must ensure that a Canadian custodian is the 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 securities or cash if the firm:

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

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

(3) Despite subsection (2), the registered firm may ensure that a foreign custodian is the custodian of the securities or cash of the client or investment fund, if a reasonable person would conclude that using the foreign custodian is more beneficial to the client or investment fund than using a Canadian custodian.

(4) Despite subsection (2), the registered firm may ensure that a Canadian financial institution is the custodian of the cash of the client or investment fund.

(5) For the purposes of subsections (2) and (3), the qualified custodian must be 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 sufficient to manage the risks to the client or investment fund associated with the custody of the client’s or investment fund’s securities or cash.

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

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

(a) an investment fund that is subject to Regulation 81-102 respecting Investment Funds (chapter V-1.1, r. 39);

(b) an investment fund that is subject to Regulation 41-101 respecting General Prospectus Requirements (chapter V-1.1, r. 14);

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

(d) a security or cash of a permitted client if the permitted client:

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

(ii) has waived, in writing, the requirements in this section, as applicable;

(e) customer collateral subject to custodial requirements under Regulation 94-102 respecting Derivatives: Customer Clearing and Protection of Customer Collateral and Positions (*insérer la référence*);

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

(i) the registration or publication is in the name of the client or investment fund as mortgagee; or

(ii) in the case of a syndicated mortgage, the registration or publication is in the name of any of the following as mortgagee:

(A) a person that is registered or licensed under mortgage brokerage, mortgage administrators, or mortgage dealer legislation of that 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. Securities and cash held by a qualified custodian

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

(a) except as provided in paragraphs (b) and (c), held by the qualified custodian, or with respect to 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

securities or cash of the client or investment fund is vested in that client or investment fund;

(b) in respect of cash held in an account in the name of the registered firm, 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 respect of cash and securities held for the purpose of bulk trading, the cash and securities are held in the name of the registered firm in trust for clients or investment funds if the securities and cash are transferred to the applicable client's or investment fund's account held by that client's or investment fund's qualified custodian as soon as possible following the trades.”.

20. Section 14.6 of the Regulation is replaced with the following:

“14.6. Holding client assets and investment fund assets in trust

(1) If a registered firm holds client assets or investment fund assets other than securities and cash, or if a registered firm holds securities or cash of a client or an investment fund that a registered firm is permitted to hold in accordance with 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 subsection (1), the registered firm may ensure that a foreign custodian is the custodian for the cash of the client or investment fund if a reasonable person would conclude that using the foreign custodian is more beneficial to the client or investment fund than using a Canadian custodian or a Canadian financial institution.”.

21. Sections 14.7 to 14.9 of the Regulation are repealed.

22. Section 14.11.1 of the Regulation is amended:

(1) by replacing, in the French text of subparagraph (i) of subparagraph (b) of paragraph (1), the words “position à découvert” with the words “position courte”;

(2) by replacing paragraph (3) with the following:

“(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, 14.14.1, 14.14.2, 14.15 or 14.16 as not determinable, and the market value of the security must be excluded from the calculations in paragraphs 14.15(5)(b), 14.14.1(2)(b) and 14.14.2(5)(a).”.

23. Section 14.14 of the Regulation is amended:

(1) in paragraph (4):

(a) by replacing, in subparagraph (b), the words “sale or transfer” with the words “sale, dividend or interest payment or transfer”;

(b) by inserting, in subparagraph (d) and after the words “securities”, the words “purchased, sold or transferred”;

(c) by replacing, in subparagraph (f), the words “purchase or sale” with the words “purchase, sale or dividend or interest payment”;

(2) by replacing, in subparagraph (f) of paragraph (5), the word “covered” with the words “eligible for coverage”.

24. Section 14.14.1 of the Regulation is amended:

(1) by replacing paragraphs (f) and (g) of paragraph (2) with the following:

“(f) disclosure in respect of the person that holds or controls each security and a description of the way it is held;

(g) whether the securities are, or the account is, eligible for coverage under an investor protection fund approved or recognized by the securities regulatory authority;”;

(2) by inserting, after paragraph (2), the following:

“(2.1) Paragraph (2)(g) does not apply if the person referred to in paragraph (2)(f) is required under section 14.14, or 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).”.

