

**Amendments to National Instrument 31-103**  
***Registration Requirements and Exemptions***

- 1. *National Instrument 31-103 Registration Requirements and Exemptions is amended by this Instrument.***
- 2. *The title is amended by replacing “Registration Requirements and Exemptions” with “Registration Requirements, Exemptions and Ongoing Registrant Obligations”.***
- 3. *Paragraph (f) in the definition of “permitted client” under section 1.1 is amended by replacing “analogous” with “similar”.***
- 4. *Subsection 1.3 (1) is amended***
  - (a) *in paragraphs (a) and (b) by replacing “registered firm” with “person or company”,***
  - (b) *in subparagraph (b)(i) by replacing wherever it occurs “firm” with “person or company”, and***
  - (c) *in subparagraph (b)(ii) by replacing “firm’s” with “person or company’s”.***

**5. *Part 1 is amended by adding the following after section 1.3:***

**1.4            Use IFRS to determine a security’s fair value**

In this Instrument, where a person or company is required to determine the fair value of a security, the fair value must be determined in accordance with International Financial Reporting Standards.

**6. *Section 3.1 is amended***

- (a) *by replacing “Canadian Investment Funds Exam” with “Canadian Investment Funds Course Exam”, and***
- (b) *by replacing “Investment Funds Institute of Canada” wherever it occurs with “IFSE Institute”.***

**7. *Section 3.3 is replaced with the following:***

**3.3            Time limits on examination requirements**

- (1)          An individual applying for registration or reinstatement of registration must have passed an examination required under this**

Part not more than 36 months before the date of his or her application.

- (2) Subsection (1) does not apply if the individual passed the examination more than 36 months before the date of his or her application and has met one of the following conditions:
- (a) the individual was registered in the same category in any jurisdiction of Canada at any time during the 36-month period before the date of his or her application;
  - (b) the individual has gained 12 months of relevant securities industry experience during the 36-month period before the date of his or her application.
- (3) For the purpose of paragraph (2)(a), an individual is not considered to have been registered during any period in which the individual's registration was suspended.

**8. Subsection 3.4 (1) is amended by adding** “and to understand the structure, features and risks of each security the individual recommends” **after** “competently”.

**9. Section 3.5 is amended**

- (a) **by replacing** “one or both” **with** “any”,
- (b) **in paragraph (a) by replacing** “Canadian Investment Funds Exam” **with** “Canadian Investment Funds Course Exam”,
- (c) **by adding the following after paragraph (b):**
  - (c) the representative is exempt from section 3.11 [*portfolio manager – advising representative*] because of subsection 16.10(1) [*proficiency for dealing and advising representatives*].

**10. Section 3.6 is amended**

- (a) **in subparagraph (a)(i) by replacing** “Canadian Investment Funds Exam” **with** “Canadian Investment Funds Course Exam”,
- (b) **by adding the following after paragraph (b):**

- (c) section 3.13 [*portfolio manager – chief compliance officer*] does not apply in respect of the individual because of subsection 16.9(2) [*registration of chief compliance officers*].

**11. Section 3.9 is amended**

- (a) by replacing “individual” *wherever it occurs with* “representative”,
- (b) by adding the following after paragraph (c):
- (d) the representative is exempt from section 3.11 [*portfolio manager – advising representative*] because of subsection 16.10(1) [*proficiency for dealing and advising representatives*].

**12. Section 3.10 is amended**

- (a) by adding the following after paragraph (b):
- (c) section 3.13 [*portfolio manager – chief compliance officer*] does not apply in respect of the individual because of subsection 16.9(2) [*registration of chief compliance officers*].

(b)

**13. Section 3.13 is amended**

- (a) by replacing subparagraph (a)(ii) with the following:
- (ii) passed the PDO Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course Exam, and
- (b) in clause (a)(iii)(B) by replacing “in” with “to”,
- (c) in clause (a)(iii)(B) by adding “also” after “and”, and
- (d) in subparagraph (b)(ii) by adding “also” after “and”.

