

# **31-101 Mutual Reliance Review System for Registration [NI Proposed - Lapsed]**

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## **MUTUAL RELIANCE REVIEW SYSTEM FOR REGISTRATION<sup>1</sup>**

1 This Instrument is derived in part from draft National Policy Statement No. 54 and is in part a new initiative of the Canadian Securities Administrators (the "CSA"). This Instrument is expected to be adopted as a rule in each of British Columbia, Alberta, Manitoba, Ontario and Nova Scotia, as a Commission regulation in Saskatchewan and as a policy in each of the other jurisdictions represented by the CSA. The CSA will enter into a memorandum of understanding (the "MOU") governing mutual reliance review processing including how the mutual reliance review system for registration will be implemented.

## **PART 1 DEFINITIONS AND INTERPRETATION<sup>2</sup>**

2 A national definition instrument has been adopted as National Instrument 14-101 Definitions. It contains definitions of certain terms used in more than one national instrument. National Instrument 14-101 also provides that a term used in a national instrument and defined in the statute relating to securities of the applicable jurisdiction, the definition of which is not restricted to a specific portion of the statute, will have the meaning given to it in the statute relating to securities of that jurisdiction. National Instrument 14-101 also provides that a provision in a national instrument that specifically refers by name to a jurisdiction, other than the local jurisdiction, shall not have any effect in the local jurisdiction, unless otherwise stated in the provision.

### **1.1 Definitions - In this Instrument**

#### **"annual delivery date" means the date prescribed by Canadian securities legislation<sup>3</sup>**

3 The term "Canadian securities legislation" is defined in National Instrument 14-101 Definitions as meaning the statutes and other legislative instruments set out in an appendix to that instrument and will generally include the statute, regulations and, in some cases, rules and rulings and orders relating to securities in the local jurisdiction.

in the principal jurisdiction by which a filer must send annual delivery documents to the regulator<sup>4</sup>

4 The term "regulator" is defined in National Instrument 14-101 Definitions as meaning, in a local jurisdiction, the person set out in an appendix to that instrument opposite the name of the local jurisdiction.

or on which registration of a filer is suspended or expires if the filer does not comply with the annual delivery requirements applicable to the filer;

#### **"annual delivery documents" means the documents and information, other than financial statements, required under securities legislation<sup>5</sup>**

5 The term "securities legislation" is defined in National Instrument 14-101 Definitions as meaning the particular statute and legislative instruments of the local jurisdiction set out in an appendix to that instrument and generally include the statute, regulations and, in some cases, rules and rulings and orders relating to securities in the local jurisdiction.

to be sent to the regulator by a filer on an annual basis or required under securities legislation to be sent to the regulator by a filer on an application to renew the filer's registration;

"approved person" means an individual who is a director, partner or officer

(a) of a firm adviser, and who does not act as an adviser on the firm adviser's behalf, or

(b) of an eligible dealer, and who does not engage in trading securities on the eligible dealer's behalf;

"dealer representative" means an individual who is a salesperson, partner, director or officer of a registered eligible dealer and trades in securities on behalf of the dealer;

"eligible dealer" means a person or company, other than a dealer representative, that is a member of an SRO<sup>6</sup>

6 The term "SRO" is defined in National Instrument 14-101 Definitions as "a self-regulatory organization, a self-regulatory body or an exchange".

set out in Appendix A opposite the name of the regulator;

"filer" means any of the following who is applying for registration or reinstatement of registration, or is registered under, the mutual reliance review system for registration:

1. An eligible dealer.
2. A dealer representative.
3. A firm adviser.
4. An individual adviser;

"firm adviser" means a person or company, other than an individual adviser and a person or company that is required to be registered under securities legislation for the purpose of advising on commodity futures or exchange contracts<sup>7</sup>,

7 This Instrument is not intended to apply to persons or companies engaged in advising on commodity futures or exchange contracts. However, as some jurisdictions regulate advising on commodity and futures contracts under securities legislation, a carve out for advisers conducting those activities has been added to this definition.

that is required to be registered as an adviser;

"firm filer" means a filer that is an eligible dealer or a firm adviser;

"individual adviser" means an individual who is a director, partner, officer or employee of a firm adviser and who acts as an adviser on the firm adviser's behalf;

"individual filer" means a filer that is an individual adviser or a dealer representative;

"initial registration requirements" means the requirements for registrants contained in securities legislation relating to the following subject matters:

1. Application forms for registration, reinstatement of registration or approval, and contents of those application forms.
2. Regulatory capital.
3. Insurance.
4. Bonding.
5. Membership in or payments to contingency or investor protection funds.
6. Proficiency.
7. Financial reporting.