25. Section 14.14.2 of the Regulation is amended:

(1) by replacing the title with the following:

“14.14.2. Security position cost information”;

(2) by replacing paragraph (2) with the following:

“(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 under 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 under 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 it is reasonable for the registered firm to choose that date based on the availability and accuracy of recorded historical position cost information.”;

(3) by inserting, after paragraph (2), the following:

“(2.1) If a registered firm reports one or more security positions of a client using market value under subparagraph (2)(a)(ii) or 2(b)(ii), the firm must also disclose in the statement that it is the market value of the security position as of the relevant date, not the cost of the security position, that is being disclosed.”.

26. Section 14.19 of the Regulation is amended:

(1) in paragraph (1):

(a) by replacing subparagraph (e) with the following:

“(e) if the client’s account was opened before July 15, 2015, the following:

(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 it is reasonable for the registered firm to choose that date based on the availability and accuracy of recorded historical market value information;

(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 in clause (i)(A) or (B);”;

(b) by inserting, after subparagraph (e), the following:

“(e.1) despite paragraph (e), a registered firm that delivered an investment performance report for the period ending December 31, 2016 may include the market value information in subparagraphs (e)(i) and (ii) as at and since

(i) January 1, 2016, or

(ii) a date that is earlier than January 1, 2016 if it is reasonable for the registered firm to choose that date based on the availability and accuracy of recorded historical market value information;”;

(c) by replacing subparagraph (h) with the following:

“(h) if the client’s account was opened before July 15, 2015, a registered firm may include 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 as at

(a) July 15, 2015, or

(b) a date that is earlier than July 15, 2015 if it is reasonable for the registered firm to choose that date based on the availability and accuracy of recorded historical market value information;

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”;

(d) by inserting, after subparagraph (h), the following:

“(h.1) a registered firm that delivered an investment performance report for the period ending December 31, 2016 may include the market value information in paragraph (h) as at and since

(i) January 1, 2016, or

(ii) a date that is earlier than January 1, 2016 if it is reasonable for the registered firm to choose that date based on the availability and accuracy of recorded historical market value information;”;

(e) by replacing subparagraph (e) of paragraph (2) with the following:

“(e) 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 it is reasonable for the registered firm to choose that date based on the availability and accuracy of recorded annualized total percentage return information.”;

(f) by inserting, after paragraph (3), the following:

“(3.1) Despite paragraph (2)(e), a registered firm that delivered an investment performance report for the period ending December 31, 2016 may use the period since

(a) January 1, 2016, or

(b) a date that is earlier than January 1, 2016 if it is reasonable for the registered firm to choose that date based on the availability and accuracy of recorded annualized total percentage return information.”.

27. Form 31-103F1 of the Regulation is amended:

(1) by replacing line 10 of the table with the following:

“Less any deductible under the bonding or insurance policy required under Part 12 of Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations, or the deductible under the liability insurance, for a firm registered only in Québec and solely in the category of mutual fund dealer”;

(2) by replacing, in the French text of paragraphs (i) and (ii) of the notes to line 12, the words “positions à découvert” with the words “positions courtes”;

(3) in paragraph (2) of Schedule 1:

(a) by replacing, in subparagraph (i) of subparagraph (a), “(provided such foreign government securities are currently rated Aaa or AAA by Moody’s Canada Inc. or its DRO affiliate, or Standard & Poor’s Rating Services (Canada) or its DRO

affiliate, respectively)” with “(provided such foreign government securities are currently rated Aaa or AAA or the short-term ratings equivalent by a designated rating organization or its DRO affiliate)”;

(b) by replacing, in the French text of subparagraph (i) of subparagraph (e), the words “Positions à découvert” with the words “Positions courtes”.

