

Regulation to amend Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations – Amendments relating to the transition for Québec mutual fund dealers to the New SRO¹

The Autorité des marchés financiers (the “AMF” or the “Authority”) is publishing, in English and French, the following Regulation:

- *Regulation to amend Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* (the “Regulation”).

Also attached to this Bulletin is the revised text, in English and French, of the amendments to the following policy statements:

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

- *Amendment to Policy Statement 11-204 respecting process for registration in multiple jurisdictions* (“PS 11-204”).

The Regulation and the amendments to the policy statements are collectively referred to as the “Amendments”.

Notice of publication

The Regulation, which was made by the AMF on October 19, 2022, received ministerial approval as required and will come into force on January 1, 2023.

The Ministerial Order approving the Regulation was published in the *Gazette officielle du Québec* dated November 23, 2022 and is also published hereunder. The policy statements will take effect concurrently with the coming into force of the Regulation.

The Amendments set out the transitional provisions required to ensure that mutual fund dealers registered in Québec (“Québec MFDs”) become members of the New Self-Regulatory Organization (the “New SRO”) in order to begin implementation of the proposed transition plan for supervision of the mutual fund sector in Québec.

Purpose

On May 12, 2022, following public consultations, the Canadian Securities Administrators (the “CSA”), including the AMF, published *CSA Staff Notice and Request for Comment 25-304 – Application for Recognition of New Self-Regulatory Organization* (the “CSA Consultation”).

The AMF published simultaneously for consultation the Regulation, which sets out the transitional provisions required to ensure that Québec MFDs become members of the New SRO as of January 1, 2023 (the “Local Consultation”).

As described in greater detail in *CSA Staff Notice of Approval 25-307 – [Recognition of New Self-Regulatory Organization of Canada](#)* (the “CSA Final Publication”), published simultaneously with this notice, the AMF recognizes the New SRO in the same way as the other CSA members to ensure harmonized supervision of firms registered as investment dealers and mutual fund dealers (“MFDs”) and of the individuals registered in the categories of dealing representative of an investment dealer and

¹ Diffusion autorisée par Les Publications du Québec

dealing representative of an MFD acting on their behalf, while taking into account features specific to the framework applicable to the mutual fund sector in Québec.

Comments received

No comment letters were received during the Local Consultation. However, the following comments were made in comment letters submitted during the CSA Consultation:

- Some commenters said that the proposed one-year transition period for the permanent phase following the approval by the AMF of the New SRO's harmonized rule book would not be sufficient. One commenter suggested that a minimum of 18 months, and ideally 24 months, would be required to review all its policies and procedures and make any necessary changes.

- Other commenters suggested that a phased-in implementation of the new rules should be considered and indicated that it would be especially beneficial for MFDs in Québec which were not previously supervised by the new SRO.

- Another commenter underlined the importance of establishing a clear timeline concerning the entry into force of the permanent phase.

Changes made

We made some drafting adjustments to the Regulation and some changes to clarify that mutual fund dealers that are currently members of the Mutual Fund Dealers Association of Canada ("MFDA") will be able to continue to benefit in Québec from certain existing exemptions under *Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations, CQLR, c. V-1.1, r. 10* ("Regulation 31-103") after January 1, 2023.

We also made a change to PS 11-204 to reflect the new requirement for Québec MFDs to be members of the New SRO in order to be able to carry on their activities.

Transition for Québec MFDs

The Amendments implement the transitional provisions required to provide that Québec MFDs will become members of the New SRO, without further formality, upon recognition thereof. Firms that apply to register as a mutual fund dealer on or after January 1, 2023 will be required to become members of the New SRO in accordance with the established process.

Currently, only firms engaging in the business of a mutual fund dealer in Québec and in another jurisdiction of Canada are required to be members of the MFDA under the regulations applicable outside Québec.

The recognition of the New SRO by the AMF will not affect the mandate, functions and powers of the *Chambre de la sécurité financière* ("CSF"), which are set out in the *Act respecting the distribution of financial products and services, CQLR, c. D-9.2* ("Distribution Act").

The AMF, the New SRO and the CSF will cooperate to ensure that regular and effective dialogue is maintained and will coordinate their efforts and actions to enforce the regulatory provisions.

