



Policy and Procedure Manual Checklist

BCP 31-601, section 5.6

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 [Rules s. 44]. These procedures must be set out in a policy and procedure manual, prepared and maintained in accordance with this section.

Brokers and investment dealers must maintain a manual that substantially complies with the provisions set out in this section, but should contact the TSX, the IDA - Pacific, or the MFDA, as appropriate, for their specific requirements.

The manual should encompass the following, if applicable:

(a) Organization and general provisions of the applicant, including:

- procedures for accumulating and maintaining a complete list of associated parties, connected parties and related parties of the dealer or adviser (current list to be included in the manual) [Rules s. 77, Form 33-907F]
- details of the applicant's commission structure, including policies regarding commission splitting and payments to unregistered individuals or entities [Rules s. 53]
- procedures for ensuring that all advertising is forwarded to the designated compliance officer for approval prior to use [ss. 4.5, 4.6 BC Policy 31-601]
- provisions for designating a compliance officer, branch manager or administration officer to review, or supervise the review of, transactions made on behalf of client accounts, and procedures to cover periods when this individual is unavailable to perform the required duties [Rules s. 47], and
- 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, including:

- policies for identifying who is responsible for keeping records of the applicant's business transactions, financial affairs [Rules s. 27] and financial statements and reports [ss. 5.3, 5.4 BC Policy 31-601]

- policies and procedures describing how records will be stored (e.g., mechanically, electronically) and the precautions that will be taken to guard against their loss or falsification [*Rules s. 28(b)*], and
- policies stating where [*Rules s. 27*] and for how long [*Rules s. 42*] records will be kept;

(c) Registration and conduct of registered individuals, including:

- 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 and Rules
- procedures for ensuring that the forms of business cards and letterheads to be used by partners, directors, officers, salespersons, advising employees and other employees are approved, prior to use, by the compliance officer and, where requested, reviewed by the Executive Director
- 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 obtain the consent of the Executive Director to work other than full-time or to maintain outside employment [*Rules s. 63*], and
- procedures for managing the termination of a registered individual, including:
 - return of the individual's registration certificate to the Executive Director [*Act s. 41*]
 - filing of a "Uniform Termination Notice (B.C.)" [*Form 33-901F*] for the individual with the Executive Director [*Act ss. 42(1)(b) and (c), 42(2)(a) and (b)*], and
 - arrangements, if any, for continuing service to the individual's clients (e.g., clarification of whether an individual may take her or his "client book" upon termination, arrangements for notifying clients of the individual's termination, etc.);

(d) policies and procedures for the opening of new accounts, including:

- standards of inquiry concerning the identity, creditworthiness and reputation of clients [*Rules s. 48(1)(a)*]
- standards of inquiry for determining the general investment needs and objectives, including tolerance to risk, of the client [*Rules s. 48(1)(b)*] and provisions for the update of documentation upon changes in a client's circumstances
- procedures for distributing disclosure statements to clients (e.g., "Conflict of Interest Rules Statement" [*BC Form 33-907F*], referral fees [*Rules s. 53*], leverage risks [*NI 33-102*])
- provisions for obtaining instructions from clients with respect to shareholder communications [*NP 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 [*Rules s. 47*]
- provisions for ensuring suitability of proposed purchases or sales for clients in accordance with documented needs and objectives [*Rules 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 [*BCIN 33-702*], and
- policies and procedures relating to:
 - registration of client securities
 - mailing of statements, confirmations and prospectuses to clients [*Rules ss. 36, 37 and 38*]
 - operation and supervision of margin accounts
 - holding of client free credit balances in trust [*Rules s. 57(2)*]
 - holding of client subscriptions and prepayments in interest-bearing trust accounts [*Rules ss. 58, 58.1, 58.2, NI 81-102, NI 81-102CP, CSA Notice 81-304*]
 - notification of pending expiry of options, warrants or exchange contracts
 - notification of pending delivery of cash or securities, and
 - handling of client complaints;

(e) Trading in an applicant's own trading accounts, including:

- procedures for ensuring compliance with conflict of interest rules [*Rules Part 5 Division 11*], including limitations on trading if the registrant sells securities for its own account to a client, or buys securities for its own account from a client [*Rules s. 79*];

(f) Trading in the "exempt market", including:

- procedures relating to trading in the "exempt market" (i.e., if securities are to be traded in reliance on an exemption from registration and prospectus requirements - see section 4.7 of this policy statement as well as BCIN 31-701 and BCIN 33-701);

(g) Duties of compliance officers, branch managers and administration officers, including:

- procedures for ensuring that the dealer, underwriter, or adviser, and individuals acting on its behalf, comply with the Act, Regulation and Rules [*Rules s. 65*]
- policies relating to:
- supervision of daily trading activities
 - periodic (monthly) review of client account activity
 - periodic review of the applicant's trading accounts and trading accounts of its partners, directors, officers and employees
 - review of employee applications for registration [*BC Form 31-902F*], and
 - review and approval of advertising materials
 - procedures for addressing conflicts of interest [*Rules Part 5 Division 11*]
 - procedures for reviewing the adequacy of the applicant's bonding [*Rules s. 21*], and
 - procedures for periodic review of the applicant's policies and procedures.