

## LPS 3-22 Registration Requirements

### **1. EFFECTIVE DATE AND PURPOSE**

#### **1.1 Effective date**

The Commission is rescinding effective January 1, 1996 [NIN#95/48]:

- (a) Interim Local Policy Statement 3-22, dated February 10, 1989,
- (b) Local Policy Statement 3-38, dated February 1, 1987,
- (c) Local Policy Statement 3-42, dated February 1, 1987, and
- (d) Local Policy Statement 4-1, dated December 16, 1985.

The Superintendent is hereby adopting this policy statement, effective January 1, 1996, which incorporates substantive aspects of all four local policy statements with changes necessary to conform with legislative changes.

#### **1.2 Purpose of this Policy**

The Act, Regulation and Rules are intended, among other goals, to ensure that the investing public receives expert advice and ethical treatment from persons trading in, or advising on, securities and exchange contracts. The legislation provides a legal framework for regulating those who trade in, underwrite or advise on securities or exchange contracts. This policy contains guidelines about the registration provisions in Part 4 of the Act and Rules.

#### **1.3 Refer to Act, Regulation and Rules**

This policy sets out the principal requirements for registration under the Act and Rules. It also provides guidance as to how the executive director is likely to exercise discretion under legislation in certain circumstances. This policy does not substitute for the detailed requirements set out in the Act and Rules and applicants, as well as existing registrants, are encouraged to refer to that legislation.

For convenience, cross references to section numbers of the Act, Regulation and Rules are provided. Unless otherwise noted, all such cross references are to the Rules. Copies of the Act, Regulation, Rules, forms and other materials may be obtained from the sources set out in Appendix 2 to this policy.

#### **1.4 Defined terms**

Terms defined in the Act and Rules, and used in this policy statement, have the same meaning as in the Act and Rules. Terms defined in Appendix 1 to this policy are shown in boldface.

### **2. CATEGORIES OF REGISTRATION AND GENERAL REQUIREMENTS**

#### **2.1 Dealer**

- (a) A person that trades in securities or exchange contracts in British Columbia must be registered as a dealer [Act, s. 20(1)(a)(i)] or be exempted from registration. The term "person" is broadly defined in section 1(1) of the Act and includes a corporation or partnership. The term "trade", also defined in section 1(1) of the Act, covers a broad range of activities.

Exemptions from the requirement to register as a dealer are set out in sections 31 and 32 of the Act and section 89 of the Rules.

The executive director will classify an applicant for registration as a dealer, according to qualification and business plan, into one of these categories [s. 6(2)]:

- broker
- investment dealer
- securities dealer
- limited dealer
  - exchange contracts dealer
  - mutual fund dealer
  - security issuer
  - real estate securities dealer
  - scholarship plan dealer.

Refer to Parts 6 - 13 of this policy for the requirements of each category of dealer.

(b) An applicant for registration as a dealer must file, with the person referred to in section 2.1(c) of this policy:

- a Form 3
- the registration fee of \$5,000 for chief place of business in British Columbia [Regulation, s. 22(1), Item 1(a)] or, in the case of a security issuer, registration fee of \$2,500 [Regulation, s. 22(1), Item 2]
- the registration fee of \$100 for each branch office where more than 3 registered individuals carry on business on behalf of the dealer [Regulation, s. 22(1), Item 1(b)] (no fee for branch office with less than 4 registered individuals)
- the additional fees, if any, levied by the VSE or the IDA - Pacific where the applicant files the application with the VSE or the IDA - Pacific
- a Form 4 for each designated compliance officer (see section 2.1(m) of this policy)
- a Form 4 for each branch manager and administration officer (no fee)
- a Form 4 for each beneficial owner of securities of the applicant carrying 10% or more of the voting rights attached to all the outstanding voting securities of the applicant (no fee)
- a copy of the written direction to the applicant's auditor to conduct any audit the executive director requires [s. 72(1)]
- a copy of the applicants policy and procedure manual (except for a security issuer), prepared in accordance with:
  - Part 5 of this policy, or
  - where the applicant is applying for registration as a broker or investment dealer, the requirements of the VSE or IDA - Pacific.

- (c) An applicant for registration as a dealer must file the Forms 3 and 4 and any other required documents with, and make all fees payable to:
- the VSE, where the applicant is applying for registration as a broker
  - the IDA - Pacific, where the applicant is applying for registration as an investment dealer
  - the Commission (fees should be made payable to the British Columbia Securities Commission) where the applicant is applying for registration in any other category of dealer.
- (d) The executive director, VSE and IDA - Pacific will accept Form 1U85 (Ontario) in place of Form 4. In addition, the executive director will accept Form 4A in the case of salespersons of a mutual fund dealer that is controlled by or associated with a financial institution [NIN#88/40].
- (e) An applicant for registration as a dealer (other than as a security issuer) must be incorporated, or organized as a partnership, under the laws of Canada or a province or territory of Canada. The executive director will not register a sole proprietorship as a dealer [s. 15(1)].
- (f) An applicant for registration as a dealer that is incorporated under the laws of a jurisdiction other than British Columbia must be registered as an extraprovincial company with the Registrar of Companies under the British Columbia Company Act [s. 15(2)(a)]. Where an applicant is organized as a partnership, it must register its name and other particulars with the Registrar of Companies under the British Columbia Partnership Act [s. 15(2)(b)].
- (g) An applicant for registration as a dealer must set out the addresses of its branch offices as part of its application [Form 3]. A registered dealer has an ongoing obligation to notify immediately the executive director of changes in its address, the addresses of its branch offices and other prescribed information including, but not limited to:
- charges, indictments or convictions of the dealer or one of its partners, directors or officers
  - civil findings of fraud, theft, deceit, misrepresentation or similar conduct against the dealer or one of its partners, directors or officers
  - bankruptcy of the dealer or one of its partners, directors or officers
  - appointment of a receiver or receiver manager to hold the assets of the dealer or one of its partners, directors or officers

*[Act, s. 28(1), Form 7].*

In addition the executive director may require a dealer, as a condition of registration, to notify immediately the executive director of any change in the dealer's auditor by complying with the procedures set out in National Policy No. 31, as if the dealer were a reporting issuer [Act, section 22(1)].

- (h) An applicant for registration as a dealer (other than as a security issuer or scholarship plan dealer) must participate in the Canadian Investor Protection Fund or contribute \$15,000 to, and participate in, the Contingency Trust Fund [s. 23, Form 53].
- (i) An applicant for registration as a dealer (other than as a security issuer) must have a financial institution bond of a minimum of \$200,000 or, in the case of an applicant for registration as a broker or investment dealer, the amount the VSE or IDA-Pacific requires. The bond must cover the applicant, its partners, directors, officers and employees [s. 21(1)(a)]. The partners or directors of the dealer must state, by resolution, that they consider the amount of bonding adequate to cover insurable business risks [s. 21(1)(b)].
- (j) The application must indicate the date of the applicants financial year end.
- (k) If the dealer borrows in order to maintain positive risk adjusted capital or to meet the minimum working capital requirements set out in section 19 of the Rules, the application must include an unconditional subordination agreement, in the required form, between the dealer and the person from whom the dealer borrowed [s. 25, Form 60].
- (l) A registrant that is controlled by or associated with a financial institution, or that proposes to carry on business in a branch office of a financial institution, should consult the Principles of Regulation.
- (m) An applicant for registration as a dealer must designate at least one individual as a "compliance officer" to ensure compliance with the Act and Rules by the applicant, its partners, directors, officers and employees [s. 65].
- (n) Registration in all the dealer categories will normally be granted for two years, except for registration as a security issuer, which will normally be granted for one year [s. 67].

## **2.2 Underwriter**

- (a) A person that acts as an underwriter in a distribution of securities in British Columbia must be registered as an underwriter [Act, s. 20(1)(b)] or be exempted from registration. The term "person" is broadly defined in section 1(1) of the Act and includes a corporation or partnership. The term "distribution", also defined in section 1(1) of the Act, covers a broad range of activities. Registration as a broker, investment dealer or securities dealer does not entitle the applicant to act as an underwriter.

A person is exempt from registration as an underwriter unless acting as an underwriter in a distribution of securities made by prospectus or other offering document specified by the executive director [s. 87] [see also NIN#95/49].

A person applying for registration as an underwriter will not be registered as an underwriter unless the person is a member of the Investment Dealers Association of Canada, the VSE, the Alberta Stock Exchange, The Toronto Stock Exchange or the Montréal Exchange [s. 7, LPS 3-44].

Whether or not a person is acting as an underwriter, as contrasted to a dealer, is a question of fact. At a minimum, a person must be registered as an underwriter to sign an underwriting certificate attached to a prospectus [Act, s. 50]. Other situations where a person participates as an underwriter in a distribution may be less obvious and legal advice should be sought to determine whether or not registration as an underwriter is required.

Refer to Part 14 of this policy for the registration requirements for underwriters.

- (b) An applicant for registration as an underwriter must file, subject to section 5.3 of this policy, with the VSE, IDA - Pacific or Commission, as specified in section 2.2(c) of this policy:
- a Form 3
  - the registration fee of \$5,000 [Regulation, s. 22(1), Item 5] or, where applicant is also registered, or applying for registration, as a dealer, \$1,000 [Regulation, s. 22(1), Item 6]
  - the additional fees, if any, levied by the VSE or the IDA - Pacific
  - a Form 4 for each designated compliance officer (no fee)
  - a Form 4 for each beneficial owner of securities of the applicant carrying 10% or more of the voting rights attached to all the outstanding voting securities of the applicant (no fee)
  - a copy of the written direction to the applicants auditor to conduct any audit the executive director requires [s. 72(1)]
  - a copy of the applicants policy and procedure manual, prepared in accordance with Part 5 of this policy.
- (c) An applicant for registration as an underwriter must file the Forms 3 and 4 and any other required documents with, and make all fees payable to:
- the VSE, where the applicant is also registered, or is applying to be registered, as a broker
  - the IDA - Pacific, where the applicant is also registered, or is applying to be registered, as an investment dealer
  - the Commission (fees should be made payable to the British Columbia Securities Commission) where the applicant is a member of the Alberta Stock Exchange, The Toronto Stock Exchange, the Montréal Exchange or the Investment Dealers Association of Canada (and is not a member of the VSE or IDA - Pacific).
- (d) An applicant for registration as an underwriter must be incorporated, or organized as a partnership, under the laws of Canada or a province or territory of Canada. The executive director will not register a sole proprietorship as an underwriter [s. 15(1)].
- (e) An applicant that is incorporated under the laws of a jurisdiction other than British Columbia must be registered as an extraprovincial company with the Registrar of Companies under the British Columbia Company Act [s. 15(2)(a)]. Where an applicant is organized as a partnership, it must register its name and other particulars with the Registrar of Companies under the British Columbia Partnership Act [s. 15(2)(b)].
- (f) A registered underwriter has an ongoing obligation to notify immediately the executive director of changes in its address and other prescribed information including, but not limited to:

- charges, indictments or convictions of the underwriter or any of its partners, directors or officers
- civil findings of fraud, theft, deceit, misrepresentation or similar conduct against the underwriter or any of its partners, directors or officers
- bankruptcy of the underwriter or any of its partners, directors or officers
- appointment of a receiver or receiver manager to hold the assets of the underwriter or any of its partners, directors or officers

*[Act, s. 28(2), Form 7].*

In addition, the executive director may require an underwriter, as a condition of registration, to notify immediately the executive director of any change in the underwriters auditor by complying with the procedures set out in National Policy No. 31, as if the underwriter were a reporting issuer [Act, section 22(1)].