8. Residency of individual filers.

9. Residency of firm filers;

"MRRS Decision Document" means a mutual reliance review system decision document issued under this Instrument evidencing registration of a filer;

"mutual reliance review system for registration" or "the system" means the system described in this Instrument for the review of registration, reinstatement or renewal of registration applications and annual delivery documents of filers;

"non-Canadian adviser" means a firm adviser that does not have an office in Canada;

"non-principal regulator" means a regulator with whom a filer has applied for registration or is registered, other than the principal regulator;

"principal jurisdiction" means the jurisdiction in which the principal regulator is located; and

"principal regulator" means a regulator determined in accordance with section 3.1 or, if the filer is registered in only one jurisdiction, the regulator in that jurisdiction.

**1.2 Copies** - A requirement of this Instrument that a person or company send a copy of a document shall be satisfied if the copy sent is

(a) manually signed; or

(b) certified to be a true copy of the original document by a director, partner or officer of the person or company or by the person's or company's legal counsel.

## **PART 2 APPLICATION<sup>8</sup>**

8 In a response to the Request for Comment on draft National Policy Statement No. 54, a commentator suggested expanding the application of National Policy Statement No. 54 to advisers outside Canada. The CSA have agreed to expand the application of the mutual reliance review system for registration under this Instrument to advisers from outside Canada.

**2.1 Eligibility - Except as set out in this Part, a filer may use the mutual reliance review system for registration.**

**2.2 Exclusion** - The mutual reliance review system for registration is not available to a firm adviser that holds securities or money on behalf of a client.

**2.3 Interpretation** - For the purposes of section 2.2 a firm adviser does not hold securities or money on behalf of a client if the adviser

(a) clears all securities and money of its clients out of its office by the end of each day that the adviser is open for business;

(b) holds securities or money solely as a result of the adviser giving directions to a custodian to settle or to a dealer to execute transactions on behalf of its clients for whom securities or money is held; or

(c) qualifies as a custodian or sub-custodian under Part 6 of National Instrument 81-102 Mutual Funds<sup>9</sup>,

solely as a result of the adviser holding the securities or money on behalf of its clients in trust in that capacity.

**2.4 Exception Non-Canadian Advisers** - A non-Canadian adviser may not register under the mutual reliance review system for registration unless Ontario or British Columbia is the principal jurisdiction for the firm adviser.

**2.5 Residency Quebec** - In Quebec, a filer that is not resident in Quebec is not permitted to be registered under the mutual reliance review system for registration.

**2.6 Notice of Withdrawal** - If a filer elects to withdraw from the system, it shall give written notice of withdrawal to the regulator, if the regulator is the principal regulator or a non-principal regulator.

## **2.7 Individual Filers**

(1) If an eligible dealer or firm adviser does not participate in the system, none of its individual advisers or dealer representatives may apply for registration or reinstatement or renewal of registration under the system.

(2) A firm filer's individual advisers and dealer representatives that are applying for registration or reinstatement or renewal of registration in more than one jurisdiction shall apply for registration or reinstatement or renewal of registration using the system.

(3) In each of Alberta, Ontario, Nova Scotia and Newfoundland, an individual adviser is not permitted to be registered under the mutual reliance review system for registration unless the individual adviser is a partner or officer of a firm adviser.

## **PART 3 PRINCIPAL REGULATOR**

### **3.1 Principal Regulator**

(1) The principal regulator for a firm filer, other than a non-Canadian adviser and a firm filer that does not have an office in Canada, is the regulator in the jurisdiction in which the firm filer's head office is located.

(2) The principal regulator for an individual filer that is resident in Canada is the regulator in the jurisdiction in which the individual is resident.

(3) Each of the following filers shall send a written notice to the regulator, identifying the regulator that the filer requests to act as the filer's principal regulator, before sending an application for registration under the system:

(a) a firm filer that does not have an office in Canada;

(b) a firm filer that has its head office in a foreign jurisdiction<sup>10</sup>; and

10 The term "foreign jurisdiction" is defined in National Instrument 14-101 Definitions as "a country other than Canada, or a political subdivision of a country, other than Canada".

