

## **REGULATION TO AMEND REGULATION 31-103 RESPECTING REGISTRATION REQUIREMENTS AND EXEMPTIONS**

Securities Act

(R.S.Q., c. V-1.1, s. 331.1, par. (1), (4.1), (8), (9), (11), (26), (27) and (34))

1. Regulation 31-103 respecting Registration Requirements and Exemptions is amended by replacing the title with the following:

**“REGULATION 31-103 RESPECTING REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS”.**

2. Section 1.1 of the Regulation is amended by replacing, in paragraph (f) of the definition of “permitted client”, the word “analogous” with the word “similar”.

3. Paragraph (1) of section 1.3 of the Regulation is amended by replacing, wherever they occur, the words “registered firm” and the word “firm” with the word “person”.

4. The Regulation is amended by adding the following after section 1.3:

**“1.4. Use IFRS to determine a security’s fair value**

In this Regulation, where a person is required to determine the fair value of a security, the fair value must be determined in accordance with International Financial Reporting Standards.”.

5. Section 3.1 of the Regulation is amended:

(1) by replacing the definition of “Canadian Investment Funds Exam” with the following:

““Canadian Investment Funds Course Exam” means the examination prepared and administered by the IFSE Institute and so named on the day this Regulation 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;”;

(2) by replacing, in the definition of “PDO Exam”, the words “Investment Funds Institute of Canada” with the words “IFSE Institute”.

6. Section 3.3 of the Regulation is replaced with the following:

**“3.3. Time limits on examination requirements**

(1) An individual applying for registration or reinstatement of registration must have passed an examination required under this Part not more than 36 months before the date of his or her application.

(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.”.

**7.** Paragraph (1) of section 3.4 of the Regulation is amended by adding, after the word “competently”, the words “and to understand the structure, features and risks of each security the individual recommends”.

**8.** Section 3.5 of the Regulation is amended:

(1) by replacing, in the introductory sentence, the words “one or both” with the word “any”;

(2) by replacing, in paragraph (a), the words “Funds Exam” with the words “Funds Course Exam”;

(3) by adding the following after paragraph (b) and making the necessary changes:

“(c) the representative is exempt from section 3.11 because of subsection 16.10(1).”.

**9.** Section 3.6 of the Regulation is amended:

(1) by replacing, in the French text of the introductory sentence, the word “désigner” with the word “nommer”;

(2) by replacing, in subparagraph (i) of paragraph (a), the words “Funds Exam” with the words “Funds Course Exam”;

(3) by adding the following after paragraph (b) and making the necessary changes:

“(c) section 3.13 does not apply in respect of the individual because of subsection 16.9(2).”.

**10.** Section 3.8 of the Regulation is amended by replacing, in the French text of the introductory sentence, the word “désigner” with the word “nommer”.

**11.** Section 3.9 of the Regulation is amended:

(1) by replacing, wherever it occurs, the word “individual” with the word “representative”;

(2) by adding the following after paragraph (c) and making the necessary changes:

“(d) the representative is exempt from section 3.11 because of subsection 16.10(1).”.

**12.** Section 3.10 of the Regulation is amended:

(1) by replacing, in the French text of the introductory sentence, the word “désigner” with the word “nommer”;

(2) by adding the following after paragraph (b) and making the necessary changes:

“(c) section 3.13 does not apply in respect of the individual because of subsection 16.9(2).”.

**13.** Section 3.13 of the Regulation is amended:

(1) by replacing, in the French text of the introductory sentence, the word “désigner” with the word “nommer”;

(2) in paragraph (a):

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

“(ii) passed the PDO Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course Exam, and”;

(b) by replacing subparagraph B) of subparagraph (iii) with the following:

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

(3) by inserting, in subparagraph (ii) of paragraph (b) and after the word “and”, the word “also”.