28. Appendices G and H of the Regulation are replaced with the following:

**“APPENDIX G
EXEMPTIONS FROM CERTAIN REQUIREMENTS FOR IIROC
MEMBERS
(Section 9.3)**

Regulation 31-103 Provision	IIROC Provision
section 12.1 [<i>capital requirements</i>]	1. Dealer Member Rule 17.1; and 2. Form 1
section 12.2 [<i>subordination agreement</i>]	1. Dealer Member Rule 5.2; and 2. Dealer Member Rule 5.2A
section 12.3 [<i>insurance – dealer</i>]	1. Dealer Member Rule 17.5 2. Dealer Member Rule 400.2 [<i>Financial Institution Bond</i>]; 3. Dealer Member Rule 400.4 [<i>Amounts Required</i>]; and 4. Dealer Member Rule 400.5 [<i>Provisos with respect to Dealer Member Rules 400.2, 400.3 and 400.4</i>]
section 12.6 [<i>global bonding or insurance</i>]	1. Dealer Member Rule 400.7 [<i>Global Financial Institution Bonds</i>]
section 12.7 [<i>notifying the regulator of a change, claim or cancellation</i>]	1. Dealer Member Rule 17.6; 2. Dealer Member Rule 400.3 [<i>Notice of Termination</i>]; and 3. Dealer Member Rule 400.3B [<i>Termination or Cancellation</i>]
section 12.10 [<i>annual financial statements</i>]	1. Dealer Member Rule 16.2 [<i>Dealer Member Filing Requirements</i>]; and 2. Form 1
section 12.11 [<i>interim financial information</i>]	1. Dealer Member Rule 16.2 [<i>Dealer Member Filing Requirements</i>]; and 2. Form 1
section 12.12 [<i>delivering financial information – dealer</i>]	1. Dealer Member Rule 16.2 [<i>Dealer Member Filing Requirements</i>]
subsection 13.2(3) [<i>know your client</i>]	1. Dealer Member Rule 1300.1(a)-(n) [<i>Identity and Creditworthiness</i>]; 2. Dealer Member Rule 1300.2; 3. Dealer Member Rule 2500, Part II [<i>Opening New Accounts</i>]; 4. Dealer Member Rule 2700, Part II [<i>New Account Documentation and Approval</i>]; and 5. Form 2 <i>New Client Application Form</i>
section 13.3 [<i>suitability</i>]	1. Dealer Member Rule 1300.1(o) [<i>Business Conduct</i>]; 2. Dealer Member Rule 1300.1(p) [<i>Suitability determination required when accepting order</i>]; 3. Dealer Member Rule 1300.1(q) [<i>Suitability determination required when recommendation provided</i>]; 4. Dealer Member Rule 1300.1(r) [<i>Suitability determination required for account positions held when certain events occur</i>]; 5. Dealer Member Rule 1300.1(s) [<i>Suitability of investments in client accounts</i>]; 6. Dealer Member Rule 1300.1(t) – (v) [<i>Exemptions from the suitability assessment requirements</i>]