**14. Section 3.14 is amended**

- (a) by replacing subparagraph (a)(ii) with the following:
- (ii) passed the PDO Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course Exam, and
- (b) in clause (a)(iii)(B) by replacing “in” with “to”,
- (c) in clause (a)(iii)(B) by adding “also” after “and”,

(d) *in subparagraph (b)(i) by replacing* “Canadian Investment Funds Exam” *with* “Canadian Investment Funds Course Exam”,

(e) *by adding the following after paragraph (c):*

(d) section 3.13 [*portfolio manager – chief compliance officer*] does not apply in respect of the individual because of subsection 16.9(2) [*registration of chief compliance officers*].

**15. Section 3.15 is amended**

(a) *in subsection (1) by adding* “that is a member of IIROC” *after* “dealer”, *and*

(b) *in subsection (2) by adding* “that is a member of the MFDA” *after* “dealer”.

**16. Subsection 3.16 (3) is replaced with the following:**

(3) In Québec, the requirements listed in subsection (2) do not apply to a registered individual who is a dealing representative of a mutual fund dealer to the extent equivalent requirements to those listed in subsection (2) are applicable to the registered individual under the regulations in Québec.

**17. Section 4.1 is replaced with the following:**

**4.1 Restriction on acting for another registered firm**

(1) An individual registered as a dealing, advising or associate advising representative of a registered firm must not

(a) act as an officer, partner or director of another registered firm that is not an affiliate of the first-mentioned registered firm, or

(b) be registered as a dealing, advising or associate advising representative of another registered firm.

(2) Paragraph (1)(b) does not apply to a representative in respect of a registration that was granted before [the date this amendment comes into force].

**18. Section 6.7 is replaced with the following:**

## **6.7      Exception for individuals involved in a hearing or proceeding**

Despite section 6.6, if a hearing or proceeding concerning a suspended registrant is commenced under securities legislation or under the rules of an SRO, the registrant's registration remains suspended.

### **19. Section 7.1 is amended**

- (a) *in subparagraph (2)(b)(ii) by striking out “except in Quebec,”, and*
- (b) *by repealing subsection (3).*

### **20. Section 8.6 is amended**

- (a) *by replacing the heading with “Investment fund trades by adviser to managed account”,*
- (b) *in subsection (1) by replacing “a non-prospectus qualified” with “an”, and*
- (c) *in subsection (2) by striking out “a non-prospectus qualified”.*

### **21. Subsection 8.16 (1) is amended by striking out ““control person” has the same meaning as in section 1.1 of NI 45-106;”.**

### **22. Subsection 8.17 (5) is amended by replacing “8.3.1” with “8.4”.**

### **23. Section 8.18 is amended**

- (a) *in subsection (2) by repealing paragraph (e),*
- (b) *in subsection (2) by repealing paragraph (f),*
- (c) *by replacing paragraph (3)(d) with the following:*
  - (d)      the person or company is acting as principal or as agent for
    - (i)      the issuer of the securities
    - (ii)     a permitted client who is a resident of Canada, or
    - (iii)    a person or company that is not a resident of Canada;
- (d) *by replacing paragraph (4)(b) with the following:*

- (b) the person or company has notified the permitted client of all of the following:
  - (i) the person or company is not registered in the local jurisdiction to make the trade;
  - (ii) the foreign jurisdiction in which the head office or principal place of business of the person or company is located;
  - (iii) all or substantially all of the assets of the person or company may be situated outside of Canada;
  - (iv) there may be difficulty enforcing legal rights against the person or company because of the above;
  - (v) the name and address of the agent for service of process of the person or company in the local jurisdiction.

*(e) by replacing subsection (5) with the following:*

- (5)** By December 1 of each year, a person or company must notify the regulator if it is relying on an exemption available in this section.