**14.** Section 3.14 of the Regulation is amended:

(1) by replacing, in the French text of the introductory sentence, the word “désigner” with the word “nommer”;

(2) in paragraph (a):

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

“(ii) passed the PDO Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course Exam, and”;

(b) by replacing subparagraph B) of subparagraph (iii) with the following:

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

(3) by replacing, in subparagraph (i) of paragraph (b), the words “Funds Exam” with the words “Funds Course Exam”;

(4) by adding the following after paragraph (c) and making the necessary changes:

“(d) section 3.13 does not apply in respect of the individual because of subsection 16.9(2).”.

**15.** Section 3.15 of the Regulation is replaced with the following:**“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.”.

**16.** Paragraph (3) of section 3.16 is replaced with the following:

“(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.”.

**17.** Section 4.1 of the Regulation is replaced with the following:

**“4.1. Restriction on acting for another registered firm**

(1) An individual registered as a dealing, advising or associate advising representative of a registered firm must not

(a) act as an officer, partner or director of another registered firm that is not an affiliate of the first-mentioned registered firm, or

(b) be registered as a dealing, advising or associate advising representative of another registered firm.

(2) Paragraph (1)(b) does not apply to a representative in respect of a registration that was granted before [the date this Regulation comes into force].”.

**18.** Paragraph (b) of section 5.2 of the French text of the Regulation is amended by replacing the word “contrôler” with the word “surveiller”.

**19.** Section 6.7 of the Regulation is replaced with the following:

**“6.7. Exception for individuals involved in a hearing or proceeding**

Despite section 6.6, 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.”.

**20.** Section 7.1 of the Regulation is amended:

(1) by deleting, in subparagraph (ii) of subparagraph (b) of paragraph (2), “except in Québec,”;

(2) by deleting paragraph (3).

**21.** Section 8.6 of the Regulation is amended:

(1) by replacing the title with the following:

**“8.6. Investment fund trades by adviser to managed account”;**

(2) by replacing, in paragraph (1), the words “a non-prospectus qualified investment fund” with the words “an investment fund”;

(3) by deleting, in paragraph (2), the words “non-prospectus qualified”;

**22.** Paragraph (1) of section 8.16 of the Regulation is amended by deleting the definition of “control person”.

**23.** Paragraph (5) of section 8.17 of the Regulation is amended by replacing “8.3.1” with “8.4”.

**24.** Section 8.18 of the Regulation is amended:

- (1) by deleting subparagraphs (e) and (f) of paragraph (2);
- (2) by replacing subparagraph (d) of paragraph (3) with the following:

“(d) the person is acting as principal or as agent for

- (i) the issuer of the securities,
- (ii) a permitted client who is a resident of Canada, or
- (iii) a person that is not a resident of Canada;”;

- (3) by replacing paragraphs (4) and (5) with the following:

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

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

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

(i) the person 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 is located;

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

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

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

(5) By December 1 of each year, a person must notify the regulator or, in Québec, the securities regulatory authority if it is relying on an exemption available in this section.”;

- (4) by deleting paragraph (6);

- (5) by adding the following after paragraph (6):

“(7) The adviser registration requirement does not apply to a person that is exempt from the dealer registration requirement under this section if the person 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) If a registered firm is exempt from the dealer registration requirement under this section, the firm is exempt from a requirement of this Regulation if the

requirement applies only because the firm performs an activity or trade described under subsection (2).”.

**25.** Subparagraph (d) of paragraph (2) of section 8.22 of the Regulation is amended:

- (1) by replacing the words “market value” with the words “fair value”;
- (2) by replacing “\$25 000” with “\$25,000”.

**26.** Paragraphs (4) to (6) of section 8.26 of the Regulation are replaced with the following:

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

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

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

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

(d) 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;

(g) the permitted client is a resident of Canada.

(5) By December 1 of each year, a person must notify the regulator or, in Québec, the securities regulatory authority if it is relying on an exemption available in this section.

(6) If a registered firm is exempt from the adviser registration requirement under this section, the firm is exempt from a requirement of this Regulation if the requirement applies only because the firm advises in the manner described under subsection (3).”.

**27.** Section 8.27 of the Regulation is amended by replacing, in the French text of the introductory sentence, the word “courtier” with the words “gestionnaire de fonds d’investissement”.

**28.** Section 8.29 of the Regulation is amended by adding the following after paragraph (2):

“(3) This section does not apply in Ontario.”.