(c) an individual filer that is resident in a foreign jurisdiction.

(4) If the regulator requested by the filer in the notice referred to in subsection (3) refuses to act as the filer's principal regulator, the filer shall, by written notice to the regulator, request another regulator to act as the filer's principal regulator before sending an application for registration under the system.

(5) A filer sending a notice under subsection (3) or (4) shall set out in the notice the following information:

(a) the number or percentage of clients resident or the number or percentage of clients expected to be resident in each jurisdiction; and

(b) the volume or percentage of business generated or volume or percentage of business expected to be generated in each jurisdiction.<sup>11</sup>

11 These criteria are set out in Companion Policy 31-101 Mutual Reliance Review System for Registration as criteria to be considered by the regulators in determining whether to act as principal regulator for a filer.

(6) A filer that sends a notice under subsection (3) or (4) shall not send an application for registration under the system unless it has received a written confirmation from the regulator requested by the filer to act as the filer's principal regulator in the notice referred to in subsection (3) or (4) that the regulator will act as the principal regulator for the filer.

## **PART 4 INITIAL REGISTRATION**

### **4.1 Registration of a Filer not Registered in any Jurisdiction**

(1) If a firm filer is not registered in any jurisdiction and seeks registration in more than one jurisdiction, the filer shall do the following:

1. For the application, follow the registration procedures and comply with the initial registration requirements in the principal jurisdiction.

2. If the regulator is the principal regulator, send to the regulator the following:<sup>12</sup>

12 Under the mutual reliance review system for registration all individual filers will be registered with their principal regulator and not necessarily the principal regulator for his or her sponsoring firm. Co-ordination of registration between the principal regulator for the sponsoring firm and the principal regulator for the individual filer is provided for in the Companion Policy. Approved persons will be approved by the principal regulator of the sponsoring firm.

(a) completed application forms for registration of the firm filer and each of the firm filer's individual filers resident in the principal jurisdiction;

(b) completed application forms requesting approval by the regulator of the firm filer's approved persons<sup>13</sup>;

13 Approved persons will only be subject to approval by the principal regulator of the sponsoring firm.

(c) a written notice

(i) stating that the firm filer is participating in the mutual reliance review system for registration,

(ii) listing the non-principal regulators and the category of registration sought with each non-principal regulator,

(iii) listing the firm filer's approved persons, and

(iv) describing any initial registration requirements under Canadian securities legislation in the principal jurisdiction for which the firm filer seeks or any of the firm filer's individual filers seek a waiver or exemption;

(d) the fees prescribed by securities legislation;

(e) a consent executed by the appropriate person or company to the exchange of information about the person or company between the principal regulator and the non-principal regulators for the firm filer and each of the firm filer's individual filers and approved persons; and

(f) if consent is required by freedom of information legislation in the principal jurisdiction, a consent executed by the appropriate person or company to the regulator collecting personal information about the firm filer and each of the firm filer's individual filers and approved persons.

3. If the regulator is a non-principal regulator, on the same day that the applicant sends the material referred to in paragraph 2. to the principal regulator, send to the regulator

(a) a copy of the notice required under subparagraph 2.(c);

(b) the fees prescribed by securities legislation;<sup>14</sup>

14 Fees for approval of approved persons made on an application for registration of a firm filer are only required in Ontario.

(c) copies of the application forms and other documents sent to the principal regulator for the firm filer, each of the firm filer's individual filers who seek registration with the regulator and the firm filer's approved persons;

(d) a consent to the exchange of information about the person or company between the regulator, the principal regulator and the other non-principal regulators for the firm filer, each of the firm filer's individual filers who seek registration with the regulator and the firm filer's approved persons, executed by the appropriate person or company; and

(e) if consent is required by freedom of information legislation in the jurisdiction in which the regulator is located, a consent to the regulator collecting personal information about the firm filer, each of the firm filer's individual filers who seek registration with the regulator and the firm filer's approved persons, executed by the appropriate person or company.

4. If the regulator is a non-principal regulator, on the same day that the firm filer sends to the principal regulator a response to any deficiency letter, send to the regulator a copy of the deficiency letter and the response.

