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## Headnote

1996 Securities Act s. 48 Dealer - Exemption from s.34(1)(a) requirement to be registered as a dealer to trade securities - A person not registered as a dealer in BC wants to do a trade that requires a BC registered dealer. - The person trades for one client who is an accredited investor and who resides outside Canada. The trades are primarily executed on markets outside Canada. The person has systems and software in place and performs daily reviews of trading activity to ensure compliance with applicable securities laws and exchange requirements in the jurisdictions in which the trades are executed.

## Exemption Order

### Golden Market Management Inc.

#### Section 48 of the *Securities Act*, RSBC 1996, c.418

### Background

- ¶ 1 Golden Market Management Inc. (Golden) applied for an exemption from the dealer registration requirement in section 34(1)(a) of the Act for activities conducted in British Columbia by Golden, and independent contractors retained by Golden, to trade on behalf of Golden's client, Alchemy Ventures Inc. (Alchemy).

### Representations

- ¶ 2 Golden represents that:
1. it is governed by the laws of Québec and its principal office is located in Québec;
  2. it has an agreement with Alchemy, a U.S. company, to trade a portion of Alchemy's capital;
  3. it trades (on behalf of Alchemy) as principal in equity securities primarily over major U.S. exchanges or markets, such as NASDAQ and the NYSE; it does not intentionally hold overnight positions in any securities;
  4. it has retained independent contractors in British Columbia, that do or will have offices in British Columbia, to trade U.S. equities on behalf of its client Alchemy;

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5. it allocates a certain amount of Alchemy's trading capital to the independent contractors and they are permitted to trade using that trading capital in a day trading capacity on U.S. exchanges or markets through an account maintained with certain U.S. securities brokerage firms;
6. there is no contractual relationship between the independent contractors and Alchemy;
7. the independent contractors are required to route all trades through a dealer regulated by the U.S. Financial Industry Regulatory Authorities and the U.S. Securities and Exchange Commission;
8. the trades are primarily executed in markets outside of Canada;
9. the activities of the independent contractors in British Columbia in respect of Alchemy are supervised by Golden's management. Golden also uses software that has been designed to review trades pursuant to the guidelines of the U.S. Financial Industry Regulatory Authority and to ensure compliance with applicable securities laws and exchange requirements;
10. it requires each of its independent contractors to sign an agreement acknowledging that the independent contractor must comply with Golden's trading requirements, which ensure compliance with applicable securities laws and exchange requirements in the jurisdiction in which trades are made;
11. Golden's principal, a consultant retained by Golden, and Alchemy's broker-dealer in the U.S. (who employs a full time compliance officer, in accordance with U.S. securities law requirements), perform daily reviews of trading activity conducted on Alchemy's behalf by Golden and its independent contractors, to ensure compliance with applicable securities laws and exchange requirements in the jurisdictions in which trades are made and to monitor for manipulative practices;
12. the activities of the independent contractors in British Columbia are also monitored by the dealer through which the trades are made;
13. the activities of Golden and the independent contractors are governed by and subject to compliance with the securities laws of the U.S.;
14. Alchemy is an accredited investor as defined in National Instrument 45-106 *Prospectus and Registration Exemptions*; and
15. Alchemy has been advised that Golden and its independent contractors are not registered under the Act.

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### **Order**

- ¶ 3 Considering that it is not prejudicial to the public interest, the Commission orders under section 48 of the Act that Golden and its independent contractors are exempt from the dealer registration requirement with respect to any activities undertaken on behalf of Alchemy in British Columbia, provided that they:
1. trade primarily in securities listed on markets outside of Canada;
  2. execute each trade through a dealer regulated by the securities regulatory authority in the jurisdiction in which the trade is made; and
  3. do not solicit trades from or provide advice to any person in British Columbia.

¶ 4 January 30, 2008

Sandra Jakab  
Director, Capital Markets Regulation  
British Columbia Securities Commission