**29.** Section 9.3 of the Regulation is amended:

(1) by replacing, in the title, “**SRO**” with “**IIROC**”;

(2) in paragraph (1):

(a) by replacing, in the introductory sentence, the words “An investment dealer” with the words “A registered firm”;

(b) by inserting the following after subparagraph (1):

“(1.1) section 13.15.”;

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

“(2) Despite subsection (1), if a registered firm 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;
- (b) section 12.6;
- (c) section 12.12;
- (d) subsection 13.2(3);
- (e) section 13.3;
- (f) section 13.12;
- (g) section 13.13;
- (h) section 13.15;
- (i) subsection 14.2(2);
- (j) section 14.6;
- (k) section 14.8;
- (l) section 14.9;
- (m) section 14.12.”;

(4) by deleting paragraphs (3) to (5).

**30.** The Regulation is amended by adding the following after section 9.3:

**“9.4. Exemptions from certain requirements for MFDA members**

(1) A registered firm that is a member of the MFDA is exempt from the following requirements to the extent the provisions apply to the activities of a mutual fund dealer:

- (a) section 12.1;
- (b) section 12.2;
- (c) section 12.3;
- (d) section 12.6;
- (e) section 12.7;
- (f) section 12.10;
- (g) section 12.11;
- (h) section 12.12;
- (i) section 13.3;
- (j) section 13.12;
- (k) section 13.13;
- (l) section 13.15;
- (m) subsection 14.2(2);
- (n) section 14.6;
- (o) section 14.8;
- (p) section 14.9;
- (q) section 14.12.

(2) Despite subsection (1), if a registered firm is a member of the MFDA and is registered as an investment fund manager, the firm is exempt from the following requirements:

- (a) section 12.3;
- (b) section 12.6;
- (c) section 12.12;
- (d) section 13.3;
- (e) section 13.12;
- (f) section 13.13;
- (g) section 13.15;



- (h) subsection 14.2(2);
- (i) section 14.6;
- (j) section 14.8;
- (k) section 14.9;
- (l) section 14.12.

(3) Despite subsection (1), if a registered firm is a member of the MFDA and is registered as an exempt market dealer or scholarship plan dealer, the firm is exempt from the following requirements:

- (a) section 12.3;
- (b) section 12.6;
- (c) section 13.3;
- (d) section 13.12;
- (e) section 13.13;
- (f) section 13.15;
- (g) subsection 14.2(2);
- (h) section 14.6;
- (i) section 14.8;
- (j) section 14.9;
- (k) section 14.12.

(4) Subsections (1), (2) and (3) do not apply in Québec.

(5) In Québec, the requirements listed in subsection (1) do not apply to a mutual fund dealer to the extent equivalent requirements to those listed in subsection (1) are applicable to the mutual fund dealer under the regulations in Québec.”.

**31.** Section 10.6 of the Regulation is replaced with the following:

**“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.”.

**32.** Section 11.1 of the Regulation is amended, in the French text of the introductory sentence, by replacing the word “contrôles” with the word “contrôle”.

**33.** Paragraph (2) of section 11.2 of the Regulation is replaced with the following:

“(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.”.

**34.** The title of section 11.4 of the Regulation is replaced with the following:

**“11.4. Providing access to the board of directors”.**

**35.** Paragraph (3) of section 11.9 of the Regulation is amended:

(1) by deleting, in subparagraph (a), the words “in connection with an amalgamation, merger, arrangement, reorganization or treasury issue”;

(2) by deleting, in subparagraph (b), the words “that are listed and posted for trading on an exchange”.

**36.** Section 11.10 of the Regulation is amended:

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

“(3) This section does not apply to an acquisition in which the beneficial ownership of, or direct or indirect control or direction over, a registered firm does not change.”;

(2) by replacing, in paragraph (4), the word “transaction” with the word “acquisition”.

