

APPENDIX B
Blackline of Proposed Amendments to NI 31-103

This Appendix blacklines the proposed amendments to NI 31-103 against the relevant portions of the consolidation of NI 31-103 published on April 15, 2011.

National Instrument 31-103
Registration Requirements, Exemptions and Ongoing Registrant Obligations

1.1 Definitions of terms used throughout this Instrument

"IIROC Provision" means a by-law, rule, regulation or policy of IIROC named in Appendix G, as amended from time to time;

"MFDA Provision" means a by-law, rule, regulation or policy of the MFDA named in Appendix H, as amended from time to time;

3.16 Exemptions from certain requirements for SRO-approved persons

(1) The following sections do not apply to a registered individual who is a dealing representative of a member of IIROC:

- (a) subsection 13.2(3) [*know your client*];
- (b) section 13.3 [*suitability*];
- (c) section 13.13 [*disclosure when recommending the use of borrowed money*].

(1.1) Subsection (1) only applies to a registered individual who is a dealing representative of a member of IIROC in respect of a requirement specified in any of paragraphs (1)(a) to (c) if the registered individual complies with the corresponding IIROC Provisions that are in effect.

(2) The following sections do not apply to a registered individual who is a dealing representative of a member of the MFDA:

- (a) section 13.3 [*suitability*];
- (b) section 13.13 [*disclosure when recommending the use of borrowed money*].

(2.1) Subsection (2) only applies to a registered individual who is a dealing representative of a member of the MFDA in respect of a requirement specified in paragraphs (2)(a) or (b) if the registered individual complies with the corresponding MFDA Provisions that are in effect.

(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.

Part 9 Membership in a self-regulatory organization

9.1 IIROC membership for investment dealers

An investment dealer must not act as a dealer unless the investment dealer is a "Dealer Member", as defined under the rules of IIROC.

9.2 MFDA membership for mutual fund dealers

Except in Québec, a mutual fund dealer must not act as a dealer unless the mutual fund dealer is a “member”, as defined under the rules of the MFDA.

9.3 Exemptions from certain requirements for IIROC members

(1) Unless it is also registered as an investment fund manager, a registered firm that is a member of IIROC is exempt from the following requirements:

- (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) subsection 13.2(3) [*know your client*];
- (j) section 13.3 [*suitability*];
- (k) section 13.12 [*restriction on lending to clients*];
- (l) section 13.13 [*disclosure when recommending the use of borrowed money*];
- (l.1) 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*].

(1.1) Subsection (1) only applies to a registered firm in respect of a requirement specified in any of paragraphs (1)(a) to (q) if the registered firm complies with the corresponding IIROC Provisions that are in effect.

(2) If a registered firm is a member of IIROC 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*].

(2.1) Subsection (2) only applies to a registered firm in respect of a requirement specified in any of paragraphs (2)(a) to (m) if the registered firm complies with the corresponding IIROC Provisions that are in effect.

(3) [*repealed*]

(4) [*repealed*]

(5) [*repealed*]

(6) [*repealed*]

9.4 Exemptions from certain requirements for MFDA members

(1) Unless it is also registered as an exempt market dealer, a scholarship plan dealer or an investment fund manager, a registered firm that is a member of the MFDA is exempt from the following requirements:

- (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*].

(1.1) Subsection (1) only applies to a registered firm in respect of a requirement specified in any of paragraphs (1)(a) to (g) if the registered firm complies with the corresponding MFDA Provisions that are in effect.

(2) If a registered firm is a member of the MFDA and is registered as an exempt market dealer, scholarship plan dealer or 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 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*].

(2.1) Subsection (2) only applies to a registered firm in respect of a requirement specified in any of paragraphs (2)(a) to (k) if the registered firm complies with the corresponding MFDA Provisions that are in effect.

(3) Subsections (1) and (2) do not apply in Québec.

(4) 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.

APPENDIX G – Exemptions from Certain Requirements for IROC Members

(Section 9.3 [Exemptions from certain requirements for IROC members])