*(f) by repealing subsection (6), and*

*(g) by adding the following after subsection (6):*

- (7)** The adviser registration requirement does not apply to a person or company that is exempt from the dealer registration requirement under this section if the person or company provides advice to a client and the advice is
  - (a) in connection with an activity or trade described under subsection (2), and
  - (b) not in respect of a managed account of the client.
- (8)** If a registered firm is exempt from the dealer registration requirement under this section, the firm is exempt from a requirement of this Instrument if the requirement applies only because the firm performs an activity or trade described under subsection (2).

**24. Paragraph 8.22 (2)(d) is amended**

*(a) by replacing “market” with “fair”, and*

*(b) by replacing “\$25 000” with “\$25,000”.*

**25. The note to section 8.25 is amended by replacing “7.24” with “8.25”.**

**26. Section 8.26 is amended**

*(a) in paragraph (4)(d) by replacing “during” with “as at the end of”,*

*(b) by replacing paragraph (4)(e) with the following:*

(e) before advising a client, the adviser notifies the client of all of the following:

- (i) the adviser is not registered in the local jurisdiction to provide the advice described under subsection (3);
- (ii) the foreign jurisdiction in which the adviser’s head office or principal place of business is located;
- (iii) all or substantially all of the adviser’s assets may be situated outside of Canada;
- (iv) there may be difficulty enforcing legal rights against the adviser because of the above;
- (v) the name and address of the adviser’s agent for service of process in the local jurisdiction;

*(c) in subsection (4) by adding the following after paragraph (f):*

(g) the permitted client is a resident of Canada.

*(d) by replacing subsection (5) with the following:*

**(5)** By December 1 of each year, a person or company must notify the regulator if it is relying on an exemption available in this section.

*(e) by repealing subsection (6), and*

*(f) by adding the following after subsection (6):*

**(7)** If a registered firm is exempt from the adviser registration requirement under this section, the firm is exempt from a requirement of this Instrument if the requirement applies only

because the firm advises in the manner described under subsection (3).

**27. Section 8.29 is amended by adding the following after subsection (2):**

- (3) This section does not apply in Ontario.

Note: In Ontario, subsection 35.1 of the *Securities Act* (Ontario) provides a general exemption from the registration requirement for trust companies, trust corporations and other specified financial institutions.

**28. Section 9.3 is amended**

**(a) in the heading by replacing “SRO” with “IIOC”,**

**(b) in subsection (1) by replacing “An investment dealer” with “Subject to subsection (2), a registered firm”,**

**(c) in subsection (1) by inserting the following after paragraph (l):**

**(l.1) section 13.15 [*handling complaints*];**

**(d) by replacing subsection (2) with the following:**

**(2)** If a registered firm is a member of IIOC and is registered as an investment fund manager, the firm is exempt from the following requirements:

- (a) section 12.3 [*insurance – dealer*];
- (b) section 12.6 [*global bonding or insurance*];
- (c) section 12.12 [*delivering financial information – dealer*];
- (d) subsection 13.2(3) [*know your client*];
- (e) section 13.3 [*suitability*];
- (f) section 13.12 [*restriction on lending to clients*];
- (g) section 13.13 [*disclosure when recommending the use of borrowed money*];
- (h) section 13.15 [*handling complaints*];
- (i) subsection 14.2(2) [*relationship disclosure information*];

- (j) section 14.6 [*holding client assets in trust*];
- (k) section 14.8 [*securities subject to a safekeeping agreement*];
- (l) section 14.9 [*securities not subject to a safekeeping agreement*];
- (m) section 14.12 [*content and delivery of trade confirmation*].