Transition plan for Québec MFD membership in the New SRO

Québec MFDs will be transitioned to the New SRO in two phases (transition phase and permanent phase), on the following terms and conditions:

Transition phase: Effective January 1, 2023, for their activities in Québec, Québec MFDs will:

- become, without further formality, members of the New SRO if they are registered as mutual fund dealers on December 31, 2022;
- be required to be members of the New SRO in order to engage in the business of an MFD. This requirement will apply to any dealer applying to register as such on or after January 1, 2023;
- not be subject to the rules of the New SRO, except for its operating rules;
- continue to be subject to the regulatory framework currently applicable in Québec, including Regulation 31-103;
- be able to participate in the work of the New SRO's committees and in its consultations;
- continue to be supervised by the AMF;
- pay reduced fees to the New SRO proportionate to the services it will offer to them;
- not have to contribute to the new investor protection fund of the New SRO but continue to contribute to the Fonds d'indemnisation des services financiers ("FISF").

In addition, dealing representatives of a mutual fund dealer will, for their activities in Québec, continue to be required to be members of the CSF but not be required to be authorized by the New SRO.

The transition phase will enable Québec MFDs to participate in the work of the New SRO's committees and its consultations as members as of January 1, 2023, including the work to develop the revised rules of the New SRO that will apply to them in the permanent phase, while also allowing them ample time to make the necessary changes to their systems to ensure that they are fully integrated with the New SRO. This will provide Québec MFDs, including smaller dealers and multidisciplinary firms, with the opportunity to share concerns specific to their circumstances and business models so that those concerns may be adequately reflected in the New SRO's revised rules.

Permanent phase: This phase will begin:

- (1) on the later of:
 - (i) the implementation date of the New SRO's harmonized rule book;
 - (ii) the date that is 18 months after AMF approval of the New SRO's harmonized rule book;or
 - (2) on any other date determined by the AMF, on a consultative basis
- (collectively, the "Transition Phase Closing Date").

Effective that date, Québec MFDs will be subject to the same supervision as MFDs in the other jurisdictions, while taking into account features specific to the framework applicable to the mutual fund sector in Québec, including:

- the mandate, role and responsibilities of the CSF;
- Québec MFDs' contributions to the FISF and the coverage provided by that fund;

- the liability insurance requirements applicable to Québec MFDs.

Based on the comments received, we have adjusted the proposed Transition Phase Closing Date to give Québec MFDs a transition period of at least 18 months, rather than one year, following the adoption of the New SRO's harmonized rule book, specifically to make the necessary changes to their systems. The permanent phase may also begin on any other date determined by the AMF, on a consultative basis.

Implementation of the transition plan by the New SRO

The New SRO will issue decisions exempting all mutual fund dealers registered in Québec as of January 1, 2023 from the application of its rules, for their activities in Québec, except for its operating rules,² without the need for Québec MFDs to apply for exemptive relief or communicate any other information to the New SRO.

Likewise, when a firm wishing to register in Québec as a mutual fund dealer files an application to become a member of the New SRO after January 1, 2023, the New SRO will exempt the firm from the application of the New SRO's rules, for the firm's activities as a mutual fund dealer in Québec, except for its operating rules.

The AMF and the New SRO will coordinate their actions, in particular with respect to the registration or the suspension or revocation of the registration of MFDs.

Proposed dual registration

The New SRO's interim rules, which will be in effect as of January 1, 2023, will allow registered firms to include their investment dealer business and mutual fund dealer business within the same legal entity. The rules of the New SRO and the regulatory provisions applicable to Québec MFDs, including those set out in Regulation 31-103, will apply to such firms.

The dealing representatives of registered firms whose business is limited to mutual funds will be required to register in the category of dealing representative of a mutual fund dealer and be members of the CSF. More specific guidance on this matter may be found in the [FAQ](#) published by the New SRO on its website.

Voluntary application of the New SRO's rules

The AMF is open to reviewing applications for exemptive relief that may be filed by MFDs,³ including dual-registered firms, that would like their activities in Québec as MFDs to be governed by the applicable rules of the New SRO instead of the equivalent provisions of Regulation 31-103 during the transition phase. Where applicable, the AMF will coordinate its actions with the New SRO to ensure, among other things, that the activities of such Québec MFDs are primarily supervised by the New SRO.

Next steps

The AMF plans to consult with market participants again after January 1, 2023 regarding the amendments to Regulation 31-103 that will be needed to implement the rules that will apply during the permanent phase.

² Refer, in particular, to section 21 of the terms and conditions of Appendix A – Recognition Order for the New SRO of the CSA Final Publication (in French only).

³ Such applications may be filed by MFDs registered in multiple jurisdictions, MFDs registered only in Québec, and dual-registered firms.

Further information

Further information is available from:

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