Regulation 31-103 Provision	IROC Provision
	<ul style="list-style-type: none"> 7. Dealer Member Rule 1300.1(w) [<i>Corporation approval</i>] 8. Dealer Member Rule 2700, Part I [<i>Customer Suitability</i>]; and 9. Dealer Member Rule 3200 [<i>Minimum requirements for Dealer Members seeking approval under Rule 1300.1(t) to offer an order-execution only service</i>]
section 13.12 [<i>restriction on lending to clients</i>]	<ul style="list-style-type: none"> 1. Dealer Member Rule 17.11; and 2. Dealer Member Rule 100 [<i>Margin Requirements</i>]
section 13.13 [<i>disclosure when recommending the use of borrowed money</i>]	<ul style="list-style-type: none"> 1. Dealer Member Rule 29.26
section 13.15 [<i>handling complaints</i>]	<ul style="list-style-type: none"> 1. Dealer Member Rule 2500, Part VIII [<i>Client Complaints</i>]; and 2. Dealer Member Rule 2500B [<i>Client Complaint Handling</i>]
subsection 14.2(2) [<i>relationship disclosure information</i>]	<ul style="list-style-type: none"> 1. Dealer Member Rule 3500.5 [<i>Content of relationship disclosure</i>]
subsection 14.2(3) [<i>relationship disclosure information</i>]	<ul style="list-style-type: none"> 1. Dealer Member Rule 3500.4 [<i>Format of relationship disclosure</i>]
subsection 14.2(4) [<i>relationship disclosure information</i>]	<ul style="list-style-type: none"> 1. Dealer Member Rule 3500.1 [<i>Objective of relationship disclosure requirements</i>]
subsection 14.2(5.1) [<i>relationship disclosure information</i>]	<ul style="list-style-type: none"> 1. Dealer Member Rule 29.8
subsection 14.2(6) [<i>relationship disclosure information</i>]	<ul style="list-style-type: none"> 1. Dealer Member Rule 3500.1 [<i>Objective of relationship disclosure requirements</i>]
section 14.2.1 [<i>pre-trade disclosure of charges</i>]	<ul style="list-style-type: none"> 1. Dealer Member Rule 29.9
section 14.5.2 [<i>restriction on self-custody and qualified custodian requirement</i>]	<ul style="list-style-type: none"> 1. Dealer Member Rule 17.2A [<i>Establishment and maintenance of adequate internal controls in accordance with Dealer Member Rule 2600</i>]; 2. Dealer Member Rules 17.3, 17.3A, 17.3B and 2000 [<i>Segregation Requirements</i>]; 3. Dealer Member Rule 2600 – Internal Control Policy Statement 4 [<i>Segregation of Clients’ Securities</i>]; 4. Dealer Member Rule 2600 – Internal Control Policy Statement 5 [<i>Safekeeping of Clients’ Securities</i>]; 5. Dealer Member Rule 2600 – Internal Control Policy Statement 6 [<i>Safeguarding of Securities and Cash</i>]; and 6. Definition of “acceptable securities locations”, General Notes and Definitions to Form 1
section 14.5.3 [<i>securities and cash held by a qualified custodian</i>]	<ul style="list-style-type: none"> 1. Dealer Member Rule 200 [<i>Minimum Records</i>]
section 14.6 [<i>holding client assets and investment fund assets in trust</i>]	<ul style="list-style-type: none"> 1. Dealer Member Rule 17.3
section 14.11.1 [<i>determining market value</i>]	<ul style="list-style-type: none"> 1. Dealer Member Rule 200.1(c); and 2. Definition (g) of the General Notes and Definitions to Form 1
section 14.12 [<i>content and delivery of trade confirmation</i>]	<ul style="list-style-type: none"> 1. Dealer Member Rule 200.2(I) [<i>Trade confirmations</i>]
section 14.14 [<i>account statements</i>]	<ul style="list-style-type: none"> 1. Dealer Member Rule 200.2(d) [<i>Client account statements</i>];

Regulation 31-103 Provision	IIROC Provision
	and 2. “Guide to Interpretation of Rule 200.2”, Item (d)
section 14.14.1 [<i>additional statements</i>]	1. Dealer Member Rule 200.2(e) [<i>Report on client positions held outside of the Dealer Member</i>]; 2. Dealer Member Rule 200.4 [<i>Timing of sending documents to clients</i>]; and 3. “Guide to Interpretation of Rule 200.2”, Item (e)
section 14.14.2 [<i>security position cost information</i>]	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 [<i>report on charges and other compensation</i>]	1. Dealer Member Rule 200.2(g) [<i>Fee/ charge report</i>]; and 2. “Guide to Interpretation of Rule 200.2”, Item (g)
section 14.18 [<i>investment performance report</i>]	1. Dealer Member Rule 200.2(f) [<i>Performance report</i>]; and 2. “Guide to Interpretation of Rule 200.2”, Item (f)
section 14.19 [<i>content of investment performance report</i>]	1. Dealer Member Rule 200.2(f) [<i>Performance report</i>]; and 2. “Guide to Interpretation of Rule 200.2”, Item (f)
section 14.20 [<i>delivery of report on charges and other compensation and investment performance report</i>]	1. Dealer Member Rule 200.4