(e) *by repealing subsection (3),*

(f) *by repealing subsection (4), and*

(g) *by repealing subsection (5).*

**29. Part 9 is amended by adding the following after section 9.3:**

#### **9.4 Exemptions from certain requirements for MFDA members**

- (1) Subject to subsections (2) and (3), a registered firm that is a member of the MFDA is exempt from the following requirements to the extent the provisions apply to the activities of a mutual fund dealer:
  - (a) section 12.1 [*capital requirements*];
  - (b) section 12.2 [*notifying the regulator of a subordination agreement*];
  - (c) section 12.3 [*insurance – dealer*];
  - (d) section 12.6 [*global bonding or insurance*];
  - (e) section 12.7 [*notifying the regulator of a change, claim or cancellation*];
  - (f) section 12.10 [*annual financial statements*];
  - (g) section 12.11 [*interim financial information*];
  - (h) section 12.12 [*delivering financial information – dealer*];
  - (i) section 13.3 [*suitability*];

- (j) section 13.12 [*restriction on lending to clients*];
  - (k) section 13.13 [*disclosure when recommending the use of borrowed money*];
  - (l) section 13.15 [*handling complaints*];
  - (m) subsection 14.2(2) [*relationship disclosure information*];
  - (n) section 14.6 [*holding client assets in trust*];
  - (o) section 14.8 [*securities subject to a safekeeping agreement*];
  - (p) section 14.9 [*securities not subject to a safekeeping agreement*];
  - (q) section 14.12 [*content and delivery of trade confirmation*].
- (2) If a registered firm is a member of the MFDA and is registered as an investment fund manager, the firm is exempt from the following requirements:
- (a) section 12.3 [*insurance – dealer*];
  - (b) section 12.6 [*global bonding or insurance*];
  - (c) section 12.12 [*delivering financial information – dealer*];
  - (d) section 13.3 [*suitability*];
  - (e) section 13.12 [*restriction on lending to clients*];
  - (f) section 13.13 [*disclosure when recommending the use of borrowed money*];
  - (g) section 13.15 [*handling complaints*];
  - (h) subsection 14.2(2) [*relationship disclosure information*];
  - (i) section 14.6 [*holding client assets in trust*];
  - (j) section 14.8 [*securities subject to a safekeeping agreement*];

- (k) section 14.9 [*securities not subject to a safekeeping agreement*];
  - (l) section 14.12 [*content and delivery of trade confirmation*].
- (3) If a registered firm is a member of the MFDA and is registered as an exempt market dealer or scholarship plan dealer, the firm is exempt from the following requirements:
- (a) section 12.3 [*insurance – dealer*];
  - (b) section 12.6 [*global bonding or insurance*];
  - (c) section 13.3 [*suitability*];
  - (d) section 13.12 [*restriction on lending to clients*].;
  - (e) section 13.13 [*disclosure when recommending the use of borrowed money*];
  - (f) section 13.15 [*handling complaints*];
  - (g) subsection 14.2(2) [*relationship disclosure information*];
  - (h) section 14.6 [*holding client assets in trust*];
  - (i) section 14.8 [*securities subject to a safekeeping agreement*];
  - (j) section 14.9 [*securities not subject to a safekeeping agreement*];
  - (k) section 14.12 [*content and delivery of trade confirmation*].
- (4) Subsections (1), (2) and (3) do not apply in Québec.
- (5) In Québec, the requirements listed in subsection (1) do not apply to a mutual fund dealer to the extent equivalent requirements to those listed in subsection (1) are applicable to the mutual fund dealer under the regulations in Québec.

**30. Section 10.6 is amended**

- (a) *in the heading by adding* “or proceeding” *after* “hearing”,
- (b) *by adding* “or proceeding” *after* “hearing”

**31. Subsection 11.2 (2) is replaced with the following:**

- (2) A registered firm must designate an individual under subsection (1) who is one of the following:
- (a) the chief executive officer of the registered firm or, if the firm does not have a chief executive officer, an individual acting in a capacity similar to a chief executive officer;
  - (b) the sole proprietor of the registered firm;
  - (c) the officer in charge of a division of the registered firm, if the activity that requires the firm to register occurs only within the division and the firm has significant other business activities.

**32. The heading of s. 11.4 is amended by replacing “board” with “the board of directors”**

**33. The note to s. 11.6 is amended by replacing “require” with “required”.**

**34. Subsection 11.9 (3) is amended**

- (a) *in paragraph (a) by striking out* “in connection with an amalgamation, merger, arrangement, reorganization or treasury issue”, **and**
- (b) *in paragraph (b) by striking out* “that are listed and posted for trading on an exchange”.