(2) An individual filer that seeks registration under the system shall comply with paragraph (1) 1., subparagraphs (1)2.(a), (d), (e), (f) and (1)3.(b), (c), (d) and (e) and sub-subparagraphs (1)2.(c)(ii) and (iv) to the extent that they relate to the application for registration of the individual filer.

#### **4.2 Registration with a Non-Principal Regulator of a Filer Registered with the Principal Regulator**

(1) If the regulator is a non-principal regulator and if a filer is registered with the principal regulator and seeks registration under the system with the regulator for itself as a firm filer or on behalf of an individual filer, the filer shall send to the regulator the following:

1. A copy of any MRRS Decision Document and the current certificate of registration issued by the principal regulator for the filer and each of the firm filer's individual filers on whose behalf it seeks registration.
2. A written notice listing the firm filer's approved persons.
3. A copy of each application form and all other documents sent to the principal regulator relating to the application for registration or any amendments to registration for the filer and each of the firm filer's individual filers who seek registration in the jurisdiction, unless an application form is dated more than thirty-six months before the date sent to the regulator, in which case the applicant shall complete and send a new application form in the form required by Canadian securities legislation of the principal jurisdiction dated not less than sixty days before the date sent to the regulator.
4. Unless a new application form is sent under paragraph 3., a copy of the most recent annual delivery documents sent to the principal regulator within the thirty-six month period ending immediately before the date of the application is sent to the non-principal regulator by or on behalf of each of the firm filer, the firm filer's individual filers for whom it seeks registration in the jurisdiction and the firm filer's approved persons.
5. A written notice describing any registration requirements of Canadian securities legislation in the principal jurisdiction for which the firm filer or any of the firm filer's individual filers were granted a waiver or exemption by the principal regulator.
6. The fees prescribed by securities legislation.
7. A consent to the exchange of information about the person or company between the regulator, the principal regulator and the other non-principal regulators for the firm filer and each of the firm filer's individual filers and approved persons, executed by the appropriate person or company.
8. If consent is required by freedom of information legislation in the jurisdiction in which the regulator is located, a consent to the regulator collecting personal information about the firm filer and each of the firm filer's individual filers who seek registration with the regulator and the firm filer's approved persons, executed by the appropriate person or company.

(2) An individual filer that is registered with the principal regulator and that seeks registration under the system with the regulator shall comply with paragraphs 1., 3., 5., 6., 7. and 8. of subsection (1) to the extent that they relate to the application for registration of the individual filer.

(3) If the regulator is the principal regulator, the filer shall send to the regulator, on the same day as the filer sends the material under subsection (1) or (2) to any other regulator, a written notice specifying the other jurisdiction in which the application is made and on whose behalf it was made.

## **PART 5 ANNUAL DELIVERIES**

### **5.1 Annual Delivery Requirements**

(1) A filer shall send to the regulator by the annual delivery date the following:

(a) the financial statements for the most recently completed financial year of the filer; and

(b) the fees prescribed by securities legislation.<sup>15,16</sup>

15 In Quebec the *Securities Act* (Quebec) does not provide for annual renewals of registration. All other Canadian securities regulatory authorities, except the NWT, have agreed to amend the Canadian securities legislation in their jurisdiction to remove the requirements for renewals of registration and replace them with a permanent registration model or may issue blanket orders exempting registrants from the annual renewal requirements.

<sup>16</sup> See Note 14.

(2) If the regulator is a principal regulator or non-principal regulator, a firm filer shall send to the regulator at least forty-five days before its annual delivery date:

(a) a written notice listing

(i) the regulators to which the firm filer is applying for renewal of registration, and

(ii) the firm's individual filers who seek renewal of registration and those regulators from which each is seeking renewal of registration; and

(b) annual delivery documents required to be sent by the filer to the principal regulator under Canadian securities legislation in the principal jurisdiction.

(3) Despite subsections (1) and (2), in the Northwest Territories the filer must comply with annual renewal requirements<sup>17</sup>

<sup>17</sup> The renewal provisions are necessary on a transition basis and in particular for the NWT as the annual renewal requirement for registrants is in its legislation and the timing of a proposed amendment to the legislation to provide for a permanent registration model is unknown.

in the *Securities Act*, R.S.N.W.T. 1988, cS-5, as amended.

