

## **Proposed Conditions of Registration**

### **Investment Dealers that Trade in the U.S. Over-the-Counter Markets**

The following conditions apply to each registered investment dealer in respect of trading securities of OTC issuers through an office in British Columbia.

#### **Risk management**

1. You must effectively manage the risks of trading securities of OTC issuers<sup>1</sup> through your supervision and compliance systems.

#### **Monitoring, recordkeeping and reporting**

2. You must
  - (a) record quarterly the total agency commissions earned by you, and each of your salespersons in British Columbia, from trading OTC issuer securities;
  - (b) calculate quarterly, for you and each of your salespersons in British Columbia, the proportion of commissions recorded under condition 2(a) to total agency commissions earned trading all equity securities;
  - (c) record quarterly all deposits of OTC issuer securities into each account of which the beneficial owner, or anyone who gives trading instructions, is an insider, control person, or founder of the OTC issuer, or a person that is involved in investor relations activities in relation to the securities of the OTC issuer;
  - (d) record quarterly the total number of deposits of OTC issuer securities refused by your UDP or their delegate under condition 5; and
  - (e) report the information required under conditions 2(a), (b) and (d) to the British Columbia Securities Commission within 30 days of the end of each quarter.

#### **Establishing beneficial ownership**

3. You must not accept an order to trade OTC issuer securities deposited in an account at your firm until you make the inquiries necessary for you to form a reasonable belief that you know the identity of the beneficial owner of the deposited securities.
4. When you identify the beneficial owner of OTC issuer securities, you must determine
  - (a) whether the beneficial owner is an insider, control person, founder of the OTC issuer, or a person that is involved in investor relations activities in relation to securities of the OTC issuer; and
  - (b) if so, how the beneficial owner acquired the securities.

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<sup>1</sup> OTC issuer is defined in BC Instrument 51-509.

**Responsibility of UDP**

5. You must not accept the deposit of any OTC issuer securities though the physical deposit of share certificates until your UDP (Ultimate Designated Person) approves the deposit.
6. If the UDP is not ordinarily resident in British Columbia, you may delegate the authority to approve deposits of OTC issuer securities under condition 5 to a director or senior officer in British Columbia.
7. Your UDP must, in writing, approve the policies and procedures you adopt to comply with these conditions, and confirm that those policies and procedures will ensure compliance with these conditions.

**Expiry**

8. These conditions will expire on [\*].