**35. Section 11.10 is amended**

- (a) *in subsection (3) by replacing* “amalgamation, merger, arrangement, reorganization or treasury issue” **with** “acquisition”,
- (b) *in subsection (3) by adding* “, or direct or indirect control or direction over,” **after** “of”, **and**
- (c) *in subsection (4) by replacing* “transaction” **with** “acquisition”.

**36. Section 12.1 is amended**

- (a) *in subsection (4) by replacing* “Section 8.6 [advisor – non prospectus qualified investment fund]” **with** “Section 8.6 [investment fund trades by advisor to managed account]”, **and**

**(b) by adding the following after subsection (4):**

- (5)** This section does not apply to a registered firm that is a member of IIROC and is registered as an investment fund manager if all of the following apply:
- (a) the firm is required under IIROC rules to have minimum capital of not less than \$100,000 for the purpose of completing IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*;
  - (b) the firm notifies the regulator as soon as possible if, at any time, the firm's risk adjusted capital, as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report* is less than zero;
  - (c) the firm ensures that its risk adjusted capital, as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*, is not less than zero for 2 consecutive days.
- (6)** This section does not apply to a mutual fund dealer that is a member of the MFDA if it is also registered as an exempt market dealer, a scholarship plan dealer or an investment fund manager and if all of the following apply:
- (a) for the purpose of completing MFDA Form 1 *MFDA Financial Questionnaire and Report*, the firm is required under MFDA rules to have minimum capital of not less than
    - (i) \$50,000, if the firm is registered as an exempt market dealer or scholarship plan dealer,
    - (ii) \$100,000, if the firm is registered as an investment fund manager;
  - (b) the firm notifies the regulator as soon as possible if, at any time, the firm's risk adjusted capital, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report* is less than zero;
  - (c) the firm ensures that its risk adjusted capital, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*, is not less than zero for 2 consecutive days.

**37. Subsection 12.3 (2) is amended**

- (a) by striking out “and” after “Appendix A”,
- (b) in paragraph (a) by replacing “or \$200,000, whichever is less” with “to a maximum of \$200,000”, and
- (c) by replacing “or \$25,000,000, whichever is less” wherever it occurs with “to a maximum of \$25,000,000”.

**38. Section 12.4 is amended**

- (a) by striking out “and” wherever it occurs after “Appendix A”, and
- (b) by replacing “or \$25,000,000, whichever is less” wherever it occurs with “to a maximum of \$25,000,000”.

**39. Subsection 12.5 (2) is amended**

- (a) by striking out “and” after “Appendix A”, and
- (b) by replacing “or \$25,000,000, whichever is less” wherever it occurs with “to a maximum of \$25,000,000”.

**40. Section 12.8 is amended by replacing “submit” with “deliver”.**

**41. Section 12.12 is amended**

- (a) by inserting the following after subsection (2):
  - (2.1) If a registered firm is a member of the MFDA and is registered as an exempt market dealer or scholarship plan dealer, the firm is exempt from paragraphs (1)(b) and (2)(b) if all of the following apply:
    - (a) the firm is required under MFDA rules to have minimum capital of not less than \$50,000 for the purpose of completing MFDA Form 1 *MFDA Financial Questionnaire and Report*;
    - (b) the firm delivers to the regulator a completed MFDA Form 1 *MFDA Financial Questionnaire and Report* no later than the 90<sup>th</sup> day after the end of its financial year that shows the calculation of the firm’s risk adjusted capital as at the end

of the financial year and as at the end of the immediately preceding financial year, if any;

- (c) the firm delivers to the regulator a completed MFDA Form 1 *MFDA Financial Questionnaire and Report* no later than the 30<sup>th</sup> day after the end of the first, second and third quarter of its financial year that shows the calculation of the firm's risk adjusted capital as at the end of the quarter and as at the end of the immediately preceding month, if any.