- (g) An applicant for registration as an underwriter must have a financial institution bond of a minimum of \$200,000 or, in the case of an applicant that is also registered, or is applying to be registered, as a broker or investment dealer, the amount the VSE or IDA - Pacific requires. The bond must cover the applicant, its partners, directors, officers and employees [s. 21(1)(a)]. The partners or directors of the underwriter must state, by resolution, that they consider the amount of bonding adequate to cover insurable business risks [s. 21(1)(b)].
- (h) The application must indicate the date of the applicants financial year end.
- (i) If the underwriter borrows in order to maintain positive risk adjusted capital, the application must include an unconditional subordination agreement, in the required form, between the underwriter and the person from whom the underwriter borrowed [s. 25, Form 60].
- (j) An applicant for registration as an underwriter must designate at least one individual as a "compliance officer" to ensure compliance with the Act and Rules by the applicant, its partners, directors, officers and employees [s. 65].
- (k) Registration as an underwriter is generally granted for two years [s. 67].

### **2.3 Adviser**

- (a) A person that is in the business of advising another about the purchase or sale of securities, exchange contracts or both must be registered as an adviser [s. 20(1)(c)(i)]. The term "person" is broadly defined in section 1(1) of the Act and includes an individual, corporation and partnership.

Subject to restrictions, certain businesses and professionals may act as advisers without registration. For example, an insurer, a savings institution, the Federal Business Development Bank, a lawyer, an accountant (CA, CGA, CMA), a registered dealer (with respect to its research reports) and a publisher or writer (provided that the publication meets certain tests) are exempted from the requirement to register as an adviser except where:

- the advice is not solely incidental to the persons principal business, or

- the person advertises its business and advising is featured prominently in the advertisements

*[Act, s. 30(1), (2)(a),(b), (c), (d) and (f) and (3)(a)].*

A registered dealer, its registered trading partners, directors or officers and its registered salespersons are also exempted from the requirement to register as an adviser where the advice is reasonably in fulfillment of the persons duty to ensure the suitability of a proposed purchase or sale for a client [Act, s. 30(2)(e) and (3)(b)]. In other words, these registrants are exempt from the requirement to register as advisers under section 20(1)(c) of the Act providing that the advice to clients is in accordance with the registrants duty under section 48 of the Rules to know the client and to make recommendations that are consistent with the general investment needs and objectives of the client. The exemption does not entitle these registrants to act as portfolio managers or securities advisers as those categories are described in section 8 of the Rules. Similarly, a registrant cannot rely on the exemption in section 30(2)(e) to advise clients with respect to securities or exchange contracts for which the registrant is not registered to trade.

The exemptions in sections 31 and 32 of the Act are exemptions only from registration as a dealer, not from registration as an adviser. However, the Commission will be issuing a blanket order to provide an exemption for persons giving advice on certain securities referred to in section 32 of the Act.

The executive director will classify an applicant for registration as an adviser according to qualification and business plan in one or more of these categories [s. 8]:

- portfolio manager
- investment counsel
- securities adviser.

Refer to Parts 15 - 17 of this policy for the requirements of each category of adviser.

(b) An applicant for registration as an adviser must file:

- a Form 3
- the registration fee of \$3,000 [Regulation, s. 22(1), Item 7(a)]
- the registration fee of \$100 for each branch office where more than 3 registered individuals carry on business on behalf of the dealer [Regulation, s. 22(1), item 7(b)] (no fee for branch office with fewer than 4 registered individuals)
- a Form 4 for each designated compliance officer (see section 2.3(j) of this policy)
- a Form 4 for each branch manager and administration officer (no fee)
- a Form 4 for each beneficial owner of securities of the applicant carrying 10% or more of the voting rights attached to all the outstanding voting securities of the applicant (no fee)
- a copy of the written direction to the applicants auditor to conduct any audit the executive director requires [s. 72(1)]

- a copy of the applicants policy and procedure manual (except for a securities adviser), prepared in accordance with Part 5 of this policy.
- (c) An applicant for registration as an adviser must file the Forms 3 and 4 and any other required documents with the Commission, and make all fees payable to the British Columbia Securities Commission.
- (d) Subject to paragraph (k), an applicant for registration as an adviser must be incorporated, or organized as a partnership or sole proprietorship, under the laws of Canada or a province or territory of Canada [s. 15(1) and (3)].
- (e) An applicant that is incorporated under the laws of a jurisdiction other than British Columbia must be registered as an extraprovincial company with the Registrar of Companies under the British Columbia Company Act [s. 15(2)(a)]. Subject to paragraph (k), where an applicant is organized as a partnership or sole proprietorship, it must register its name and other particulars with the Registrar of Companies under the British Columbia Partnership Act [s. 15(2)(b) and (3)].
- (f) A registered adviser has an ongoing obligation to notify immediately the executive director of changes in its address, the addresses of its branch offices and other prescribed information including, but not limited to:
- charges, indictments or convictions of the adviser or any of its partners, directors or officers
  - civil findings of fraud, theft, deceit, misrepresentation or similar conduct against the adviser or any of its partners, directors or officers
  - bankruptcy of the adviser or any of its partners, directors or officers
  - appointment of a receiver or receiver manager to hold the assets of the adviser or any of its partners, directors or officers

*[Act, s. 28(2), Form 7].*

In addition, the executive director may require an adviser, as a condition of registration, to notify immediately the executive director of any change in the advisers auditor by complying with the procedures set out in National Policy No. 31, as if the adviser were a reporting issuer [Act, s. 22(1)].

- (g) An applicant for registration as an adviser (other than as a securities adviser) must have a financial institution bond of a minimum of \$200,000 covering the applicant, its partners, directors, officers and employees [s. 21(1)(a)]. The partners or directors of the adviser must, by resolution, state that they consider the amount of bonding adequate to cover insurable business risks [s. 21(1)(b)].
- (h) The application must indicate the date of the applicant's financial year end.
- (i) If the adviser borrows in order to meet the minimum working capital requirements set out in section 20 of the Rules, the application must include an unconditional subordination agreement, in the required form, between the adviser and the person from whom the adviser borrowed [s. 25, Form 60].

- (j) An applicant for registration as an adviser must designate at least one individual as a "compliance officer" to ensure compliance with the Act and Rules by the applicant, its partners, directors, officers and employees [s. 65].
- (k) The executive director is prepared to register, subject to certain conditions, advisers that are not resident in British Columbia and is prepared to waive certain requirements of registration. In any situation where a non-resident adviser is seeking to have registration requirements waived, in part or in whole, the person should discuss the details of its proposal with the Director, Registration, prior to making the application.
- (l) Registration in all the adviser categories is generally granted for two years [s. 67].

## **2.4 Partner, director or officer**

- (a) A partner, director or officer of a dealer who trades in securities or exchange contracts on behalf of the dealer must be registered as a trading partner, director or officer [Act, s. 20(1)(a)(ii)] [s. 9(b)].

A partner, director or officer of an adviser who advises on securities or exchange contracts on behalf of the adviser must be registered as an advising partner, director or officer [Act, s. 20(1)(c)(ii)] [s. 10(b)].

- (b) An applicant for registration as a trading partner, director or officer or advising partner, director or officer must file:
  - a Form 4
  - the registration fee of \$500 [Regulation, s. 22(1), Items 3 and 8]
  - the additional fees, if any, levied by the VSE or the IDA - Pacific where the applicant files the application with the VSE or the IDA - Pacific.
- (c) An applicant for registration as a trading partner, director or officer or advising partner, director or officer must file the Form 4 and any other required documents with, and make all fees payable to:
  - the VSE, where the applicant is applying for registration as a trading partner, director or officer of a broker
  - the IDA - Pacific, where the applicant is applying for registration as a trading partner, director or officer of an investment dealer
  - the Commission (fees should be made payable to the British Columbia Securities Commission) where the applicant is applying for registration as a trading partner, director or officer of a dealer (other than a broker or investment dealer), or as an advising partner, director or officer of an adviser.
- (d) The executive director, VSE and IDA - Pacific will accept Form 1U85 (Ontario) in place of Form 4.
- (e) The executive director may refuse an application for registration as a trading partner, director or officer, or as an advising partner, director or officer, if the applicant does not live in British Columbia [Act, s. 21(2)]. A trading partner, director or officer and an

advising partner, director or officer are not required to live in British Columbia where the individual:

- meets the requirements set out in section 21(2) of the Act
  - is employed by a registered broker or investment dealer, where the rules or bylaws of the VSE or IDA - Pacific, respectively, do not require residency, or
  - in the case of a trading partner, director or officer, is employed by a registered mutual fund dealer that is related to a financial institution, where the Principles of Regulation permit salespersons that are registered, but do not live, in British Columbia to deal with British Columbia clients through toll-free telephone lines.
- (f) An individual who is registered as an advising partner, director or officer must not act as a director or officer of a reporting issuer [s. 61(2)].
- (g) Registration as a trading partner, director or officer or advising partner, director or officer will normally be granted for two years, except for registration as a trading partner, director or officer of a security issuer, which will normally be granted for one year [s. 67].