**“APPENDIX H
EXEMPTIONS FROM CERTAIN REQUIREMENTS FOR MFDA
MEMBERS
(Section 9.4)**

Regulation 31-103 Provision	MFDA Provision
section 12.1 [<i>capital requirements</i>]	1. Rule 3.1.1 [<i>Minimum Levels</i>]; 2. Rule 3.1.2 [<i>Notice</i>]; 3. Rule 3.2.2 [<i>Member Capital</i>]; 4. Form 1; and 5. Policy No. 4 [<i>Internal Control Policy Statements – Policy Statement 2: Capital Adequacy</i>]
section 12.2 [<i>subordination agreement</i>]	1. Form 1, Statement F [<i>Statement of Changes in Subordinated Loans</i>]; and 2. Membership Application Package – Schedule I (Subordinated Loan Agreement)
section 12.3 [<i>insurance – dealer</i>]	1. Rule 4.1 [<i>Financial Institution Bond</i>]; 2. Rule 4.4 [<i>Amounts Required</i>]; 3. Rule 4.5 [<i>Provisos</i>]; 4. Rule 4.6 [<i>Qualified Carriers</i>]; and 5. Policy No. 4 [<i>Internal Control Policy Statements – Policy Statement 3: Insurance</i>]
section 12.6 [<i>global bonding or insurance</i>]	1. Rule 4.7 [<i>Global Financial Institution Bonds</i>]
section 12.7 [<i>notifying the regulator of a change, claim or cancellation</i>]	1. Rule 4.2 [<i>Notice of Termination</i>]; and 2. Rule 4.3 [<i>Termination or Cancellation</i>]
section 12.10 [<i>annual financial statements</i>]	1. Rule 3.5.1 [<i>Monthly and Annual</i>]; 2. Rule 3.5.2 [<i>Combined Financial Statements</i>]; and 3. Form 1

Regulation 31-103 Provision	MFDA Provision
section 12.11 [<i>interim financial information</i>]	1. Rule 3.5.1 [<i>Monthly and Annual</i>]; 2. Rule 3.5.2 [<i>Combined Financial Statements</i>]; and 3. Form 1
section 12.12 [<i>delivering financial information – dealer</i>]	1. Rule 3.5.1 [<i>Monthly and Annual</i>]
section 13.3 [<i>suitability</i>]	1. Rule 2.2.1 [<i>“Know-Your-Client”</i>]; and 2. Policy No. 2 [<i>Minimum Standards for Account Supervision</i>]
section 13.12 [<i>restriction on lending to clients</i>]	1. Rule 3.2.1 [<i>Client Lending and Margin</i>]; and 2. Rule 3.2.3 [<i>Advancing Mutual Fund Redemption Proceeds</i>]
section 13.13 [<i>disclosure when recommending the use of borrowed money</i>]	1. Rule 2.6 [<i>Borrowing for Securities Purchases</i>]
section 13.15 [<i>handling complaints</i>]	1. Rule 2.11 [<i>Complaints</i>] 2. Policy No. 3 [<i>Complaint Handling, Supervisory Investigations and Internal Discipline</i>]; and 3. Policy No. 6 [<i>Information Reporting Requirements</i>]
subsection 14.2(2), (3) and (5.1) [<i>relationship disclosure information</i>]	1. Rule 2.2.5 [<i>Relationship Disclosure</i>] 2. Rule 2.4.3 [<i>Operating Charges</i>]
section 14.2.1 [<i>pre-trade disclosure of charges</i>]	1. Rule 2.4.4 [<i>Transaction Fees or Charges</i>]
section 14.5.2 [<i>restriction on self-custody and qualified custodian requirement</i>]	1. Rule 3.3.1 [<i>General</i>]; 2. Rule 3.3.2 [<i>Cash</i>]; 3. Rule 3.3.3 [<i>Securities</i>]; and 4. Policy No. 4 [<i>Internal Control Policy Statements – Policy Statement 4: Cash and Securities, and Policy Statement 5: Segregation of Clients’ Securities</i>]
section 14.5.3 [<i>securities and cash held by a qualified custodian</i>]	1. Policy No. 4 [<i>Internal Control Policy Statements – Policy Statement 4: Cash and Securities, and Policy Statement 5: Segregation of Clients’ Securities</i>]
section 14.6 [<i>holding client assets and investment fund assets in trust</i>]	1. Rule 3.3.1 [<i>General</i>]; 2. Rule 3.3.2 [<i>Cash</i>]; 3. Rule 3.3.3 [<i>Securities</i>]; and 4. Policy No. 4 [<i>Internal Control Policy Statements – Policy Statement 4: Cash and Securities, and Policy Statement 5: Segregation of Clients’ Securities</i>]
section 14.11.1 [<i>determining market value</i>]	1. Rule 5.3(1)(f) [<i>definition of “market value”</i>]; and 2. Definitions to Form 1 [<i>definition of “market value” of a security</i>]
section 14.12 [<i>content and delivery of trade confirmation</i>]	1. Rule 5.4.1 [<i>Delivery of Confirmations</i>]; 2. Rule 5.4.2 [<i>Automatic Plans</i>]; and 3. Rule 5.4.3 [<i>Content</i>]
section 14.14 [<i>account statements</i>]	1. Rule 5.3.1 [<i>Delivery of Account Statement</i>]; and 2. Rule 5.3.2 [<i>Content of Account Statement</i>]
section 14.14.1 [<i>additional statements</i>]	1. Rule 5.3.1 [<i>Delivery of Account Statement</i>]; and 2. Rule 5.3.2 [<i>Content of Account Statement</i>]
section 14.14.2 [<i>security position cost information</i>]	1. Rule 5.3(1)(a) [<i>definition of “book cost”</i>]; 2. Rule 5.3(1)(c) [<i>definition of “cost”</i>]; and 3. Rule 5.3.2(c) [<i>Content of Account Statement – Market Value and Cost Reporting</i>]