(b) *in subsection (3) by adding “unless it is also registered in another category” after “dealer”.*

**42. Section 12.14 is amended by adding the following after subsection (3):**

- (4) If a registered firm is a member of IIROC and is registered as an investment fund manager, the firm is exempt from paragraphs (1)(b) and (2)(b) if
  - (a) the firm is required under IIROC rules to have minimum capital of not less than \$100,000 for the purpose of completing IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*,
  - (b) the firm delivers to the regulator a completed IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report* no later than the 90<sup>th</sup> day after the end of its financial year that shows the calculation of the firm's risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any, and
  - (c) the firm delivers to the regulator a completed IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report* no later than the 30<sup>th</sup> day after the end of the first, second and third quarter of its financial year that shows the calculation of the firm's risk adjusted capital as at the end of the quarter and as at the end of the immediately preceding month, if any.
- (5) If a registered firm is a member of the MFDA and is registered as an investment fund manager, the firm is exempt from paragraphs (1)(b) and (2)(b) if
  - (a) the firm is required under MFDA rules to have minimum capital of not less than \$100,000 for the purpose of

completing MFDA Form 1 *MFDA Financial Questionnaire and Report*,

- (b) the firm delivers to the regulator a completed MFDA Form 1 *MFDA Financial Questionnaire and Report* no later than the 90<sup>th</sup> day after the end of its financial year that shows the calculation of the firm's risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any, and
- (c) the firm delivers to the regulator a completed MFDA Form 1 *MFDA Financial Questionnaire and Report* no later than the 30<sup>th</sup> day after the end of the first, second and third quarter of its financial year that shows the calculation of the firm's risk adjusted capital as at the end of the quarter and as at the end of the immediately preceding month, if any.

**43. Section 13.1 is amended by adding “in respect of its activities as an investment fund manager” after “manager”.**

**44. Section 13.2 is amended by adding the following after subsection (6):**

- (7) Paragraph (2)(b) does not apply to a registrant if the registrant is registered in only one or more of the following categories:
  - (a) a mutual fund dealer or a dealing representative, chief compliance officer or ultimate designated person of a mutual fund dealer;
  - (b) a scholarship fund dealer or a dealing representative, chief compliance officer or ultimate designated person of a scholarship fund dealer;
  - (c) an investment fund manager or a chief compliance officer or ultimate designated person of an investment fund manager.

**45. Section 13.5 is amended**

- (a) **in subsection (1) by replacing “a registered adviser” with “an adviser”,**
- (b) **in subsection (2) by adding “, or a registered dealer that is a member of IIROC and conducts advising activities in accordance with the rules of IIROC,” after “registered advisor”.**

**46. Paragraph 13.6 (b) is amended by adding “, or is managed by an affiliate of,” after “affiliate of”.**

**47. Section 13.8 is replaced with the following:**

**13.8 Permitted referral arrangements**

A registered firm, or a registered individual whose registration is sponsored by the registered firm, must not participate in a referral arrangement with another person or company unless,

- (a) before a client is referred by or to the registrant, the terms of the referral arrangement are set out in a written agreement between the registered firm and the person or company;
- (b) the registered firm records all referral fees, and
- (c) the registrant ensures that the information prescribed by subsection 13.10(1) [*disclosing referral arrangements to clients*] is provided to the client in writing before the party receiving the referral either opens an account for the client or provides services to the client.

**48. Section 13.9 is amended**

- (a) *by replacing* “registrant that refers” **with** “registered firm, or a registered individual whose registration is sponsored by the registered firm, must not refer”,
- (b) *by replacing* “must take” **with** “unless the firm first takes”, **and**
- (c) *by striking out* “himself, herself, or”.

**49. Subsection 13.10 (1) is amended**

- (a) *in paragraph (a) by replacing* “referral arrangement” **with** “agreement referred to in paragraph 13.8(a)”,
- (b) *in paragraph (b) by replacing* “referral arrangement” **with** “agreement”, **and**
- (c) *in paragraph (c) by replacing* “referral arrangement” **with** “agreement”.