## **PART 6 REINSTATEMENT OF REGISTRATION**

### **6.1 Reinstatement of Registration**

(1) A filer that has been issued an MRRS Decision Document but whose registration has been suspended or has expired shall follow the reinstatement of registration procedures under Canadian securities legislation in the filer's principal jurisdiction.

(2) A filer applying for reinstatement of registration shall, at the same time it sends an application for reinstatement of registration to its principal regulator, send to the regulator the materials sent to the filer's principal regulator.

## **PART 7 MRRS DECISION DOCUMENT**

**7.1 MRRS Decision Document** - An MRRS Decision Document is evidence that registration or reinstatement of registration is granted by each regulator listed in the MRRS Decision Document.

## **PART 8 TRANSITION**

### **8.1 Transition**

(1) For the year in which a filer elects to participate in the system, the registration for a firm filer and each of the firm filer's individual filers is suspended or expires on the date that is ninety days after the date on which the firm filer's next financial year ends, if the firm filer is registered with the principal regulator and with a non-principal regulator on the date this Instrument came into force in the local jurisdiction.

(2) A filer may not elect to participate in the mutual reliance review system for registration if the filer's registration has expired or is suspended.<sup>18</sup>



18 This provision is intended to provide for a single national expiration or suspension date for a filer.

**8.2 Northwest Territories** - In the Northwest Territories, Section 8.1 does not apply if the Northwest Territories is not the principal jurisdiction<sup>19</sup>.

19 See footnote 17.

### **8.3 Election to Participate**

(1) A firm filer that is registered with its principal regulator or the regulator that the firm filer is requesting to act as its principal regulator and with a non-principal regulator may elect to participate in the mutual reliance review system for registration by giving a written notice to that effect to the principal regulator or the requested principal regulator and each non-principal regulator with which the firm filer is registered.

(2) The notice referred to in subsection (1) shall

(a) be accompanied by the firm filer's current registration certificates; and

(b) set out the date on which the firm filer's registration with the principal regulator or requested principal regulator expires or will be suspended if the firm filer fails to send the annual delivery documents required under Canadian securities legislation in the principal jurisdiction.

## **PART 9 EXEMPTION**

**9.1 Exemption** - The regulator may grant an exemption to this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

**9.2 Evidence of Approval of Regulator** - Without limiting the manner in which an exemption under section 9.1 may be evidenced, the issuance by the regulator of an MRRS Decision Document or the listing of the regulator's jurisdiction in an MRRS Decision Document is evidence of the granting of an exemption under this Instrument or from a condition of obtaining registration if:

(a) the filer that sought the exemption sent to the principal regulator on or before the date the application for registration or reinstatement of registration for the filer was sent to the principal regulator, a letter or memorandum describing the matters relating to the exemption application, and indicating why consideration should be given to the granting of the exemption; and

(b) the principal regulator or the regulator has not sent written notice to the filer to the contrary before or concurrently with the issuance of the MRRS Decision Document by the principal regulator.

## **NATIONAL INSTRUMENT 31-101**

### **MUTUAL RELIANCE REVIEW SYSTEM FOR REGISTRATION**

#### **APPENDIX A**

## **LIST OF SROs**

**British Columbia** - Pacific District of the Investment Dealers Association of Canada  
Vancouver Stock Exchange

**Alberta** - Alberta District of the Investment Dealers Association of Canada  
Alberta Stock Exchange

**Saskatchewan** - Saskatchewan District of the Investment Dealers Association of Canada  
Vancouver Stock Exchange  
Alberta Stock Exchange  
The Toronto Stock Exchange  
The Montreal Exchange

**Manitoba** - Manitoba District of the Investment Dealers Association of Canada  
Winnipeg Stock Exchange

**Ontario** - Ontario District of the Investment Dealers Association of Canada

**Quebec** - Any District of the Investment Dealers Association of Canada  
The Montreal Exchange  
Vancouver Stock Exchange  
Alberta Stock Exchange  
The Toronto Stock Exchange

**New Brunswick** - N/A

**P.E.I.** - N/A

**Nova Scotia** - Nova Scotia District of the Investment Dealers Association of Canada

**Newfoundland** - Any District of the Investment Dealers Association of Canada  
Vancouver Stock Exchange  
Alberta Stock Exchange  
The Toronto Stock Exchange  
The Montreal Exchange

**Yukon** - N/A

**Northwest Territories**- N/A