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

Securities Act
(R.S.Q., c. V-1.1, s. 331.1, par. (1), (3), (4.1), (8), (11), (26) and (34))

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

(1) by inserting, after the definition of "debt security", the following:

"designated rating" has the same meaning as in Regulation 81-102 respecting Mutual Funds (chapter V-1.1, r. 39);

"designated rating organization" has the same meaning as in Regulation 81-102 respecting Mutual Funds;

"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;";

(2) by inserting, after the definition of "principal jurisdiction", the following:

"principal regulator" has the same meaning as in section 4A.1 of Regulation 11-102 respecting Passport System (chapter V-1.1, r. 1);";

(3) by replacing, in the definition of "sponsoring firm", the words "the registered firm" with the words "the firm registered in a jurisdiction of Canada";

(4) by inserting, after the definition of "sponsoring firm", the following:

"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;";

(5) by replacing the words "IIROC Provision" with the words "IIROC provision", the words "IIROC Provisions" with the words "IIROC provisions", the words "MFDA Provision" with the words "MFDA provision" and the words "MFDA Provisions" with the words "MFDA provisions".

2. Section 1.3 of this Regulation is amended:

(1) by repealing subsection (1);

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

"(2) For the purpose of a requirement in this Regulation to notify or to deliver or submit a document to the regulator or the securities regulatory authority, the person may notify or deliver or submit the document to the person's principal regulator";

(3) by repealing subsection (3);

(4) by inserting, after subsection (3), the following:

"(4) Despite subsection (2), for the purpose of the notice and delivery requirements in section 11.9, 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 is 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;

(b) section 8.26.".

3. Section 3.3 of this Regulation is amended by inserting, after subsection (3), the following:

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

(a) section 3.7 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;

(b) section 3.9 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.".

4. Section 3.6 of this Regulation is replaced with the following:

"**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) 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;

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

5. Section 3.8 of this Regulation is replaced with the following:

"**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) 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.".

6. Section 3.9 of this Regulation is amended by replacing, in the text preceding subsection (a), "section 7.1(2)(d)" with "paragraph 7.1(2)(d)".

7. Section 3.10 of this Regulation is replaced with the following :

"**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) 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;

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

8. Section 3.16 of this Regulation is amended :

(1) by replacing, in subsection (1.1), the words "IIROC Provisions" with the words "IIROC provisions";

(2) by replacing, in subsection (2.1), "paragraphs (2)(a) or (b)" with "paragraph (2)(a) or (b)" and the words "MFDA Provisions" with the words "MFDA provisions".

9. Section 4.1 of this Regulation is amended by replacing subsection (1) with the following :

"(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.".

10. Section 4.2 of this Regulation is amended by replacing, in subsection (3), the words "No later than the 7th day" with the words "No later than 7 days".

11. Section 6.7 of this 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 individual is commenced under securities legislation or under the rules of an SRO, the individual's registration remains suspended.".

12. Section 7.1 of this Regulation is amended :

(1) by replacing paragraph (d) of subsection (2) with the following:

"(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) subject to subsection (5), act as a dealer by trading a security that, if the trade were a distribution, would be exempt from the prospectus requirement;

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

(2) by inserting , after subsection (4), the following:

"(5) An exempt market dealer must not trade a security if:

(a) the security is listed, quoted or traded on a marketplace; and

(b) the trade in the security does not require reliance on a further exemption from the prospectus requirement.".

13. The title of Division 1 of Part 8 is replaced with the following:

"**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 if the person is registered in any jurisdiction of Canada and if their category of registration permits the person to act as a dealer or trade in a security for which the exemption is provided.".

14. Section 8.5 of the Regulation is replaced with the following:

"**8.5. Trades through or to a registered dealer**

The dealer registration requirement does not apply to a person 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 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 an adviser, in respect of trading activities that are incidental to its providing advice to a client, if the trade is made through a registered dealer registered in a category that permits the trade.".

15. Section 8.9 of this Regulation is amended by replacing paragraph (a) with the following:

"(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 (R.S.A. 2000, chapter S-4) as they existed prior to their repeal by sections 9(a) and 13 of the Securities Amendment Act (S.A. 2003, chapter 32), and sections 66.2 and 122.2 of the Alberta Securities Commission Rules (General) (Alta. Reg. 46/87);

(ii) in British Columbia, sections 45(2) (5) and (22), and 74(2) (4) and (19) of the Securities Act (R.S.B.C. 1996, chapter 418);

(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 (R.S.N.L. 1990, chapter S-13);

(vi) in Nova Scotia, paragraphs 41(1)(e) and 77(1)(d) of the Securities Act (R.S.N.S. 1989, chapter 418);

(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 (R.S.O. 1990, chapter S.5) and section 2.12 of Ontario Securities Commission Rule 45-501 Exempt Distributions ((2004) 27 OSCB 433) 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 sections 51 and 155.1(2) of the Securities Act (chapter V-1.1);

(xii) in Saskatchewan, paragraphs 39(1)(e) and 81(1)(d) of The Securities Act, 1988 (S.S. 1988-89, chapter S-42.2);".