**50. Subsection 13.13 (2) is amended**

(a) by adding “one of the following applies” *after* “if”,

(b) by repealing paragraph (b).

**51. Subsection 13.14 (1) is amended by adding** “an investment fund manager in respect of its activities as” *after* “to”.

**52. Section 13.16 is amended**

(a) in subsection (1) by striking out “any trading or advising activity of”,

(b) in subsection (1) by replacing “representatives.” *with the following:*

representatives in respect of any of the following:

- (a) a trading or advising activity;
- (b) a breach of client confidentiality;
- (c) theft, fraud, misappropriation or forgery;
- (d) misrepresentation;
- (e) an undisclosed or prohibited conflict of interest;
- (f) personal financial dealings with the client.

(c) in subsection (2) by striking out “any trading or advising activity of”, *and*

(d) in subsection (2) by adding “in respect of any activity listed in subsection (1)” *after* “representatives”.

**53. Section 14.1 is replaced with the following:**

#### **14.1 Investment fund managers exempt from Part 14**

Other than sections 14.6 [*holding client assets in trust*], 14.12(5) [*content and delivery of trade confirmation*] and 14.14 [*account statements*], this Part does not apply to an investment fund manager in respect of its activities as an investment fund manager.

**54. Subsection 14.2 (2) is amended**

(a) in paragraph (j) by adding “registered” *after* “at the”, *and*

*(b) in paragraph (k) by adding “registered” after “that the”.*

**55. Section 14.5 is replaced by the following:**

**14.5 Notice to clients by non-resident registrants**

- (1)** A registered firm whose head office is not located in the local jurisdiction must provide its clients in the local jurisdiction with a statement in writing disclosing the following:

  - (a) the non-resident status of the firm;
  - (b) the firm's jurisdiction of residence;
  - (c) the name and address of the agent for service of process of the firm in the local jurisdiction;
  - (d) the nature of risks to clients that legal rights may not be enforceable in the local jurisdiction.
- (2)** This section does not apply to a registered firm whose head office is in Canada if the firm has a physical place of business in the local jurisdiction.

**56. Section 14.12 is amended**

*(a) in subsection (1) by replacing “Subject to subsection (2), a” with “A”,*

*(b) in subsection (1) by adding “or, if the client consents in writing, to a registered adviser acting for the client,” after “deliver to the client”, and*

*(c) by adding the following after subsection (4):*

- (5)** A registered investment fund manager that has executed a redemption order received directly from a security holder must promptly deliver to the security holder a written confirmation of the redemption, setting out the following:

  - (a) the quantity and description of the security redeemed;
  - (b) the price per security received by the client;
  - (c) the commission, sales charge, service charge and any other amount charged in respect of the redemption;
  - (d) the settlement date of the redemption.

**57. Section 14.13 is amended**

- (a) *in the heading by replacing* “Semi-annual confirmations” *with* “Confirmations”, *and*
- (b) *by repealing paragraph (d).*

**58. Section 14.14 is amended**

- (a) *in the heading by replacing* “Client” *with* “Account”,
- (b) *by adding the following after subsection (3):*
  - (3.1) If there is no dealer of record for a security holder on the records of a registered investment fund manager, the investment fund manager must deliver a statement to the security holder at least once every 12 months.
- (c) *by replacing subsection (4) with the following:*
  - (4) A statement delivered under subsection (1), (2), (3) or (3.1) must include all of the following information for each transaction made for the client or security holder during the period covered by the statement:
    - (a) the date of the transaction;
    - (b) the type of transaction;
    - (c) the name of the security;
    - (d) the number of securities;
    - (e) the price per security;
    - (f) the total value of the transaction.
- (d) *by replacing subsection (5) with the following:*
  - (5) A statement delivered under subsection (1), (2), (3) or (3.1) must include all of the following information about the client’s or security holder’s account as at the end of the period for which the statement is made:
    - (a) the name and quantity of each security in the account;

- (b) the fair value of each security in the account;
- (c) the total fair value of each security position in the account;
- (d) any cash balance in the account;
- (e) the total fair value of all cash and securities in the account.