## **2.5 Salesperson and advising employee**

- (a) Dealers usually employ one or more salespersons, each of whom must also be registered under the Act as a salesperson [Act, s. 20(1)(a)(ii)] [s. 9(a)]. The Act defines "salesperson" as an individual employed by a dealer to make trades on the dealers behalf in securities, exchange contracts or both. Registration of independent contractors or personal corporations as salespersons is not contemplated.

The executive director will classify an applicant for registration as a salesperson, according to qualifications, into one of these categories [s. 9]:

- registered representative
- investment adviser.

Advisers sometimes employ individuals, who are not partners, directors or officers of the adviser, to advise on securities or exchange contracts or both on behalf of the adviser. These individuals must be registered as advising employees [Act, s. 20(1)(c)(ii)] [s. 10(a)].

The executive director will only register as a salesperson or advising employee an applicant who is employed, respectively, by a dealer or an adviser that is registered under the Act.

- (b) An applicant for registration as a salesperson or advising employee must file:
- a Form 4
  - the registration fee of \$500 [Regulation, s. 22(1), Items 3, 4 and 8]
  - the additional fees, if any, levied by the VSE or the IDA - Pacific where the applicant files the application with the VSE or the IDA - Pacific.
- (c) An applicant for registration as a salesperson or advising employee must file Form 4 and any other required documents with, and make all fees payable to:

- the VSE, where the applicant is applying for registration as a salesperson of a broker
  - the IDA - Pacific, where the applicant is applying for registration as a salesperson of an investment dealer
  - the Commission (fees should be made payable to the British Columbia Securities Commission) where the applicant is applying for registration as a salesperson of a dealer (other than a broker or investment dealer) or as an advising partner, director or officer of an adviser.
- (d) The executive director, VSE and IDA - Pacific will accept Form 1U85 (Ontario) in place of Form 4. In addition, the executive director will accept Form 4A in the case of a salesperson of a mutual fund dealer that is controlled by or associated with a financial institution [NIN#88/40]. In the latter case, a salesperson that subsequently becomes employed by a dealer, other than a mutual fund dealer controlled by or associated with a financial institution, must file a current Form 4 or Form 1U85 (Ontario).
- (e) Registered salespersons or advising employees have an ongoing obligation to notify immediately the executive director or, where the salesperson is employed by a broker or investment dealer, the VSE or IDA - Pacific respectively, of changes in the individuals business address and other prescribed information including, but not limited to:
- charges, indictments or convictions of the salesperson or advising employee
  - civil findings of fraud, theft, deceit, misrepresentation or similar conduct against the salesperson or advising employee
  - bankruptcy of the salesperson or advising employee
  - appointment of a receiver or receiver manager to hold the assets of the salesperson or advising employee

*[Act, s. 28(3), Form 7A].*

- (f) The executive director will not generally register a salesperson unless that person will work full-time as a salesperson [s. 63]. The executive director may consent to less than full-time employment where an individual is carrying on an outside activity, including a hobby, recreational or cultural activity, that will not interfere, or create a conflict of interest, with the individual's duties and responsibilities as a salesperson. In addition to the issue of conflict of interest, the executive director will look to the individuals ability to maintain proficiency and provide an appropriate level of client service, where the individual works less than full-time as a salesperson. Examples of when the executive director may consent include an individual who is:
- employed as a salesperson by a mutual fund dealer in an area that is so remote and sparsely populated that full-time employment as a salesperson in that area is not economically feasible
  - licensed as an insurance agent or insurance salesperson under the (British Columbia) Financial Institutions Act [Local Policy Statement 3-16]

- licensed an agent or "salesman" under the (British Columbia) Real Estate Act and employed by a real estate securities dealer
- dually employed by a financial institution and a dealer that is related to the financial institution [Principles of Regulation]
- enrolled as a student in a business, commercial or financial course and, if full-time, intending to continue a career in the investment business, or
- employed other than as a salesperson for six months or less during the calendar year.

The executive director may require the employing dealer to acknowledge, and consent in writing to, a part-time salespersons outside activities.

- (g) The executive director may refuse an application for registration as a salesperson, or as an advising employee, if the applicant does not live in British Columbia [Act, s. 21(2)]. A salesperson is not required to live in British Columbia where the individual:
- meets the requirements set out in section 21(2) of the Act
  - is employed by a registered broker or investment dealer, where the rules or bylaws of the VSE or IDA - Pacific, respectively, do not require residency, or
  - in the case of a salesperson, is employed by a registered mutual fund dealer that is related to a financial institution, where the Principles of Regulation permit salespersons that are registered, but do not live, in British Columbia to deal with British Columbia clients through toll-free telephone lines.
- (h) An individual who is registered as a salesperson or advising employee must not act as a director or officer of a reporting issuer [s. 61(2)].
- (i) If a dealer or adviser terminates a salespersons or advising employees employment, the salesperson's or advising employees registration is suspended.
- (j) An applicant for registration as a salesperson of a security issuer must have a surety bond of a minimum of \$1,000 covering the applicant [s. 21(2)].
- (k) Registration as a salesperson or advising employee will normally be granted for two years, except for registration as a salesperson of a security issuer, which will normally be granted for one year [s. 67].

### **3. CONDITIONS OF REGISTRATION**

#### **3.1 Power to waive, vary or add to provisions respecting registration**

This policy sets out a number of provisions respecting registration of general application to registrants or to a group of registrants. However, the executive director may waive, vary or add to provisions respecting the registration of a registrant or group of registrants, including those related to:

- capital and bonding
- record keeping and reporting
- the maintenance of client accounts

- proficiency and qualification
- branch managers and administration officers
- duration of registration
- annual financial statements
- other financial reports

[s. 17(1)] [Act, s. 22(1)].

This power of the executive director is subject to certain "public interest" tests [s. 17(1)]. Where the executive director proposes to vary or add to provisions respecting registration, the registrant (or group of registrants) is entitled to an opportunity to be heard [s. 17(2)].

### 3.2 Duty to deal fairly, honestly and in good faith

A registrant must deal fairly, honestly and in good faith with clients. Where the registrant is an individual, the registrant must also deal fairly, honestly and in good faith with the clients of the dealer or adviser for which the registrant works or acts as a partner, director or officer [s. 14].

### 3.3 Holding out

- (a) A person who represents that that person is registered under the Act must, in making the representation, specify the persons category of registration under the Act or Rules [Act, s. 38(b)]. A person must not use the words "portfolio manager", "investment counsel", "securities adviser", "investment adviser" (or "investment advisor") or other words in connection with the persons business in a way that is likely to deceive or mislead the public about the proficiency and qualifications of the person to undertake the business of advising another with respect to investment in or the purchase or sale of securities or exchange contracts [s. 11(c)], or in a way likely to give a false impression that the person is authorized to act as a portfolio manager, investment counsel, securities adviser or investment adviser as the case may be [s. 11(d)].
- (b) The executive director will not generally register a trading partner, director or officer or a salesperson if the person intends to hold itself out as a "financial planner" unless the person:
- satisfies the executive director that the person is a member of:
    - the Canadian Association of Financial Planners
    - the Canadian Institute of Financial Planning, or
    - the Life Underwriters Association of Canada.

If the person intends to provide financial planning services on a fee-for-service basis, the person must also:

- satisfy the executive director that the person has errors and omissions insurance of a minimum of \$1,000,000
- file, as part of the persons application for registration, a copy of a statement that discloses:
- that the person will provide clients with financial planning services on a fee-for-service basis, where compensation is not based on performance
  - the persons category of registration under the Act and Rules,

- other licensing, if any, held by the person, including licensing under the (British Columbia) Financial Institutions Act and the (British Columbia) Real Estate Act
- undertake to provide clients with a copy of the disclosure statement referred to in the previous bullet, and
- file, as part of the persons application for registration, a copy of the business cards and letterhead that the person proposes to use.

### **3.4 Registrants business procedures**

A dealer, portfolio manager or investment counsel must establish and apply written prudent business procedures for dealing with clients in compliance with the Act, Regulation and Rules [s. 44]. The procedures should be set out as part of the policy and procedure manual referred to in section 5.2 of this policy.

### **3.5 Underwriters due diligence procedures**

An underwriter must establish and apply written prudent business procedures or other safeguards for underwriting distributions of securities made by way of prospectus or other offering document specified by the executive director [s.45]. The procedures and safeguards (more fully described in section 5.3 of this policy) should be set out as part of the policy and procedure manual referred to in section 5.2 of this policy.

### **3.6 Summary of distributions**

An underwriter should maintain for inspection a summary of all distributions in which it acted as underwriter during its current period of registration, including, for each distribution:

- the name of the issuer
- the total number and type of securities distributed (including securities underwritten or sold on a "best efforts" basis by other underwriters and dealers that participated in the distribution)
- the total value of securities distributed (including securities underwritten or sold on a "best efforts" basis by other underwriters and dealers that participated in the distribution)
- the number and value of the securities, referred to in the preceding two bullets, that were underwritten or sold on a "best efforts" basis by the underwriter
- the name(s) of the individual(s) who conducted the due diligence reviews on behalf of the underwriter, and
- a description of the steps that were taken to carry out the due diligence reviews.

On request, an underwriter must file the summary of distributions referred to above with the executive director. Additional requirements are set out in Local Policy Statement 3-17 for Junior Issuer Underwriters.

The executive director, VSE or IDA - Pacific, as the case may be, in reviewing prior distributions involving the underwriter, may identify problems with the underwriter's performance that could affect the underwriter's suitability for renewal of registration.

### **3.7 Writing and rewriting courses or examinations**

In addition to any other requirement the executive director imposes, an individual applicant must write or rewrite a required course or examination,

- (a) where the applicant has previously surrendered registration under section 27 of the Act, and applies for registration three or more years after the date of surrender [s. 62(a)], or
- (b) where the applicant was not previously registered in British Columbia and applies for registration three or more years after successfully completing a course or examination required for a particular category of registration [s. 62(b)].

In addition to individuals applying for registration, the requirements of this section apply to unregistered compliance officers.

The executive director has provided relief from the requirements of this section for individuals employed by brokers and investment dealers, where the individuals comply with the writing and rewriting requirements of the VSE or IDA - Pacific as applicable [BOR#95/6].