**37.** Section 12.1 of the Regulation is amended by adding the following after paragraph (4):

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

(a) the firm is required under IIROC rules to have minimum capital of not less than \$100,000 for the purpose of completing 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 firm ensures that its risk adjusted capital, 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) for the purpose of completing MFDA Form 1 MFDA Financial Questionnaire and Report, the firm is required under MFDA rules to have minimum capital 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 firm ensures that its risk adjusted capital, as calculated in accordance with MFDA Form 1 MFDA Financial Questionnaire and Report, is not less than zero for 2 consecutive days.”.

**38.** Paragraph (2) of section 12.3 of the Regulation is replaced with the following:

“(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 to a maximum of \$200,000;

(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, to a maximum of \$25,000,000;

(c) one per cent of the dealer's total assets, as calculated using the dealer's most recent financial records, to a maximum of \$25,000,000;

(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.”.

**39.** Section 12.4 of the Regulation is amended:

(1) by deleting, in paragraph (2), the word “and”;

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

“(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, to a maximum of \$25,000,000;

(b) one per cent of the adviser's total assets, as calculated using the adviser's most recent financial records, to a maximum of \$25,000,000;

(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.”.

**40.** Paragraph (2) of section 12.5 of the Regulation is replaced with the following:

“(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, to a maximum of \$25,000,000;

(b) one per cent of the investment fund manager's total assets, as calculated using the investment fund manager's most recent financial records, to a maximum of \$25,000,000;

(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.”.

**41.** Section 12.8 of the Regulation is amended by replacing the word “submit” with the word “deliver”.

**42.** Section 12.12 of the Regulation is amended:

(1) par inserting the following after paragraph (2):

“(2.1) If a registered firm 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 is required under MFDA rules to have minimum capital of not less than \$50,000 for the purpose of completing 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 quarter of its financial year that shows the calculation of the firm's risk adjusted capital as at the end of the quarter and as at the end of the immediately preceding month, if any.”;

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

“(3) Subsection (2) does not apply to an exempt market dealer unless it is also registered in another category.”.

**43.** Section 12.14 of the Regulation is amended by adding the following after paragraph (3):

“(4) If a registered firm 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 is required under IIROC rules to have minimum capital of not less than \$100,000 for the purpose of completing 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 the first, second and third quarter of its financial year that shows the calculation of the firm's risk adjusted capital as at the end of the quarter and as at the end of the immediately preceding month, if any.

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

(a) the firm is required under MFDA rules to have minimum capital of not less than \$100,000 for the purpose of completing 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, 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 the first, second and third quarter of its financial year that shows the calculation of the firm's risk adjusted capital as at the end of the quarter and as at the end of the immediately preceding month, if any.”.

**44.** Section 13.1 of the Regulation is replaced with the following:

**“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.”.

**45.** Section 13.2 of the Regulation is amended by adding the following after paragraph (6):

“(7) Paragraph (2)(b) does not apply to a registrant if the registrant is registered in only one or more of the following categories:

(a) a mutual fund dealer or a dealing representative, chief compliance officer or ultimate designated person of a mutual fund dealer;

(b) a scholarship fund dealer or a dealing representative, chief compliance officer or ultimate designated person of a scholarship fund dealer;

(c) an investment fund manager or a chief compliance officer or ultimate designated person of an investment fund manager.”.

**46.** Section 13.5 of the Regulation is amended:

(1) by replacing, in the introductory sentence of paragraph (1), the words “a registered adviser” with the words “an adviser”;

(2) in paragraph (2):

(a) by inserting, in the introductory sentence and after the words “registered adviser”, “, or a registered dealer that is a member of IIROC and conducts advising activities in accordance with the rules of IIROC,”;

(b) by inserting, in subparagraph (a) and after the words “in which a responsible person”, “,”.

**47.** Paragraph (b) of section 13.6 of the Regulation is amended by inserting, after the words “affiliate of”, “, or is managed by an affiliate of,”.

**48.** Sections 13.8 and 13.9 of the Regulation are replaced with the following:

**“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 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;

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

(c) the registrant ensures that the information prescribed by subsection 13.10(1) 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 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 unless the firm first takes reasonable steps to satisfy itself that the person has the appropriate qualifications to provide the services, and if applicable, is registered to provide those services.”.