*(e) by adding the following after subsection (5):*

- (5.1)** After having determined the fair value of a security, if the registered firm, acting reasonably, determines that the fair value is not reliable, the registrant must do both of the following:
  - (a) for the purpose of paragraphs (5)(b) and (c), indicate that the fair value of the security is not determinable;
  - (b) exclude the security from the calculation described under paragraph (5)(e) and indicate that the security has been excluded from this calculation.
- (5.2)** Despite the requirement under subsection (5) to use the fair value of a security as at the end of the period for which the statement is made, a registered firm may use a fair value that was determined not more than 3 months before the end of the period for which the statement is made if both of the following apply:
  - (a) the security does not trade on an active market, as that term is defined in International Financial Reporting Standards;
  - (b) on a statement delivered to the client within the last 3 months, the firm used the fair value of the security as at the end of the period for which that statement was made.

**59. Section 16.4 is amended**

- (a) by repealing subsection (2), and*
- (b) in subsection (3) by adding “a” after “or”.*

**60. Subsection 16.9 (2) is amended by adding “in a jurisdiction of Canada” before “on the date”.**

**61. Subsection 16.10 (1) is amended by adding “in a jurisdiction of Canada” after “is registered”.**

**62. Subsection 16.16(1) is amended by adding “in a jurisdiction of Canada” after “registered firm”.**

**63. Section 16.17 is replaced by the following:**

**16.17                   Account statements – mutual fund dealers**

- (1)     Section 14.14 [*account statements*] does not apply to a person or company that was, on September 28, 2009, either of the following:
- (a)    a member of the MFDA;
- (b)    a mutual fund dealer in Québec, unless it was also a portfolio manager in Québec.
- (2)     Subsection (1) is repealed on September 28, 2011.

**64. Form 31-103F1 is amended by replacing “market value” wherever it occurs with “fair value”.**

**65. The notes to Form 31-103F1 are amended by adding the following after “basis.”:**

**Line 5. Related-party debt** – Refer to the CICA Handbook for the definition of “related party” for publicly accountable enterprises..

**66. Schedule 1 of Form 31-103F1 is amended**

- (a) *in paragraph (d) by replacing* “Where securities” *with* “Securities”,
- (b) *in paragraph (d) by striking out* “, the margin required is”,
- (c) *after the heading in paragraph (e) by replacing* “On securities (other than bonds and debentures) including rights and warrants listed on any exchange in Canada or the United States” *with the following*:

In this paragraph, “securities” includes rights and warrants and does not include bonds and debentures.”

- (i)     On securities listed on any exchange in Canada or the United States:

*(d) by replacing subparagraph (e)(ii) with the following:*

- (ii) For positions in securities that are constituent securities on a major broadly-based index of one of the following exchanges, 50% of the fair value:
- (a) Australian Stock Exchange Limited
  - (b) Bolsa de Valores de Sao Paulo
  - (c) Borsa Italiana
  - (d) Euronext Amsterdam
  - (e) Euronext Brussels
  - (f) Euronext Paris S.A.
  - (g) Frankfurt Stock Exchange
  - (h) London International Financial Futures and Options Exchange
  - (i) London Stock Exchange
  - (j) New Zealand Exchange Limited
  - (k) Swiss Exchange
  - (l) The Stock Exchange of Hong Kong Limited
  - (m) Tokyo Stock Exchange

**67. Form 31-103F3 is amended by replacing “Registration Requirements and Exemptions” with “Registration Requirements, Exemptions and Ongoing Registrant Obligations”.**

**68. Appendix B is amended by replacing “Registration Requirements and Exemptions” with “Registration Requirements, Exemptions and Ongoing Registrant Obligations”.**