### **3.8 Financial statements**

To maintain registration, a dealer, underwriter and adviser must file with the executive director the following financial statements, prepared in accordance with generally accepted accounting principles [s. 3(3)] and approved by its directors, general partners or sole proprietor [s. 69(2)]:

- a registered dealer (except a security issuer), underwriter and adviser must file audited annual financial statements within 90 days of the end of its financial year [ss. 3(4) and 69(1)(a)]
- a registered limited dealer (except an exchange contracts dealer or security issuer), and, where required by the executive director as a condition of registration, an adviser must file:
  - during its initial two-year period of registration, unaudited interim financial statements within 30 days of the end of each financial month [s. 69(1)(b)]
  - during subsequent periods of registration, unaudited interim financial statements within 30 days of the end of each financial quarter [s. 69(1)(b)].

### **3.9 Other financial reports**

To maintain registration, a dealer, underwriter and adviser must file with the executive director the following financial reports, approved by its directors, general partners or sole proprietor [s. 70(7)]:

- a broker, investment dealer, securities dealer, exchange contracts dealer and every person registered solely as an underwriter must file an audited Joint Regulatory Financial Questionnaire and Report within 90 days of the end of its financial year [ss. 70(1), (5) and (6)(a)]
- a securities dealer, exchange contracts dealer and every person registered solely as an underwriter must file a Report of Risk Adjusted Capital, unaudited,
  - during its first 2 years of registration, within 30 days of the end of each month [ss. 70(2)(a) and (6)(b)]
  - thereafter, within 30 days of the end of its first, second and third financial quarters [ss. 70(2)(b) and (6)(b)]

- a mutual fund dealer and, where required by the executive director as a condition of registration, a real estate securities dealer, scholarship plan dealer, security issuer, portfolio manager, investment counsel and securities adviser must file a Report of Working Capital, unaudited,
  - during its first 2 years of registration, within 30 days of the end of each month, [ss. 17(1), 70(3)(a) and (6)(b)]
  - thereafter, within 30 days of the end of its first, second and third financial [ss. 17(1), 70(3)(b) and (6)(b)] [Act, s. 22(1)]
- where required by the executive director as a condition of registration, a mutual fund dealer, real estate securities dealer, scholarship plan dealer, security issuer, portfolio manager, investment counsel and securities adviser must file a Report of Working Capital, audited, within 90 days of the end of its financial year [s. 17(1)] [Act, s. 22(1)]
- a dealer (except a security issuer) must file an audited Statement of Financial Condition annually, relating to the dealers latest financial year, within 90 days of the end of its financial year [s. 70(4), (5) and (6)(a)].

### **3.10 Members to file with VSE or IDA - Pacific**

Where a member of the VSE or IDA - Pacific is required to file an audited annual financial statement or report with the executive director, the member must file a copy of the report with the executive director no later than it files the statement or report with the VSE or IDA - Pacific.

### **3.11 Record keeping requirements**

To maintain registration, a dealer, underwriter and adviser must keep in British Columbia a complete and accurate record of its business transactions and financial affairs conducted in the province and, if its head office is in the province, its business transactions and financial affairs conducted out of the province, including the following reports [s. 27]:

- account opening documentation [ss. 47 and 48] including, but not limited to documents prepared in furtherance of the "know your client" and suitability rules [s. 48] and other documents prepared in compliance with provisions in the registrants policy and procedure manual that deals with opening new accounts (see section 5.2(d) of this policy)
- itemized daily blotters [s. 29]
- detailed ledgers [s. 30]
- clients' itemized ledger accounts [s. 31]
- securities and exchange contracts position report [s. 32]
- record of each order and instruction [s. 33]
- confirmation and statement record [s. 34]
- record of account [s. 39]
- record of options granted or guaranteed by the registrant [s. 40]
- monthly capital record [s. 41]
- standards of fairness (portfolio managers/investment counsel) [s. 44(5)].

The executive director will only require a registrant to keep those records that are relevant to its category of registration [s. 27(2)]. Detailed record keeping requirements are set out in Division (5) of Part 4 of the Rules.

### **3.12 Interest in other registrants**

- (a) Except as expressly permitted,
- (i) a registered dealer, underwriter or adviser,
  - (ii) an associate of a registered dealer, underwriter or adviser,
  - (iii) a partner, director or officer of a registered dealer, underwriter or adviser, whether the individual is registered or not, and
  - (iv) a registered salesperson of a dealer or a registered advising employee of an adviser,

may not have an a direct or indirect interest in any other dealer, underwriter or adviser [s. 16(1)].

The restrictions described in the preceding paragraph do not prohibit a salesperson or a partner, director, officer of a dealer, underwriter or adviser, as applicable, from having an interest in:

- that dealer, underwriter or adviser, or
- a dealer, underwriter or adviser that is a "related party" (as defined in section 75(1) of the Rules) of the dealer, underwriter or adviser referred to in the preceding bullet

[s. 16(2)].

- (b) A registered dealer (other than a security issuer), underwriter or adviser must notify immediately the executive director where another person is about to acquire, or has acquired, beneficial ownership of 10% or more of any class of the registrant's voting securities [s.73].
- (c) A registered dealer (other than a security issuer), underwriter or adviser that intends to carry on any business other than that of a dealer, underwriter or adviser must give the executive director written notice at least 30 days before the registrant begins carrying on the other business [s. 74(1)].

### **3.13 Referral fees and commission splitting**

- (a) A registrant must disclose to a client where the registrant receives from, or pays to, another person a fee or other compensation for referral of the client [s. 53(1)]. Where the registrant receives such compensation, the registrant must make the disclosure at the time the referral is made by the registrant or as soon as practicable after that time [s. 53(3)(a)]. Where the registrant pays such compensation, the registrant must make the disclosure at the time the person referred becomes a client of the registrant or as soon as practicable after that time [s. 53(3)(b)]. The disclosure must, as a minimum, describe how the fee or other compensation is determined [s. 53(3)]
- (b) A registrant must disclose to a client where the registrant receives from, or pays to, another person a commission or commission-like compensation related to the purchase or sale of a security or exchange contract on behalf of the client [s. 53(2)]. The registrant must make the disclosure at the time the purchase or sale is made or as soon as practicable after that time and the disclosure must, as a minimum, describe how the commission or other compensation is determined [s. 53(3)] Where the arrangement is ongoing, the registrant is only required to disclose the arrangement, and any subsequent

material changes to the arrangement, prior to the first purchase or sale for a client under the arrangement [s.53(4)].

- (c) The disclosure described in paragraph (b) is not required if the compensation is already disclosed in accordance with paragraph (a) [s. 53(2)]. Nor is such disclosure required if the compensation is paid from or to the registrants partners, directors, officers or salespersons; another registered dealer; or a person registered as a dealer in another jurisdiction [s. 53(5)].

### **3.14 Contingent fees**

A registrant may only charge to clients contingent commissions or fees based on profits or performance with the clients prior informed written consent [s. 54].

### **3.15 Application for renewal of registration**

The executive director will not "backdate" a certificate of registration under any circumstances. To facilitate renewal of registrations, the executive director, VSE or IDA-Pacific, as appropriate, will make efforts to mail to each registrant a "Uniform Renewal of Licence or Registration" [Form 5], plus a fee checklist, at least six weeks before the expiry of current registration.

Whether or not a registrant receives a Form 5, it is the responsibility of the registrant to ensure that it applies to renew its registration at least 30 days before expiry of its current registration. If there is a "gap" in registration, the registrant will not be permitted to carry on, or resume, any of the activities for which registration is required until a registration certificate has been issued.

Together with the Form 5, the executive director will make efforts to mail to dealers, underwriters (except those registered by the VSE or IDA - Pacific) and advisers a notice setting out certain information required to up-date the registrants file, including:

- addresses of branch offices, the names of the responsible branch managers or administration officers for each branch, and the names of all registered individuals that carry on business in each branch
- the names of partners, directors and officers, whether or not registered, and
- the names and address of the financial institution(s) used by the registrant in British Columbia.

All dealers (except security issuers), underwriters and advisers may also be asked to file a current Form 69 or Form 70 as part of their renewal application [s. 77, NIN#89/3].

## **4. COMPLIANCE OFFICERS, BRANCH MANAGERS AND ADMINISTRATION OFFICERS**

### **4.1 Compliance officer**

- (a) Where an applicant is seeking registration as a dealer or adviser, the compliance officer referred to in sections 2.1(m) and 2.3(j) must meet the proficiency requirements for, and be registered as, respectively, a trading partner, director or officer or advising partner, director or officer [s. 60(2)]. The residency of trading partners, directors or officers and advising partners, directors or officers is discussed in section 2.4(e) of this policy.
- (b) In addition to meeting the proficiency requirements for a trading partner, director or officer, a compliance officer of a securities dealer must successfully complete, within eighteen months of approval as compliance officer, the Effective Management in the Securities Industry Course (CSI).

- (c) Where the applicant is seeking registration solely as an underwriter, the compliance officer must meet the proficiency requirements set out in section 14.5 of this policy [s. 60(1)].

#### **4.2 Branch manager or administration officer**

- (a) Each branch office of a dealer or adviser in British Columbia must employ, with the executive directors approval, a branch manager to ensure the branch and its employees comply with the Act, Regulation and Rules [s. 66(1)(a)].
- (b) Where a branch office of a registrant is located in a branch of a financial institution, the registrant may appoint, with the executive directors approval, an administration officer, employed by the financial institution, instead of a branch manager to ensure the branch complies with the Act, Regulation and Rules [s. 66(1)(b), Principles of Regulation].
- (c) The executive director does not require a branch of a registrant that employs fewer than 4 registered individuals to employ a branch manager or to appoint an administration officer where a branch manager or an administration officer in another branch of the registrant or financial institution, in the executive directors opinion, will be in a position to adequately supervise the branch with fewer than 4 registered individuals [s. 66(2)].
- (d) Prior to approval as branch manager or administration officer responsible for supervision of a branch of a dealer or adviser, an individual must meet the proficiency requirements for a salesperson or advising employee in the applicable category of dealer or adviser and have successfully completed the Branch Managers Qualifying Exam (CSI). A branch manager of a securities dealer may take the Partners, Directors & Senior Officers Qualifying Exam (CSI) instead of the Branch Managers Qualifying Exam and must also successfully complete, within eighteen months of approval as branch manager, the Effective Management in the Securities Industry Course (CSI). In the case of a branch manager or administration officer of a registered mutual fund dealer, the Branch Managers Examination (IFIC) may be substituted for the Branch Managers Qualifying Exam (CSI) [s. 60(1)].
- (e) Prior to approval as branch manager or administration officer of a branch of an adviser, an individual must meet the proficiency requirements for an advising employee or officer in the applicable category of adviser and have successfully completed the Branch Managers Qualifying Exam (CSI).