**49.** Paragraph (1) of section 13.10 of the Regulation is amended:

(1) by replacing, in subparagraph (a), the words “referral arrangement” with the words “agreement referred to in paragraph 13.8(a)”;

(2) by replacing, in paragraph (b), the words “referral arrangement” with the word “agreement”;

(3) by replacing, in paragraph (c), the words “referral arrangement” with the word “agreement”;

(4) by replacing, in the French text of paragraph (e), the words “à l’entente” with the words “au contrat”.

**50.** Paragraph (2) of section 13.13 of the Regulation is amended:

(1) by adding, at the end of the introductory sentence, the words “if one of the following applies”;

(2) in subparagraph (a):

(a) by deleting, in the French text, the word “tôt”;

(b) by replacing “,” with “;”;

(3) by deleting subparagraph (b).

**51.** Paragraph (1) of section 13.14 is replaced with the following:

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

**52.** Section 13.16 of the Regulation is replaced with the following:

**“13.16. Dispute resolution service**

(1) A registered firm must ensure that independent dispute resolution or mediation services are made available, at the firm’s expense, to a client to resolve a complaint made by the client about the firm or one of its representatives in respect of any of the following:

- (a) a trading or advising activity;
- (b) a breach of client confidentiality;
- (c) theft, fraud, misappropriation or forgery;
- (d) misrepresentation;
- (e) an undisclosed or prohibited conflict of interest;
- (f) personal financial dealings with the client.

(2) If a person makes a complaint to a registered firm about the firm or one of its representatives in respect of any activity listed in subsection (1), the registered firm must as soon as possible inform the person of how to contact and use the dispute resolution or mediation services which are provided to the firm’s clients.”.

**53.** Section 14.1 of the Regulation is replaced with the following:

**“14.1. Investment fund managers exempt from Part 14**

Other than sections 14.6, 14.12(5) and 14.14(4), this Part does not apply to an investment fund manager in respect of its activities as an investment fund manager.”.

**54.** Paragraph (2) of section 14.2 is amended:

(1) by replacing, in subparagraph (j), the word “firm’s” with the words “registered firm’s”;

(2) by replacing, in subparagraph (k), the word “firm” with the words “registered firm”.

**55.** Section 14.5 of the Regulation is replaced with the following:

**“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 its clients in the local jurisdiction with a statement in writing disclosing the following:

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

- (b) the firm's jurisdiction of residence;
- (c) the name and address of the agent for service of process of the firm in the local jurisdiction;
- (d) the nature of risks to clients that legal rights may not be enforceable in the local jurisdiction.

(2) This section does not apply to a registered firm whose head office is in Canada if the firm has a physical place of business in the local jurisdiction.”.

**56.** Section 14.12 of the Regulation is amended:

- (1) by replacing the introductory sentence of paragraph (1) with the following:

“(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:”;

- (2) by adding the following after paragraph (4):

“(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.”.

**57.** Section 14.13 of the Regulation is amended:

- (1) by replacing, in the title, the words “**Semi-annual confirmations**” with the word “**Confirmations**”;
- (2) by deleting paragraph (d), and making the necessary changes.

**58.** Section 14.14 of the Regulation is amended:

- (1) by replacing the title with the following:

**“14.14. Account statements”;**

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

“(3.1) If there is no dealer of record for a security holder on the records of a registered investment fund manager, the investment fund manager must deliver a statement to the security holder at least once every 12 months.”;

- (3) by replacing paragraphs (4) and (5) with the following:

“(4) A statement delivered under subsection (1), (2), (3) or (3.1) must include all of the following information for each transaction made for the client or security holder during the period covered by the statement:



- (a) the date of the transaction;
- (b) the type of transaction;
- (c) the name of the security;
- (d) the number of securities;
- (e) the price per security;
- (f) the total value of the transaction.

(5) A statement delivered under subsection (1), (2), (3) or (3.1) must include all of the following information about the client's or security holder's account as at the end of the period for which the statement is made:

- (a) the name and quantity of each security in the account;
- (b) the fair value of each security in the account;
- (c) the total fair value of each security position in the account;
- (d) any cash balance in the account;
- (e) the total fair value of all cash and securities in the account.