16. Section 8.15 of this Regulation is amended by replacing subsection (2) with the following:

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

17. Section 8.17 of this Regulation is amended by replacing, in subsection (2), the word "subsection" with the word "paragraph".

18. Section 8.18 of this Regulation is amended by replacing subsections (1), (2), (3) and (4) with the following:

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

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

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

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

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

(3) The exemption under subsection (2) is not available to a person unless all of the following apply:

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

(b) the person 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 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 is trading as principal or agent for

(i) the issuer of the securities,

(ii) a permitted client, or

(iii) a person that is not a resident of Canada;

(e) the person 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 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.".

19. Section 8.20 of this Regulation is amended:

(1) by replacing subsection (1) with the following:

"(1) In Alberta, British Columbia, New Brunswick and Saskatchewan, the dealer registration requirement does not apply to a person in respect of a trade in an exchange contract by the person 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 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) by repealing subsections 2 and 3.

20. Section 8.21 of this Regulation is amended by deleting the definitions of "designated rating", "designated rating organization" and "DRO affiliate".

21. Section 8.22 of this Regulation is amended by replacing, in subsection (3), the word "subsection" with the word "paragraph".

22. This Regulation is amended by inserting, after section 8.22, the following:

"**8.22.1. Short-term debt**

(1) In this section

"minimum rating" means, for a short-term debt instrument, a rating issued by a designated rating organization, or its DRO affiliate, that is at or above one of the following ratings or that is at or above a rating that replaces one of the following:

Designated Rating Organization	**Rating**
DBRS Limited	R-1 (low)
Fitch, Inc.	F2
Moody's Canada Inc.	P-2
Standard & Poor's Rating Service (Canada)	A-2

"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 unless the short-term debt instrument

(a) is not convertible or exchangeable into, or accompanied by a right to purchase, another security other than another short-term debt instrument; and

(b) has a minimum rating from a designated rating organization or its DRO affiliate.".

23. This Regulation is amended by inserting, before section 8.23, the following:

"**8.22.2. General condition to adviser registration requirement exemptions**

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

24. Section 8.26 of this Regulation is amended:

(1) by deleting, in subsection (2), the definition of "Canadian permitted client";

(2) by replacing subsection (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, other than a permitted client that is 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 of Canadian issuers, unless providing that advice is incidental to its providing advice on a foreign security.".

25. This Regulation is amended by inserting, after section 8.26, the following:

"**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;

(c) the sub-adviser has no direct contact with the registered adviser's clients or registered dealer's clients unless the registered adviser or registered dealer is present either in person or by telephone or other real-time communications technology, in which there is an opportunity for a live discussion between all parties.

(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 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.".

26. This Regulation is amended by inserting, before section 8.27, the following:

"**8.26.2. General condition to investment fund manager registration requirement exemptions**

The exemptions in this Division are not available to a person if the person is registered in any jurisdiction of Canada as an investment fund manager.".

27. Section 8.28 of this Regulation is replaced with the following:

"**8.28. Capital accumulation plan exemption**

(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.".

28. Section 9.1 of this Regulation is amended by replacing the words “Dealer Member” with the words “dealer member”.

29. Sections 11.9 and 11.10 of this Regulation are replaced with the following:

“**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; and

(ii) a person 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* (insert date)]

(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 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.

(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 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, alone or in combination with any other person, 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 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 involved in the acquisition, and

(c) include all facts, to the best of the registered firm's knowledge after reasonable inquiry, regarding the acquisition that 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* (insert date)]

(4) This section does not apply if notice of the acquisition was provided under section 11.9.

(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 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 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 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.".

30. Section 12.2 of this Regulation is replaced with the following:

"**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) on 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.".

31. Paragraph (b) of section 12.6 is amended by replacing the word "may" with the word "must".

32. Section 12.12 of this Regulation is amended by replacing subsection (3) with the following:

"(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.".

33. Section 12.14 of this Regulation is amended:

(1) by replacing paragraph (c) of subsection (1) with the following:

"(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) by replacing paragraph (c) of subsection (2) with the following:

"(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) by repealing subsection (3).

34. Section 12.15 of this Regulation is repealed.

35. Section 13.10 of this Regulation is amended by replacing, in subsection (1), the word "subsection" with the word "paragraph".

36. This Regulation is amended by inserting, after section 13.16, the following:

"**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 requirements in respect of its activities as a sub-adviser:

(a) section 13.4;

(b) division 3 of Part 13;

(c) division 5 of Part 13;

(d) section 14.3;

(e) section 14.5;

(f) section 14.14.

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

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

(b) the other 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;

(c) the sub-adviser has no direct contact with the registered adviser's or registered dealer's clients unless the registered adviser or registered dealer is present either in person or by telephone or other real-time communications technology, in which there is an opportunity for a live discussion between all parties.".

37. Section 14.1.1 of this Regulation, as that section is scheduled to come into force on July 15, 2015, is amended by replacing the words "An investment fund manager" with the words "A registered investment fund manager".

38. Section 14.11.1 of this Regulation is amended by replacing, in clause (iii) of paragraph (b) of subsection (1), the word "subparagraphs" with the word "subparagraph".