### **5. POLICY AND PROCEDURE MANUAL**

#### **5.1 Application**

This Part does not apply to applicants for registration as a broker or investment dealer, which applicants should contact the VSE or the IDA - Pacific, as appropriate, for their requirements.

#### **5.2 Policy and procedure manual requirement**

An applicant for registration as a dealer (except for a broker, investment dealer or security issuer), portfolio manager and investment counsel must file, for non-objection by the executive director, a manual for use by partners, directors, officers and employees of the applicant containing policies and procedures to ensure the applicant complies with Part 4 of the Act and Part 4 of the Rules [s. 44]. The manual should encompass the following, where applicable:

- (a) Organization and general provisions of the applicant
- procedures for accumulating and maintaining a complete list of associated parties, connected parties and related parties to the dealer or adviser (current list to be included) [s. 77] [Form 69]
  - details of the applicants commission structure, including policies regarding commission splitting and payments to unregistered individuals or entities
  - procedures for ensuring that all advertising is forwarded to the designated compliance officer for approval prior to use
  - provisions for designating a compliance officer, branch manager or administration officer to supervise transactions made on behalf of client accounts and procedures to cover periods when this individual is unavailable to perform the required duties
  - policies and procedures for providing other significant operational controls (e.g., reconciliation of client orders to confirmations, safeguarding of assets, handling of cash, cheques or securities by employees);
- (b) Record keeping by the applicant
- policies for identifying who is responsible for keeping records of the applicant's business transactions, financial affairs [s. 27] and monthly calculation of working capital
  - policies and procedures describing how these records will be stored (e.g. mechanically, electronically) and what precautions will be taken to guard against their falsification [s. 28(b)] or loss
  - policies stating where [s. 27] and for how long [s. 42] the records will be kept;
- (c) Registration and conduct of registered individuals
- policies and procedures to ensure that employees are adequately supervised and comply with the requirements of the Act, Regulation and Rules and any policies established by the dealer, portfolio manager or investment counsel
  - policies and procedures for ensuring that individuals trade in or advise on securities or exchange contracts only in accordance with the registration requirements or exemptions set out in the Act or Rules
  - procedures for ensuring the form(s) of business cards and letterhead(s) to be used by partners, directors, officers, salespersons, advising employees or other employees are approved by the compliance officer and executive director prior to use
  - policies and procedures regarding ongoing training and education of employees
  - procedures for ensuring that employees are advised of significant changes in the legislative or other requirements that apply to them

- provisions for ensuring compliance with the requirement to receive the consent of the executive director to work other than full-time or to maintain outside employment [s. 63]
- procedures for managing the termination of registered individuals, including the surrender of their registration certificates, and for clarifying the relationship of existing clients to the registered individual and applicant;

(d) Client accounts

- policies and procedures for the opening of new accounts, including
  - standard of enquiry concerning the identity, credit worthiness and reputation of clients [s. 48(1)(a)]
  - standard of enquiry for determining the general investment needs and objectives (including tolerance to risk) of the client [s. 48(1)(b)] and provisions for the update of documentation upon changes in a clients circumstances
  - procedures for distributing required information to clients (e.g., conflicts of interest, referral fees, leverage risks, dual licensing)
  - provisions for obtaining instructions from clients with respect to shareholder communications [National Policy No. 41]
  - procedures to ensure that client signatures are obtained upon opening of an account and in other appropriate circumstances [NIN#93/8]
  - procedures to ensure that no account is opened without the prior written approval of the compliance officer, branch manager or administration officer [s. 47]
- provisions for ensuring suitability of proposed purchases or sales for clients in accordance with documented objectives [s.48]
- policies and procedures for managing the operation and supervision of discretionary and managed accounts, including provisions for ensuring that these accounts are operated only by persons registered as portfolio managers
- policies and procedures relating to:
  - registration of client securities
  - mailing of statements, confirmations and prospectuses to clients
  - operation and supervision of margin accounts
  - handling of clients free credit balances and accrued interest [s.57(2)]
  - holding of client subscriptions and prepayments [s.58]
  - notification of pending expiry of options, warrants or exchange contracts
  - notification of pending delivery of cash or securities
  - handling of client complaints;

(e) Trading in applicants own trading accounts

- ensuring compliance with Conflict of Interest rules [Part 4, Division II], including limitations on trading where the registrant sells securities for its own account to a client, or buys securities for its own account from a client [s. 79];
- (f) Trading in "exempt" products
- procedures relating to the sale of "exempt" products (i.e., where securities are to be traded in reliance on an exemption from prospectus requirements) by the applicant and individuals acting on the applicants behalf;
- (g) Duties of compliance officers, branch managers and administration officers
- procedures for ensuring the applicant and individuals acting on its behalf comply with the Act, Regulation and Rules [s. 65]
  - policies relating to:
    - supervision of daily trading activities
    - periodic (monthly) review of client account activity
    - periodic review of the applicants trading accounts and trading accounts of its partners, directors, officers and employees
    - review of employee applications for registration [Form 4]
    - review and approval of advertising materials
  - procedures for addressing conflicts of interest [Part 4, Division 11]
  - procedures for reviewing adequacy of the applicants bonding [s. 21]
  - procedures for periodic review of the applicants policies and procedures.

### 5.3 Due diligence procedures for underwriters

An applicant for registration as an underwriter should file with the executive director and, where the underwriter is a member of the VSE or IDA - Pacific, the VSE or IDA - Pacific, a written description of its procedures or other safeguards for underwriting distributions of securities by way of prospectus or other offering documents specified by the executive director. The descriptions should cover procedures and other safeguards:

- separating underwriting functions from trading functions, including the establishment of safeguards for dealing with confidential information
- developing proficiency requirements, including corporate finance staff education and experience, commensurate with the requirements and responsibilities of underwriting
- ensuring that appropriate due diligence reviews are undertaken by or on behalf of the underwriter prior to the execution by the underwriter of a certificate under section 50 of the Act
- ensuring that the proceeds of a distribution are properly held, or disbursed, in accordance with the trust or other governing agreements between the underwriter and the issuer making the distribution

[s. 45].

#### **5.4 Additional documents to be filed**

An applicant for registration as a dealer (except for a broker, investment dealer or security issuer), portfolio manager and investment counsel must also file, for non-objection by the executive director, the following documents, as applicable to its business:

- conflict of interest rules statement [Form 69] or statement and undertaking [Form 70] [s. 77, NIN#89/3]
- forms of business cards and letterhead(s) to be used by the dealer, portfolio manager or investment counsel or any individual acting on its behalf.

#### **5.5 Documents to be available for inspection**

An applicant for registration as a dealer (except for a broker, investment dealer or security issuer), portfolio manager and investment counsel must maintain, for inspection by the executive director, the following documents, as applicable to its business:

- new client account forms
- trading agreements
- margin agreements
- client authorization forms or trading agreements for discretionary and managed accounts
- leverage statement [NIN#87/67]
- information statements describing investment attributes of government strip bonds [Appendix "A" of Interim Local Policy Statement 3-43]
- disclosure statement for recognized market options [BOR#92/3]
- hedge letter
- advisory agreement
- risk disclosure document (exchange contracts) [s.35]
- managed accounts disclosure document (exchange contracts) [s. 35].

#### **5.6 Records to be kept by securities advisers**

An applicant for registration as a securities adviser must maintain, for inspection by the executive director, the following documents:

- publications authored by the registrant that provide investment advice
- research supporting advice given by the registrant
- a record of securities and exchange contracts beneficially owned by the registrant.

### **6. BROKER**

#### **6.1 General requirements**

Refer also to the general requirements set out in Parts 3 - 5 of this policy.

#### **6.2 Description of broker**

A registered broker is a person that is a member of the VSE and authorized to trade in securities, exchange contracts or both, subject to the scope of its conditions of registration [s. 6(2)(a)]. To be registered as a broker, the applicant must meet registration requirements of the VSE including, but not limited to, proficiency and capital requirements, and be a member in good standing of the VSE.

### **6.3 Application to VSE**

The Commission has authorized the VSE to register [Registration Transfer Rules]:

- brokers
- trading partners, directors or officers of brokers, and
- salespersons of brokers

Applicants for these categories of registration should direct enquiries about, and applications for, registration to the VSE at the address set out in Appendix 2.

The Commission has also authorized the VSE to register its member dealers as underwriters. Refer to Part 14 of this policy for particulars.

### **6.4 Categories of registration used by VSE**

Where the executive director has not objected [Act, s. 14(1)(a)], the VSE may use terms to describe categories of registration that vary from those set out in the Act or the Rules.

## **7. INVESTMENT DEALER**

### **7.1 General requirements**

Refer also to the general requirements set out in Parts 3 - 5 of this policy.

### **7.2 Description of investment dealer**

A registered investment dealer is a person that is a member of the IDA - Pacific and authorized to trade in securities, exchange contracts or both, subject to the scope of its conditions of registration [s. 6(2)(b)]. To be registered as an investment dealer, the applicant must meet registration requirements of the IDA - Pacific including, but not limited to, proficiency and capital requirements, and be a member in good standing of the IDA - Pacific.

### **7.3 Application to IDA - Pacific**

The Commission has authorized the IDA - Pacific to register [Registration Transfer Rules]:

- investment dealers
- trading partners, directors or officers of investment dealers, and
- salespersons of investment dealers

Applicants for these categories of registration should direct enquiries about, and applications for, registration to the IDA - Pacific at the address set out in Appendix 2.

The Commission has also authorized the IDA - Pacific to register its member dealers as underwriters. Refer to Part 14 of this policy for particulars.

### **7.4 Categories of registration used by IDA - Pacific**

Where the executive director has not objected [Act, s. 14(1)(a)], the IDA - Pacific may use terms to describe categories of registration that vary from those set out in the Act or the Rules.

## **8. SECURITIES DEALER**

## **8.1 General requirements**

Refer also to the general requirements set out in Parts 3 - 5 of this policy.

## **8.2 Description of securities dealer**

A registered securities dealer is a person, other than a broker or an investment dealer, that is authorized to trade in securities, other than forward contracts [s. 6(2)(c)].

