

Notice of Amendments

Regulation to amend Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations

Amendments to Policy Statement to Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations

November 25, 2011

Introduction

The Canadian Securities Administrators (the CSA or we) are implementing amendments (the Amendments) to *Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* (Regulation 31-103 or the Regulation) and *Policy Statement to Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* (the Policy Statement) related to the exemptions for members of a self-regulatory organization (SRO) and their dealing representatives in Parts 3 and 9 of the Regulation. The Amendments are subject to approvals, including ministerial approvals. On May 13, 2011 we published similar material for comment (the May 2011 Proposal).

Contents of this notice

This notice gives an overview of the Amendments and contains Annex A - Adoption of the Amendments. The Amendments are published with this notice.

Purpose and substance of the Amendments

Sections 9.3 and 9.4 of Regulation 31-103 provide exemptions to registered firms that are members of the Investment Industry Regulatory Organization of Canada (IIROC) or the Mutual Fund Dealers Association of Canada (MFDA) from a number of provisions in Regulation 31-103, on the basis that these SROs have provisions that deal with the same subject matter. Similarly, section 3.16 provides exemptions for registered individuals who are dealing representatives of these registered firms from certain provisions in Regulation 31-103, on the basis that they are subject to SRO provisions that deal with the same subject matter.

Under the Amendments, these exemptions will not be available to these registered firms and registered individuals unless these firms and individuals comply with the corresponding SRO provision set out in Appendix G or Appendix H of Regulation 31-103. This will mean that registered firms or registered individuals that do not comply with an SRO provision will have to comply with the corresponding Regulation 31-103 provision; if they do not, they will be subject to the same enforcement regime that applies to other registrants that fail to comply with Regulation 31-103.

Specifically, we are amending sections 3.16, 9.3 and 9.4 of Regulation 31-103 in order to add, as a condition to the exemptions provided in these sections, that the registered individual or the registered firm comply with, in the case of an investment dealer firm, the specified corresponding provisions of by-laws, rules, regulations and policies of IIROC or, in the case of a mutual fund dealer firm, the specified corresponding provisions of by-laws, rules, regulations and policies of the MFDA.

The Amendments to the Policy Statement are designed to clarify the application of the Amendments to the Regulation.

Response to comments received on the May 2011 Proposal

We received two comment letters on the May 2011 Proposal, from BMO Private Client Group and Royal Mutual Funds Inc., and thank both commenters. Copies of the comment letters are posted on the following websites:

www.lautorite.qc.ca
www.osc.gov.on.ca

The only comment within the scope of the May 2011 Proposal expressed a preference for the current enforcement regime, the commenter being of the view the Amendments to the Regulation would increase the regulatory burden for registrants and their dealing representatives by creating a “double jeopardy situation” for IIROC or MFDA member firms.

We do not agree. We are of the view that compliance with the corresponding IIROC and MFDA provisions is an appropriate condition to the exemptions provided in Parts 3 and 9 of the Regulation.

Changes to the May 2011 Proposal

We have not made any changes to the Regulation which were not set out in the May 2011 Proposal. We have made a change to the Policy Statement in order to clarify that we consider an individual or a firm that has an exemption from an SRO provision and complies with the terms of that exemption to have complied with that SRO provision.

Adoption of the Amendments

Provided all necessary approvals are obtained, including ministerial approvals, the Amendments to the Regulation will come into force on February 28, 2012. The changes to the Policy Statement would become effective on the same date. Additional information about the adoption processes for some jurisdictions is provided in Annex C of this Notice.

Where to find more information

The Regulation and the Policy Statement are available on websites of CSA members, including:

www.lautorite.qc.ca
www.albertasecurities.com
www.bcsc.bc.ca
www.gov.ns.ca/nssc
www.nbsc-cvmnb.ca
www.osc.gov.on.ca
www.sfsc.gov.sk.ca

Questions

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Annex A

Adoption of the Amendments

The Canadian Securities Administrators (the CSA or we) are implementing amendments (the Amendments) to *Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“Regulation 31-103”) and *Policy Statement to Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“Policy Statement 31-103”).

The Amendments to Regulation 31-103 will be implemented as:

- a rule in each of Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, New Brunswick, Ontario and Prince Edward Island
- a regulation in each of Québec, the Northwest Territories, Nunavut and the Yukon Territory
- a commission regulation in Saskatchewan

The changes to Policy Statement 31-103 will be adopted as a policy in each of the jurisdictions represented by the CSA.

In Ontario, the Amendments to Regulation 31-103 and other required materials were delivered to the Minister of Finance on November 25, 2011. The Minister may approve or reject the Rule or return it for further consideration. If the Minister approves the Rule or does not take any further action, the Amendments to Regulation 31-103 will come into force on February 28, 2012.

In Québec, the Amendments to Regulation 31-103 are adopted as a regulation made under section 331.1 of the *Securities Act* (Québec) and must be approved, with or without amendment, by the Minister of Finance. The regulation will come into force on the date of its publication in the *Gazette officielle du Québec* or on any later date specified in the regulation. It is also published in the Bulletin of the Autorité des marchés financiers.

In British Columbia, the implementation of the Amendments to Regulation 31-103 is subject to ministerial approval. Provided all necessary approvals are obtained, British Columbia expects the Rule to come into force on February 28, 2012.