(5.1) After having determined the fair value of a security, if the registered firm, acting reasonably, determines that the fair value is not reliable, the registrant must do both of the following:

- (a) for the purpose of paragraphs (5)(b) and (c), indicate that the fair value of the security is not determinable;
- (b) exclude the security from the calculation described under paragraph (5)(e) and indicate that the security has been excluded from this calculation.

(5.2) Despite the requirement under subsection (5) to use the fair value of a security as at the end of the period for which the statement is made, a registered firm may use a fair value that was determined not more than 3 months before the end of the period for which the statement is made if both of the following apply:

- (a) the security does not trade on an active market, as that term is defined in International Financial Reporting Standards;
- (b) on a statement delivered to the client within the last 3 months, the firm used the fair value of the security as at the end of the period for which that statement was made.”.

**59.** Section 16.4 of the Regulation is amended:

- (1) by deleting paragraph (2);
- (2) by inserting, in paragraph (3) and after the words “registered dealer or”, the word “a”.

**60.** Section 16.9 of the Regulation is amended:

(1) in paragraph (2):

(a) by inserting, in the introductory sentence and after the words “firm’s compliance officer”, the words “in a jurisdiction of Canada”;

(b) by replacing subparagraphs (c) and (d) with the following:

“(c) section 3.13, if the registered firm is a portfolio manager.”;

(2) by replacing, in paragraph (4), the words “paragraphs (2)(c) and (3)(c)” with the words “paragraph (3)(c)”.

**61.** Paragraph (1) of section 16.10 of the Regulation is amended by inserting, after the words “is registered”, the words “in a jurisdiction of Canada”.

**62.** Section 16.16 of the Regulation is amended:

(1) by inserting, in paragraph (1) and after the word “firm”, the words “in a jurisdiction of Canada”;

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

“(2) Subsection (1) ceases to have effect 2 years after this Regulation comes into force.”.

**63.** Section 16.17 of the Regulation is replaced with the following:

**“16.17. Account statements – mutual fund dealers**

(1) Section 14.14 does not apply to a person that was, on September 28, 2009, either of the following:

(a) a member of the MFDA;

(b) a mutual fund dealer in Québec, unless it was also a portfolio manager in Québec.

(2) Subsection (1) ceases to have effect on September 28, 2011.”.

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

(1) by replacing, wherever they occur, the words “market value” with the words “fair value”

(2) by inserting the following after the first paragraph of the item entitled “Notes:”:

“**Line 5. Related-party debt** – Refer to the CICA Handbook for the definition of “related party” for publicly accountable enterprises.”;

(3) in schedule 1:

(a) by replacing the introductory sentence of paragraph (d) with the following:

“Securities of mutual funds qualified by prospectus for sale in any province of Canada.”;

(b) by replacing paragraph (e) with the following:

“(e) Stocks

In this paragraph, “securities” includes rights and warrants and does not include bonds and debentures.

(i) On securities listed on any exchange in Canada or the United States:

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 Valores de Sao Paulo
- (c) Borsa Italiana
- (d) Euronext Amsterdam
- (e) Euronext Brussels
- (f) Euronext Paris S.A.
- (g) Frankfurt Stock Exchange
- (h) London International Financial Futures and

Options Exchange

- (i) London Stock Exchange
- (j) New Zealand Exchange Limited
- (k) Swiss Exchange
- (l) The Stock Exchange of Hong Kong Limited
- (m) Tokyo Stock Exchange

(f) For all other securities – 100% of fair value.”

**65.** Form 31-103F3 of the Regulation is amended:

(1) by replacing, in the French text of the title, “(articles 2.2)” with “(article 2.2)”;

(2) by replacing, in the first paragraph, the words “and Exemptions” with “, Exemptions and Ongoing Registrant Obligations”.

**66.** Appendix B of the Regulation is amended by replacing the words “and Exemptions” with “, Exemptions and Ongoing Registrant Obligations”.

**67.** This Regulation comes into force on *(insert the date of coming into force of this Regulation)*.