## **8.3 Positive risk adjusted capital**

To be registered as a securities dealer, the applicant must maintain positive risk adjusted capital, but may calculate risk adjusted capital on the basis of a minimum capital requirement of \$100,000 instead of the minimum of \$250,000 required by the Joint Regulatory Financial Questionnaire and Report [s. 19(2)].

## **8.4 Proficiency requirements for trading partner, director or officer**

To be registered as a trading partner, director or officer of a securities dealer, the applicant must have successfully completed:

- the Canadian Securities Course (CSI)
- the Conduct and Practices Handbook Exam (CSI)
- the Canadian Investment Management Course, Part I (CSI), and
- the Partners, Directors & Senior Officers Qualifying Exam (CSI)

and have at least

- 7 continuous years of relevant experience in the securities industry,
- 5 continuous years of relevant experience in the securities industry with a dealer that is a member of the VSE, IDA - Pacific or other self-regulatory body or exchange in Canada

[S. 61(1)].

## **8.5 Proficiency requirements for salesperson**

To be registered as a salesperson of a securities dealer, other than a salesperson restricted to trading in mutual fund securities, the applicant must have successfully completed:

- the Canadian Securities Course (CSI)
- the Conduct and Practices Handbook Exam (CSI), and
- a three-month in-house training program satisfactory to the executive director, during which time the salesperson has no client contact

[S. 61(1)].

As a condition of registration for a salesperson of a securities dealer, other than a salesperson restricted to trading in mutual fund securities, subsequent to registration, the individual must:

- work under strict supervision for the first six months, and
- successfully complete the Canadian Investment Management Course, Part I (CSI) within thirty months

*[s. 61(1)] [Act, section 22].*

To be registered as a salesperson of a securities dealer, restricted to trading in mutual fund securities, the applicant must have successfully completed the proficiency requirements set out in section 10.5 of this policy.

## **8.6 Proficiency requirements for compliance officers**

Refer to Part 4 of this policy for proficiency requirements of compliance officers, branch managers and administration officers.

## **9. LIMITED DEALER - EXCHANGE CONTRACTS DEALER**

### **9.1 General requirements**

Refer also to the general requirements set out in Parts 3 - 5 of this policy.

### **9.2 Description of limited dealer - exchange contracts dealer**

A registered exchange contracts dealer is a person that is authorized to trade exclusively in any combination of exchange contracts or forward contracts [s. 6(2)(d)(i)].

### **9.3 Positive risk adjusted capital**

Subject to the paragraph that follows, to be registered as an exchange contracts dealer, the applicant must maintain positive risk adjusted capital, but may calculate risk adjusted capital on the basis of a minimum capital requirement of \$100,000 instead of the minimum of \$250,000 required by the Joint Regulatory Financial Questionnaire and Report [s. 19(2)].

An exchange contracts dealer that does not hold client funds or securities and is recognized by the executive director as an introducing broker may calculate risk adjusted capital on the basis of a minimum capital requirement of \$75,000 [s. 19(4)]

### **9.4 Proficiency requirements for trading partner, director or officer**

To be registered as a trading partner, director or officer of an exchange contracts dealer, the applicant must have successfully completed:

- the National Commodity Futures Examination (CSI) or Part I of the Canadian Futures Exam Program (CSI)
- Part II of the Canadian Futures Exam Program (CSI)
- the Canadian Commodity Supervisors Examination (CSI), and
- where the applicant proposes to trade options, the Canadian Options Course (CSI)

and have at least

- 7 continuous years of relevant experience in the securities industry, or
- 5 continuous years of relevant experience in the securities industry with a dealer that trades in exchange contracts or forward contracts

*[s. 61(1)].*

### **9.5 Proficiency requirements for salesperson**

To be registered as a salesperson of an exchange contracts dealer, the applicant must have successfully completed:

- the National Commodity Futures Examination (CSI) or Part 1 of the Canadian Futures Exam Program (CSI)
- Part II of the Canadian Futures Exam Program (CSI), and
- where the applicant proposes to trade options, the Canadian Options Course (CSI)

[S. 61(1)].

## **9.6 Proficiency requirements for compliance officers**

Refer to Part 4 of this policy for proficiency requirements of compliance officers, branch managers and administration officers.

## **10. LIMITED DEALER - MUTUAL FUND DEALER**

### **10.1 General requirements**

Refer also to the general requirements set out in Parts 3 - 5 of this policy.

### **10.2 Description of limited dealer - mutual fund dealer**

A registered mutual fund dealer is a person that is authorized to trade exclusively in securities of mutual funds [s. 6(2)(d)(ii)].

### **10.3 Working capital**

Subject to the paragraph that follows, to be registered as a mutual fund dealer, the applicant must maintain working capital, calculated in accordance with the Report of Working Capital, of at least \$75,000 plus the maximum amount deductible under the applicant's financial institution bond [s. 19(3)].

A mutual fund dealer that does not hold client funds or securities and is recognized by the executive director must maintain working capital, calculated in accordance with Report of Working Capital, of at least \$25,000 plus the maximum amount deductible under the applicants financial institution bond [s. 19(5)].

### **10.4 Proficiency requirements for trading partner, director or officer**

To be registered as a trading partner, director or officer of a mutual fund dealer, including a dealer that is controlled by or associated with a financial institution, the applicant must have successfully completed:

- the Canadian Investment Funds Course (IFIC), the Investment Funds in Canada Course (ICB), the Principles of Mutual Fund Investment (TCI) or the Canadian Securities Course (CSI)
- the Partners, Directors & Senior Officers Qualifying Exam (CSI) or the Officers, Partners or Directors Examination (IFIC), and
- the Branch Managers' Examination (IFIC) or the Branch Managers Qualifying Exam (CSI)

and have at least 5 continuous years of relevant experience in the mutual fund industry, 1 year of which must have been as a manager [s. 61(1)].

## **10.5 Proficiency requirements for salesperson**

To be registered as a salesperson of a mutual fund dealer, including a dealer that is controlled by or associated with a financial institution, the applicant must have successfully completed:

- the Canadian Securities Course (CSI)
- the Canadian Investment Funds Course (IFIC)
- the Investment Funds in Canada Course (ICB), or
- the Principles of Mutual Fund Investment (TCI)

*[s. 61(1)].*

## **10.6 Proficiency requirements for compliance officers**

Refer to Part 4 of this policy for proficiency requirements of compliance officers, branch managers and administration officers.

## **11. LIMITED DEALER - SECURITY ISSUER**

### **11.1 General requirements**

Refer also to the general requirements set out in Parts 3 - 5 of this policy.

### **11.2 Description of limited dealer - security issuer**

A registered security issuer is a person that is authorized to trade in securities for purposes of distributing securities of its own issue, exclusively for its own account [s. 6(2)(d)(iii)].

### **11.3 Proficiency requirements for trading partner, director or officer**

To be registered as a trading partner, director or officer of a security issuer, the applicant must have successfully completed:

- the Canadian Securities Course (CSI), and
- the Conduct and Practices Handbook Exam (CSI)

and demonstrate sufficient relevant experience in securities matters to the executive director [s. 61(1)].

### **11.4 Proficiency requirements for salesperson**

To be registered as a salesperson of a security issuer, the applicant must have successfully completed:

- the Canadian Securities Course (CSI), and
- the Conduct and Practices Handbook Exam (CSI)

*[s. 61(1)].*

### **11.5 Proficiency requirements for compliance officers**

Refer to Part 4 of this policy for proficiency requirements of compliance officers, branch managers and administration officers.

## **12. LIMITED DEALER - REAL ESTATE SECURITIES DEALER**

### **12.1 General requirements**

Refer also to the general requirements set out in Parts 3 - 5 of this policy.

### **12.2 Description of limited dealer - real estate securities dealer**

A registered real estate securities dealer is a person that is authorized to trade exclusively in real estate securities [s. 6(2)(d)(iv)].

### **12.3 Working capital**

To be registered as a real estate securities dealer, the applicant must maintain working capital, calculated in accordance with the Report of Working Capital, of at least \$75,000 plus the maximum amount that is deductible under the dealer's financial institution bond [s. 19(3)].

### **12.4 Proficiency requirements for trading partner, director or officer**

To be registered as a trading partner, director or officer of a real estate securities dealer, the applicant must have successfully completed:

- the Canadian Securities Course (CSI) or the Real Estate Securities Course (UBC), and
- the Partners, Directors & Senior Officers Qualifying Exam (CSI)

and have at least

- 5 continuous years of relevant experience with the securities industry, or
- 5 continuous years relevant experience in the real estate industry, 2 years of which must have been as a real estate nominee as defined in the British Columbia Real Estate Act

[s. 61(1)].

### **12.5 Proficiency requirements for salesperson**

To be registered as a salesperson of a real estate securities dealer, the applicant must have successfully completed the Canadian Securities Course (CSI) or the Real Estate Securities Course (UBC) [s. 61(1)].

### **12.6 Proficiency requirements for compliance officers**

Refer to Part 4 of this policy for proficiency requirements of compliance officers, branch managers and administration officers.

## **13. LIMITED DEALER - SCHOLARSHIP PLAN DEALER**

### **13.1 General requirements**

Refer also to the general requirements set out in Parts 3 - 5 of this policy.

### **13.2 Description of limited dealer - scholarship plan dealer**

A registered scholarship plan dealer is a person that is authorized to trade exclusively in securities of a scholarship or educational plan or trust [s. 6(2)(d)(v)].

### **13.3 Working capital**

To be registered as a scholarship plan dealer, the applicant must maintain working capital, calculated in accordance with Report of Working Capital, of at least \$75,000 plus the maximum amount deductible under the applicant's financial institution bond [s. 19(3)].

### **13.4 Proficiency requirements for trading partner, director or officer**

To be registered as a trading partner, director or officer of a scholarship plan dealer, the applicant must have successfully completed:

- the dealers in-house course and examination, where the course and examination have been previously approved by the executive director

and have at least

- 4 continuous years of relevant experience in the scholarship plan industry, or
- 3 continuous years of relevant experience in the scholarship plan industry, 1 year of which must have been as a manager

[s. 61(1)].

### **13.5 Proficiency requirements for salesperson**

To be registered as a salesperson of a scholarship plan dealer, the applicant must have successfully completed the dealers in-house course and examination, where the course and examination have been previously approved by the executive director [s. 61(1)].

### **13.6 Proficiency requirements for compliance officers**

Refer to Part 4 of this policy for proficiency requirements of compliance officers, branch managers and administration officers.

