

# 2002 BCSECCOM 25

## Headnote

Mutual Reliance Review System for Exemptive Relief Applications – revocation and variation of certain provisions of previous decision documents providing relief from requirements of the Securities Rules and from the regulations of the Investment Dealer's Association, subject to certain conditions, including compliance with amendments to the IDA suitability requirements and IDA Policy No. 9.

## Applicable British Columbia Provisions

*Securities Act*, R.S.B.C. 1996, c. 418, s. 171

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA,  
SASKATCHEWAN, NOVA SCOTIA, NEWFOUNDLAND AND ONTARIO

AND

IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF  
APPLICATIONS

AND

IN THE MATTER OF MERRILL LYNCH HSBC CANADA INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Newfoundland, Nova Scotia and Ontario (collectively, the "Jurisdictions") has received an application from Merrill Lynch HSBC Canada Inc. (the "Filer"), formerly known as HSBC InvestDirect (Canada) Inc., to vary in Nova Scotia and Newfoundland and revoke in British Columbia, Alberta, Saskatchewan and Ontario the MRRS Decision Document dated November 10, 2000 IN THE MATTER OF HSBC INVESTDIRECT (CANADA) INC. (the "Suitability Relief Order"), as amended by the MRRS Decision Document dated July 6, 2001 IN THE MATTER OF MERRILL LYNCH HSBC CANADA INC. (the "Variation Order"), which provided, subject to terms and conditions, relief from suitability obligations under the securities legislation of the Jurisdictions and decided, subject to terms and conditions and other than under the securities legislation of Newfoundland and Nova Scotia, that the suitability requirements of the Investment Dealers Association of Canada ("IDA") do not apply to the Filer;

AND WHEREAS the terms "Suitability Requirements", "IDA Suitability Requirements" and "Registered Representatives" shall each have the respective meaning ascribed thereto under the Suitability Relief Order;

AND WHEREAS the IDA enacted amendments to the IDA Suitability Requirements and enacted IDA Policy No. 9, allowing member firms approved under revised IDA Regulation 1300.1(e) and (f) to accept orders from customers without a suitability determination where no recommendation was provided by the member ("Amended IDA Suitability Requirements");

AND WHEREAS under the securities legislation of British Columbia, Alberta, Saskatchewan and Ontario, a member of the IDA may comply with its Suitability Requirements by complying with the Amended IDA Suitability Requirements;

## 2002 BCSECCOM 25

AND WHEREAS the Filer wishes to vary in Nova Scotia and Newfoundland and revoke in British Columbia, Alberta, Saskatchewan and Ontario the Suitability Relief Order, upon approval of the Filer and its division, Investment Solutions Team/Investment Solutions (the "Division"), pursuant to revised IDA Regulation 1300.1(e) and (f) as an order-execution only service and advisory and order-execution service, respectively;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented, on its behalf and on behalf of the Division, to the Decision Makers that:

1. the Filer changed its name from HSBC InvestDirect (Canada) Inc. to Merrill Lynch HSBC Canada Inc. on November 30, 2000 and is a corporation incorporated under the *Business Corporations Act* (Ontario) and is registered under the Legislation as an investment dealer or equivalent and is a member of the IDA;
2. the Filer recently established the Division, which will operate under the trade name "Investment Solutions Team" or "Investment Solutions", as applicable in each of the Jurisdictions;
3. the Filer is subject to the Amended IDA Suitability Requirements and, upon approval pursuant to revised IDA Regulation 1300.1(e) and (f), will not, other than through the Division, provide any recommendations to its clients and will, therefore, be able to accept orders from customers without a suitability determination where no recommendation was provided;
4. the Division is subject to the Amended IDA Suitability Requirements and will, upon approval pursuant to revised IDA Regulation 1300.1(e) and (f), be able to accept orders from customers without a suitability determination where no recommendation was provided by the Division;
5. the Filer applied for approval pursuant to revised IDA Regulation 1300.1(e) and (f) as an order-execution only service;
6. the Division applied for approval pursuant to revised IDA Regulation 1300.1(e) and (f) as an advisory and order-execution service; and
7. except as noted above, the Filer confirms the representations to the Decision Makers in the Suitability Relief Order, as amended by the Variation Order.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the Jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers in British Columbia, Alberta, Saskatchewan and Ontario is that the Suitability Relief Order, as amended by the Variation Order, is revoked in respect of the Suitability Requirements upon approval of the Filer pursuant to revised IDA Regulation 1300.1(e) and (f) as an order-execution only service and approval of the Division pursuant to revised IDA Regulation 1300.1(e) and (f) as an advisory and order-execution service;

THE DECISION of the Decision Makers in Nova Scotia and Newfoundland is that the Suitability Relief Order, as amended by the Variation Order, is varied in respect of the operative paragraph for the exemption from the Suitability Requirements upon approval of the Filer pursuant to revised IDA Regulation 1300.1(e) and (f) as an order-execution only service and approval of the Division

## **2002 BCSECCOM 25**

pursuant to revised IDA Regulation 1300.1(e) and (f) as an advisory and order-execution service by replacing term and conditions 1-11 with the following:

1. the Filer, including its division, Investment Solutions Team/Investment Solutions, and its Registered Representatives comply with the enacted amendments to the IDA Suitability Requirements and enacted IDA Policy No. 9, allowing member firms approved under revised IDA Regulation 1300.1(e) and (f) to accept orders from customers without a suitability determination where no recommendation was provided by the member.

DATED November 22, 2001

Randee B. Pavalow

THE DECISION of the Decision Makers in British Columbia, Alberta, Saskatchewan and Ontario is that the Suitability Relief Order, as amended by the Variation Order, is revoked in respect of the IDA Suitability Requirements upon approval of the Filer pursuant to revised IDA Regulation 1300.1(e) and (f) as an order-execution only service and approval of the Division pursuant to revised IDA Regulation 1300.1(e) and (f) as an advisory and order-execution service.

DATED November 22, 2001

Paul Moore

Robert W. Korthals