Regulation 31-103 Provision	MFDA Provision
section 14.17 [<i>report on charges and other compensation</i>]	1. Rule 5.3.3 [<i>Report on Charges and Other Compensation</i>]
section 14.18 [<i>investment performance report</i>]	1. Rule 5.3.4 [<i>Performance Report</i>]; and 2. Policy No. 7 <i>Performance Reporting</i>
section 14.19 [<i>content of investment performance report</i>]	1. Rule 5.3.4 [<i>Performance Report</i>]; and 2. Policy No. 7 <i>Performance Reporting</i>
section 14.20 [<i>delivery of report on charges and other compensation and investment performance report</i>]	1. Rule 5.3.5 [<i>Delivery of Report on Charges and Other Compensation and Performance Report</i>]

”.

29. The Regulation is amended by replacing, in the French text and wherever they appear, the words “avec honnêteté, bonne foi et loyauté” with the words “de bonne foi, avec honnêteté et équité”.

30. The Regulation is amended by replacing, in the French text and wherever they appear, the words “activités commerciales” with the words “activités professionnelles”.

31. (1) Subject to subsection (2), this Regulation comes into force on (*insert here the date of coming into force of this Regulation*).

(2) The provisions of this Regulation listed in column 1 of the following table come into force on the date set out in column 2 of the table:

Column 1 – Provisions of this Regulation	Column 2 – Date on which these provisions come into force
Section 1	[6 months after the implementation date]
Subparagraph 10(1)(c) relating to subparagraphs 9.3(1)(m.2) and (m.3)	[6 months after the implementation date]
Subparagraph 10(1)(d)	[6 months after the implementation date]
Subparagraph 10(3)(c) relating to subparagraphs 9.3(2)(i.2) and (i.3)	[6 months after the implementation date]
Subparagraph 10(3)(d)	[6 months after the implementation date]
Subparagraph 11(1)(c) relating to subparagraphs 9.4(1)(m.2) and (m.3)	[6 months after the implementation date]
Subparagraph 11(1)(d)	[6 months after the implementation date]
Subparagraph 11(3)(c) relating to subparagraphs 9.4(2)(g.2) and (g.3)	[6 months after the implementation date]
Subparagraph 11(3)(d)	[6 months after the implementation date]
Section 17	[6 months after the implementation date]
Section 19	[6 months after the implementation date]
Section 20	[6 months after the implementation date]
Section 28 relating to sections 14.5.2, 14.5.3, 14.6, 14.8 and 14.9.	[6 months after the implementation date]