39. Section 14.14 of this Regulation is amended by replacing, in subsections (4) and (5), as these subsections are scheduled to come into force on July 15, 2015, the word "subsections" with the word "subsection".

40. Section 14.19 of this Regulation is amended by replacing, in subsection (1), the word "subsections" with the word "subsection".

41. Section 15.1 of this Regulation is amended by deleting the words "in Québec".

42. This Regulation is amended by the lapsing of sections 16.1, 16.2, 16.3, 16.4, 16.5, 16.6, 16.7, 16.8 and subsections (1), (3) and (4) of section 16.9.

43. Section 16.10 of this Regulation is replaced with the following:

"**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 of Part 3 [education and experience requirements] on the day this Regulation comes into force, that section does not apply to the individual so long as the individual remains registered in the category.".

44. This Regulation is amended by the lapsing of sections 16.11, 16.13, 16.14, 16.15, 16.16, 16.17, 16.18, 16.19 and 16.20.

45. Form 31-103F1 of this Regulation is amended:

(1) by replacing Line 5 in the table with the following:

"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 Regulation 31-103 respecting 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 Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations.";

(2) in the Notes:

(i) by replacing, in the introduction to the notes, the words "This form" with the words "Form 31-103F1 Calculation of Excess Working Capital";

(ii) by replacing the notes to Lines 5, 8 and 9 with the following:

"**Line 5. Related-party debt** – Refer to the CICA 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 Regulation 31-103 respecting 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) of Regulation 31-103 respecting 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.";

(iii) by replacing, in Line 12, the words "this form" with the words "Form 31-103 Calculation of Excess Working Capital";

(3) in Schedule 1:

(i) by inserting, after clause (ii) of paragraph (d) of Section 2, the following:

"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 Companies Act of 1940, as amended from time to time, and complies with Rule 2a-7 thereof.";

(ii) by replacing paragraph (l) of clause (ii) of paragraph (e) of Section 2 with the following:

"(l) SIX Swiss Exchange";

(iii) by deleting, in paragraph (b) of clauses (i) and (ii) of paragraph (f) of Section 2, the words "of the loan or the rates set by Canadian financial institutions or Schedule III Banks, whichever is greater".

46. This Regulation is amended by adding, after Form 31-103F3, the following:

"**FORM 31-103F4 NET ASSET VALUE ADJUSTMENTS**

(Section 12.14)

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). Please attach a schedule if you are completing this form for several investment funds.

Name of the investment fund manager:_____

Name of each of the investment funds for which a NAV adjustment occurred (attach a schedule if necessary):

_____
_____
_____

Date(s) of the NAV error: _____

Date of the NAV adjustment: _____

Total dollar amount of the NAV adjustment for each of the investment funds affected (attach a schedule if necessary): _____

Percentage change in NAV for each of the investment funds affected due to the NAV adjustment (attach a schedule if necessary):_____

Was the NAV adjustment a result of a material error under the investment fund manager's policies and procedures?:

Yes ☐ No ☐

NAV of each of the investment funds affected at the end of the interim period or financial year end (attach a schedule if necessary): _____

Date of the reimbursement: _____

Total amount reimbursed to each of the investment funds, if any (attach a schedule if necessary): _____

Total amount reimbursed to the security holders of each of the investment funds, if any (attach a schedule if necessary): _____

Effect (if any) of the NAV adjustment on the NAV per unit or share of each of the investment funds (attach a schedule if necessary): _____

Description and date of any corrections made to purchase and redemption transactions affecting either the investment funds or security holders of each of the investment funds (attach a schedule if necessary):

_____
_____
_____

Description of the cause of the NAV adjustment:

_____
_____

_____
_____

How long before the NAV error was discovered?
_____

How long after the NAV error was discovered was the NAV adjustment made?
_____

Was the NAV error discovered by the investment fund manager?

Yes ☐ No ☐

If "no", who discovered the NAV error?
_____

Have the policies and procedures of the investment fund manager been changed following the NAV adjustment?

Yes ☐ No ☐

If "yes", describe the changes:
_____
_____
_____
_____
_____

Has the NAV adjustment been communicated to security holders of each of the investment funds affected?

Yes ☐ No ☐

If "yes", describe the communications (attach a schedule if necessary):
_____
_____
_____".

47. The Appendix G is amended:

(1) by replacing the words "IIROC Provision" with the words "IIROC provision";

(2) under the caption "IIROC provision" with regard to "subsection 14.2(2) [relationship disclosure information]":

(i) by deleting the following:

"IIROC has not yet assigned a number to the relationship disclosure dealer member rule in its Client Relationship Model proposal. We will refer to the dealer member rule number when IIROC has assigned one.";

(ii) by adding the following:

"9. Dealer Member Rule 3500 [Relationship Disclosure]".

48. This Regulation is amended by the lapsing of Appendices C, D, E and F.

49. This Regulation is amended by replacing, wherever they appear, the words "IIROC Provisions" with the words "IIROC provisions" and the words "MFDA Provisions" with the words "MFDA provisions".

50. This Regulation will come into force on [*indicate here the date of coming into force of this Regulation*].