## **14. UNDERWRITER**

### **14.1 General requirements**

Refer also to the general requirements set out in Parts 3 - 5 of this policy.

### **14.2 Description of underwriter**

An underwriter includes a person that:

- as principal, agrees to purchase a security for the purpose of distribution
- as agent, offers for sale or sells a security in connection with a distribution, or
- participates directly or indirectly in a distribution described above

but does not include:

- a person whose interest in the transaction is limited to receiving the usual and customary distribution or sales commission payable by an underwriter or issuer
- a mutual fund that accepts its securities for surrender and resells them
- a corporation that purchases shares of its own issue and resells them, or
- a bank for the securities described in section 32 of the Act and to prescribed banking transactions

*[Act, s. 1(1)].*

The first two branches of the definition capture persons that agree to purchase for resale or to offer for sale securities for the purposes of or in connection with a distribution of securities. Distributions include both prospectus offerings and exempt offerings. The third branch captures persons that participate in a distribution involving an underwriter under either of the first two branches. Participating in the distribution involves something more than a mere interest in the distribution, that is, there needs to be some involvement in the distribution. If the activities of a person fall within one of the three branches of the definition, registration as an underwriter is required unless the person meets the requirements of one of the four exceptions that are set out in the definition itself or of the exemption set out in section 87 of the Rules (see section 2.2 of this policy).

A person will not be registered as an underwriter unless the person is a member of the Investment Dealers Association of Canada, the VSE, the Alberta Securities Exchange, The Toronto Stock Exchange or the Montréal Exchange.[s.7, LPS3-44]

#### **14.3 Application to VSE, IDA - Pacific or Commission**

The Commission has authorized the VSE and IDA - Pacific to register their member dealers as underwriters [Registration Transfer Rules]. Other applicants for registration as an underwriter should apply to the Commission. Accordingly, enquiries about, and applications for, registration as an underwriter should be directed to:

- (a) the VSE or IDA - Pacific, at the applicable address set out in Appendix 2 to this policy, where the applicant is also registered, or is also seeking registration, as a broker or investment dealer, or
- (b) the Commission, where the applicant is seeking registration in British Columbia solely as an underwriter.

#### **14.4 Positive risk adjusted capital**

To be registered as an underwriter, the applicant must maintain positive risk adjusted capital as required by the Joint Regulatory Financial Questionnaire and Report [s. 19(2)].

#### **14.5 Proficiency requirements for compliance officer**

The compliance officer of an underwriter must have successfully completed

- the Canadian Securities Course (CSI)
- the Canadian Investment Management Course, Part I (CSI), and
- the Partners, Directors & Senior Officers Qualifying Exam (CSI)

and have at least

- 7 continuous years of relevant experience in the securities industry, 2 years of which must have been with an underwriter that is a member of the VSE, IDA - Pacific or other self-regulatory body or exchange in Canada, or
- 5 continuous years of relevant experience with an underwriter that is a member of the VSE, IDA - Pacific or other self-regulatory body or exchange in Canada

[s. 60(1)].

## **15. PORTFOLIO MANAGER**

### **15.1 General requirements**

Refer also to the general requirements set out in Parts 3 - 5 of this policy.

### **15.2 Description of portfolio manager**

A registered portfolio manager is a person that is authorized to manage, or holds itself out as managing, the investment portfolio consisting of securities, exchange contracts or both, of one or more clients through discretionary authority granted by the clients [s. 8(a)].

### **15.3 Exemption for broker or investment dealer acting as portfolio manager**

A broker or investment dealer, and the partners, directors, officers or salespersons of the broker or investment dealer, may be exempt from registration as an adviser with relation to certain "managed accounts" or "discretionary accounts" [s. 86]. Direct enquiries about the application of this exemption to the VSE or IDA - Pacific, as applicable.

### **15.4 Working capital**

To be registered as a portfolio manager, the applicant must maintain working capital, calculated in accordance with the Report of Working Capital, of at least \$25,000 plus the maximum amount deductible under the applicants financial institution bond [s. 20(2)].

### **15.5 Proficiency requirements for advising partner, director or officer and advising employee**

To be registered as an advising partner, director or officer or an advising employee of a portfolio manager, the applicant must have successfully completed:

- (a) to manage investment portfolios containing securities, other than forward contracts,
- the Canadian Securities Course (CSI)
  - the Canadian Investment Management Course (CIM), and
  - the first year of Chartered Financial Analysts Course (CFP)

and have at least 5 continuous years of relevant experience in the securities industry performing research involving the financial analysis of investments in securities, 3 years of which must have been under the supervision of an adviser responsible for the management or supervision of investment portfolios having an aggregate value of at least \$1,000,000 [s. 61(1)];

- (b) to manage investment portfolios containing exchange contracts or forward contracts,
- the Canadian Investment Management Course (CIM), and

- the Canadian Futures Exam Program (CSI) or the Chartered Financial Analysts Course (AIMR)

and have at least 5 continuous years of relevant experience in the securities industry performing research involving the financial analysis of investments in exchange contracts or forward contracts, 3 years of which must have been under the supervision of an adviser responsible for the management or supervision of investment portfolios having an aggregate value of at least \$1,000,000 [s. 61(1)].

#### **15.6 Proficiency requirements for advising mutual fund about permitted derivatives**

If the applicant will be advising a mutual fund about derivatives in which mutual funds are permitted to invest, the applicant must meet the proficiency requirements set out in section 15.5(b) of this policy [National Policy Statement No. 39, ss. 2.07(5)(a) and (b)].

#### **15.7 Proficiency requirements for compliance officers**

Refer to Part 4 of this policy for proficiency requirements of compliance officers, branch managers and administration officers.

#### **15.8 Other restrictions on managing portfolios**

The detailed proficiency requirements set out in the preceding sections may not apply directly to a particular situation. In this case, the executive director will assess each application and may limit the types of securities or exchange contracts or both that the registrant may hold in the portfolios that the registrant is managing [s. 17(1)] [Act, s. 22(1)]. Accordingly, a person seeking registration as a portfolio manager that does not meet the proficiency requirements set out in the preceding sections should, before applying, discuss the details of the proposal with the Director, Registration.

### **16. INVESTMENT COUNSEL**

#### **16.1 General requirements**

Refer also to the general requirements set out in Parts 3 - 5 of this policy.

#### **16.2 Description of investment counsel**

A registered investment counsel is a person that is authorized to engage, or holds itself out as engaging, in the business of advising others about investing in or buying or selling specific securities, exchange contracts or both, or that is primarily engaged in giving continuous advice on the investment of funds, on the basis of the particular objectives of each client [s. 8(b)].

#### **16.3 Working capital**

Subject to the paragraph that follows, to be registered as an investment counsel the applicant must maintain working capital, calculated in accordance with the Report of Working Capital, of at least \$25,000 plus the maximum amount deductible under the applicant's financial institution bond [s. 20(1)].

An investment counsel that does not hold client funds or securities and is recognized by the executive director must maintain working capital, calculated in accordance with the Report of Working Capital, of at least \$5,000 plus the maximum amount deductible under the applicants financial institution bond [s. 20(2)].

## **16.4 Proficiency requirements for advising partner, director or officer and advising employee**

To be registered as an advising partner, director or officer or an advising employee of an investment counsel, the applicant must have successfully completed:

- (a) to counsel about securities, other than forward contracts,
- the Canadian Securities Course (CSI)
  - the Canadian Investment Management Course (CSI), and
  - the first year of Chartered Financial Analysts Course (AIMR)

and have at least 5 continuous years of relevant experience in the securities industry performing research involving the financial analysis of investments in securities, 3 years of which must have been under the supervision of an adviser responsible for the management or supervision of investment portfolios having an aggregate value of at least \$1,000,000 [s. 61(1)];

- (b) to counsel about exchange contracts or forward contracts,
- the Canadian Investment Management Course (CSI), and
  - the Canadian Futures Exam Program (CSI) or the Chartered Financial Analysts Course (AIMR)

and have at least 5 continuous years of relevant experience in the securities industry performing research involving the financial analysis of investments in exchange contracts or forward contracts, 3 years of which must have been under the supervision of an adviser responsible for the management or supervision of investment portfolios having an aggregate value of at least \$1,000,000 [s. 61(1)].

## **16.5 Proficiency requirements for compliance officers**

Refer to Part 4 of this policy for proficiency requirements of compliance officers, branch managers and administration officers.

## **16.6 Other restrictions on investment counseling**

The detailed proficiency requirements set out in the preceding section may not apply directly to a particular situation. In this case, the executive director will assess each application on a case-by-case basis and may limit the types of securities or exchange contracts or both about which the registrant may counsel [s. 17] [Act, s. 22(1)]. Accordingly, a person seeking registration as an investment counsel that does not meet the proficiency requirements set out in the preceding sections should, before applying, discuss the details of the proposal with the Director, Registration.

## **17. SECURITIES ADVISER**

### **17.1 General requirements**

Refer also to the general requirements set out in Parts 3 - 5 of this policy.

### **17.2 Description of securities adviser**

A securities adviser is a person that engages, or holds itself out as engaging, in the business of advising others through direct advice or through publications about investing in, or buying or selling, specific securities, exchange contracts or both, not purporting to tailor that advice or publication to the needs of specific clients [s. 8(c)].

### **17.3 Proficiency requirements for advising partner, director or officer and advising employee**

To be registered as an advising partner, director or officer or an advising employee of a securities adviser, the applicant must have successfully completed:

(a) to advise about securities, other than forward contracts,

- the Canadian Securities Course (CSI), and
- the Canadian Investment Management Course (CSI)

and have at least 5 continuous years of relevant experience in the securities industry performing research involving the financial analysis of investments in securities under the supervision of an adviser [s. 61(1)];

(b) to advise about exchange contracts or forward contracts,

- the Canadian Futures Exam Program (CSI), and
- the Canadian Investment Management Course (CSI)

and have at least 5 continuous years of relevant experience in the securities industry performing research involving the financial analysis of investments in exchange contracts or forward contracts under the supervision of an adviser [s. 61(1)];

(c) to advise about securities of a mutual fund,

- the Canadian Investment Funds Course (IFIC) or the Canadian Securities Course (CSI), and
- the Canadian Investment Management Course (CSI)

and have at least 5 continuous years of relevant experience in the securities industry performing research involving the financial analysis of investments in securities of mutual funds under the supervision of an adviser [s. 61(1)].

### **17.4 Proficiency requirements of compliance officers**

Refer to Part 4 of this policy for proficiency requirements of compliance officers, branch managers and administration officers.

### **17.5 Other restrictions on advising**

The detailed proficiency requirements set out in the preceding section may not apply directly to a particular situation. In this case, the executive director will assess each application on a case-by-case basis and may limit the types of securities or exchange contracts or both about which the registrant may advise [s. 17] [Act, s. 22(1)]. Accordingly, a person seeking registration as a securities adviser that does not meet the proficiency requirements set out in the preceding sections should, before applying, discuss the details of the proposal with the Director, Registration.

DATED at Vancouver, British Columbia, on December 7, 1995.

Dean E. Holley  
Superintendent of Brokers

## APPENDIX 1

### DEFINITIONS

In this policy:

"**Act**" means the Securities Act, S.B.C. 1985, c.83.

"**Branch Managers' Examination (IFIC)**" means an examination prepared by the Investment Funds Institute of Canada;

"**Branch Managers Qualifying Exam (CSI)**" means a two-part examination prepared by the Canadian Securities Institute;

"**Canadian Commodity Supervisors Exam (CSI)**" means an examination prepared by the Canadian Securities Institute;

"**Canadian Futures Exam Program (CSI)**" means a two-part examination prepared by the Canadian Securities Institute;

"**Canadian Investment Funds Course (IFIC)**" means an examination prepared by the Investment Funds Institute of Canada;

"**Canadian Investment Management Course (CSI)**" means a two-part study program, including examinations, prepared by the Canadian Securities Institute;

"**Canadian Investment Management Course, Part I (CSI)**" means the first part of the Canadian Investment Management Course (CSI);

"**Canadian Investor Protection Fund**" means the fund, referred to in section 23(1)(a) of the Rules, set up by the members of the Investment Dealers Association of Canada and the Vancouver Stock Exchange, the Alberta Stock Exchange, The Toronto Stock Exchange and the Montréal Exchange;

"**Canadian Options Course (CSI)**" means an examination prepared by the Canadian Securities Institute;

"**Canadian Securities Course (CSI)**" means an examination prepared by the Canadian Securities Institute;

"**Chartered Financial Analysts Course (AIMR)**" means an examination prepared by the Association for Investment Management and Research;

"**Commission**" means the British Columbia Securities Commission;

"**Conduct and Practices Handbook Exam (CSI)**" means an examination prepared by the Canadian Securities Institute;

"**Contingency Trust Fund**" means the compensation fund or contingency trust fund referred to in section 23(1)(b) of the Rules;

"**Effective Management in the Securities Industry Course (CSI)**" means a seminar course prepared by the Canadian Securities Institute.

"**executive director**" (formerly Superintendent of Brokers) means the chief administrative officer of the Commission appointed under section 7 of the Act.

"**IDA - Pacific**" means the Pacific District of the Investment Dealers Association of Canada;

"**Investment Funds in Canada Course (ICB)**" means an examination prepared by the Institute of Canadian Bankers;

"**Joint Regulatory Financial Questionnaire and Report**" means a financial reporting package created by the Canadian Investor Protection Fund and sponsoring self-regulatory organizations of the Canadian Investor Protection Fund;

"**Junior Issuer Underwriter**" has the meaning set out in Local Policy Statement 3-17;

"**National Commodity Futures Examination (CSI)**" means an examination administered by the Canadian Securities Institute on behalf of the National Association of Securities Dealers, Washington, DC, U.S.A.

"**Officers, Partners or Directors Examination (IFIC)**" means an examination prepared by the Investment Funds Institute of Canada;

"**Partners, Directors & Senior Officers Qualifying Exam (CSI)**" means an examination prepared by the Canadian Securities Institute;

"**Principles of Mutual Fund Investment (TCI)**" means an examination prepared by the Trust Companies Institute;

"**Principles of Regulation**" means the guidelines drafted by the Canadian Securities Administrators and adopted by the Commission by NIN#88/40, NIN#88/48 (as modified by NIN#90/7) and NIN#90/16.

"**Real Estate Securities Course (UBC)**" means a course prepared by the Real Estate Division, Faculty of Commerce and Business Administration, University of British Columbia in cooperation with the Real Estate Council of British Columbia;

"**real estate security**" means a security of an issuer whose assets, that are the principal subject of its business, consist of real property, a partnership interest in real property or documents evidencing an interest in real property;

"**Registered Options Principals Exam Program (CSI)**" means an examination prepared by the Canadian Securities Institute;

"**Registration Transfer Rules**" means the Registration Transfer Rules, B.C. Reg. 477/95;

"**Regulation**" means the Securities Regulation, B.C. Reg. 478/95;

"**Report of Risk Adjusted Capital**" (also known as "Monthly Financial Report" or "Quarterly Financial Report") means a report of risk adjusted capital, in the form required by the executive director, referred to in section 70(2) of the Rules;

"**Report of Working Capital**" means the report of working capital, in the form required by the executive director, referred to in sections 19(3) and (5), 20(1) and (2), 41(1)(c) and 70(3) of the Rules;

"**Rules**" means the Securities Rules, B.C. Reg. 479/95;

"**Statement of Financial Condition**" means the statement of financial condition, in the form required by the executive director, referred to in sections 50(1)(g)(i) and 70(4) of the Rules;

"**unconditional subordination agreement**" means an agreement, in Form 60, in which a lender agrees to subordinate all of the lender's rights against a registrant borrower, on account of the registrant's debt to the lender, to all the claims of the general creditors so that any claims against the registrant will be paid out of the assets of the registrant before any payment is made to the lender;

"**VSE**" means the Vancouver Stock Exchange.

## APPENDIX 2

### INFORMATION FROM OTHER SOURCES

A bound, annotated compilation of the Act, Regulation, Rules, forms and other material is available from:

Carswell  
#710 - 815 West Hastings Street  
Vancouver, B.C.  
V6C 1B4  
Telephone (604) 685-8171  
Fax (604) 685-5343

To purchase copies of the Act, Regulation and Rules, contact

- Crown Publications  
546 Yates Street  
Victoria, B.C. V8W 1K8  
Tel: (604) 386-4636  
Fax: (604) 386-0221
- Queen's Printer  
849 Hornby Street  
Vancouver, B.C. V6Z 1T9  
Tel: (604) 775-0857  
Fax: (604) 660-1170
- Worldwide Books and Maps  
736A Granville Street  
Vancouver, B.C. V6Z 1G3  
Tel: (604) 687-3320  
Fax: (604) 687-5925

Forms 3, 4, 4A, 7 and 7A are available for pick up or by mail from the Commission's 11th floor receptionist at 1100 - 865, Hornby Street, Vancouver, B.C. V6Z 2H4 (phone: 660-9689). Upon request, the Supervisor, Registration, will mail or arrange for you to pick up the Joint Regulatory Financial Questionnaire and Report. There is no charge for these forms (phone: 660-4833); however, only a reasonable number of copies will be distributed. Persons phoning from within British Columbia can call toll-free (1-800-373-6393).

A "boilerplate" unconditional subordination agreement (Form 60) and "direction to auditor" are also available from the Supervisor, Registration, as well as an outline for the content of a "managed accounts disclosure document", at no charge. In addition, the Supervisor, Registration, can provide a set of "standard" conditions of registration for non-resident advisers.

Forms (mock-up format only) may be purchased from:

- Superior Repro  
#200 - 1112 West Pender Street  
Vancouver, B.C. V6E 2S1  
Tel: (604) 683-2181  
Fax: (604) 683-2539

A complete set of the Act, Regulation, and Rules forms and other materials are available on a subscription basis from:

- Continuing Legal Education Society of British Columbia  
#300 - 845 Cambie Street  
Vancouver, B.C. V6B 5T2  
Tel: (604) 669-9260  
(toll-free: 1-800-663-0437)  
Fax: (604) 669-9260
- CCH Canadian Limited  
Canadian Securities Law Reporter  
#2674 - 1055 Dunsmuir Street  
Vancouver, B.C. V7X 1K8  
Tel: (604) 688-7510  
Fax: (604) 688-0451

For information on courses and examinations referred to in this policy, contact:

The Canadian Securities Institute  
944 Bentall Four  
1055 Burrard Street  
Vancouver, B.C. V7X 1J1  
Tel: (604) 683-1338  
Fax: (604) 683-6050

Investment Funds Institute of Canada  
80 Bond Street, Main Floor  
Toronto, Ontario M5B 1X8  
Tel: (416) 363-2158  
Fax: (416) 861-9937

The Institute of Canadian Bankers  
Scotia Tower, Suite 1000  
1002 Sherbrooke Street West  
Montréal, Québec H3A 3M5  
Tel: (514) 282-9480  
Fax: (514) 282-7551

Trust Companies Institute

355 Bay Street, Suite 205  
Toronto, Ontario M5H 2R3  
Tel: (416) 364-1210  
Fax: (416) 364-1993

Association for Investment Management and Research  
5 Boar's Head Lane  
P.O. Box 3668  
Charlottesville, Virginia 22903  
U.S.A.  
Tel: (804) 977-6600  
Fax: (804) 977-1103

Real Estate Council of British Columbia  
900 - 750 West Pender Street  
Vancouver, B.C. V6C 2T8  
Tel: (604) 683-9664  
Fax: (604) 683-9017

For information about the membership requirements of the VSE, contact:

Vancouver Stock Exchange  
P.O. Box 10333  
609 Granville Street  
Vancouver, B.C. V7Y 1H1  
Tel: (604) 689-3334  
Fax: (604) 662-8370

For information about membership requirements of the IDA-Pacific, contact:

Investment Dealers Association of Canada - Pacific District  
P.O. Box 49151  
944 Bentall Centre Four  
1055 Burrard Street  
Vancouver, B.C. V7X 1J1  
Tel: (604) 683-6222  
Fax: (604) 683-6050

For information about the Contingency Trust Fund, contact the fund's trustee:

TD Trust Company  
18th Floor, Toronto Dominion Tower  
700 West Georgia Street  
Vancouver, B.C. V7C 1B6  
Tel: (604) 658 - 5217  
Fax: (604) 681 - 9692

For information about the Canadian Investors Protection Fund, contact:

Canadian Investor Protection Fund  
P.O. Box 192, 200 Bay Street, Suite 2400, South Tower  
Toronto, Ontario M5J 2J4  
Tel: (416) 866-8366  
Fax: (416) 360-8441