<u>NI 31-103 Provision</u>	<u>IROC Provision</u>
<u>section 12.1 [capital requirements]</u>	<ol style="list-style-type: none"> <u>1. Dealer Member Rule 17.1; and</u> <u>2. Form 1 Joint Regulatory Financial Questionnaire and Report - Part I, Statement B, "Notes and Instructions"</u>
<u>section 12.2 [notifying the regulator of a subordination agreement]</u>	<ol style="list-style-type: none"> <u>1. Dealer Member Rule 5.2; and</u> <u>2. Dealer Member Rule 5.2A</u>
<u>section 12.3 [insurance – dealer]</u>	<ol style="list-style-type: none"> <u>1. Dealer Member Rule 400.2 [Financial Institution Bond];</u> <u>2. Dealer Member Rule 400.4 [Amounts Required]; and</u> <u>3. Dealer Member Rule 400.5 [Provisos with respect to Dealer Member Rules 400.2, 400.3 and 400.4]</u>
<u>section 12.6 [global bonding or insurance]</u>	<ol style="list-style-type: none"> <u>1. Dealer Member Rule 400.7 [Global Financial Institution Bonds]</u>
<u>section 12.7 [notifying the regulator of a change, claim or cancellation]</u>	<ol style="list-style-type: none"> <u>1. Dealer Member Rule 17.6;</u> <u>2. Dealer Member Rule 400.3 [Notice of Termination]; and</u> <u>3. Dealer Member Rule 400.3B [Termination or Cancellation]</u>
<u>section 12.10 [annual financial statements]</u>	<ol style="list-style-type: none"> <u>1. Dealer Member Rule 16.2 [Dealer Member Filing Requirements]; and</u> <u>2. Form 1 Joint Regulatory Financial Questionnaire and Report</u>
<u>section 12.11 [interim financial information]</u>	<ol style="list-style-type: none"> <u>1. Dealer Member Rule 16.2 [Dealer Member Filing Requirements]; and</u> <u>2. Form 1 Joint Regulatory Financial Questionnaire and Report</u>
<u>section 12.12 [delivering financial information – dealer]</u>	<ol style="list-style-type: none"> <u>1. Dealer Member Rule 16.2 [Dealer Member Filing Requirements]</u>
<u>subsection 13.2(3) [know your client]</u>	<ol style="list-style-type: none"> <u>1. Dealer Member Rule 1300.1(a)-(n) [Identity and Creditworthiness];</u> <u>2. Dealer Member Rule 1300.2;</u> <u>3. Dealer Member Rule 2500, Section II [Opening New Accounts]; and</u> <u>4. Form 2 New Client Application Form</u>
<u>section 13.3 [suitability]</u>	<ol style="list-style-type: none"> <u>1. Dealer Member Rule 1300.1(o) [Business Conduct];</u> <u>2. Dealer Member Rule 1300.1(p) [Suitability Generally];</u> <u>3. Dealer Member Rule 1300.1(q) [Suitability Determination Required When Recommendation Provided];</u> <u>4. Dealer Member Rule 1300.1(r) and Dealer Member Rule 1300.1(s) [Suitability Determination Not Required];</u> <u>5. Dealer Member Rule 1300.1(t) [Corporation Approval];</u> <u>6. Dealer Member Rule 2700, Section I [Customer Suitability]; and</u> <u>7. Dealer Member Rule 3200 [Minimum Requirements for Dealer Members Seeking Approval Under Rule 1300.1(t) for Suitability Relief for Trades not Recommended by the Member]</u>
<u>section 13.12 [restriction on lending to clients]</u>	<ol style="list-style-type: none"> <u>1. Dealer Member Rule 100 [Margin Requirements]</u>
<u>section 13.13 [disclosure when recommending the use of borrowed money]</u>	<ol style="list-style-type: none"> <u>1. Dealer Member Rule 29.26</u>
<u>section 13.15 [handling complaints]</u>	<ol style="list-style-type: none"> <u>1. Dealer Member Rule 2500B [Client Complaint Handling]; and</u> <u>2. Dealer Member Rule 2500, Section VIII [Client Complaints]</u>
<u>subsection 14.2(2) [relationship disclosure information]</u>	<ol style="list-style-type: none"> <u>1. Dealer Member Rules of IROC that set out the requirements for relationship disclosure information similar to those contained in IROC's Client Relationship Model proposal, published for comment on January 7, 2011;</u> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>At the time of publication, IROC had not assigned a number to the relationship disclosure dealer member rule in its Client Relationship Model proposal. We will refer to the dealer member rule number when IROC has assigned one.</p> </div>

<u>NI 31-103 Provision</u>	<u>IIROC Provision</u>
	<ul style="list-style-type: none"> <u>2. Dealer Member Rule 29.8;</u> <u>3. Dealer Member Rule 200.1(c);</u> <u>4. Dealer Member Rule 200.1(h);</u> <u>5. Dealer Member Rule 1300.1(p) [Suitability Generally];</u> <u>6. Dealer Member Rule 1300.1(q) [Suitability Determination Required When Recommendation Provided];</u> <u>7. Dealer Member Rule 1300.2; and</u> <u>8. Dealer Member Rule 2500B, Part 4 [Complaint procedures / standards]</u>
<u>section 14.6 [holding client assets in trust]</u>	<u>1. Dealer Member Rule 17.3</u>
<u>section 14.8 [securities subject to a safekeeping agreement]</u>	<ul style="list-style-type: none"> <u>1. Dealer Member Rule 17.2A</u> <u>2. Dealer Member Rule 2600 – Internal Control Policy Statement 5 [Safekeeping of Clients' Securities]</u>
<u>section 14.9 [securities not subject to a safekeeping agreement]</u>	<ul style="list-style-type: none"> <u>1. Dealer Member Rule 17.3;</u> <u>2. Dealer Member Rule 17.3A; and</u> <u>3. Dealer Member Rule 200.1(c)</u>
<u>section 14.12 [content and delivery of trade confirmation]</u>	<u>1. Dealer Member Rule 200.1(h)</u>

APPENDIX H – EXEMPTIONS FROM CERTAIN REQUIREMENTS FOR MFDA MEMBERS

(Section 9.4 [Exemptions from certain requirements for MFDA members])

<u>NI 31-103 Provision</u>	<u>MFDA Provision</u>
<u>section 12.1 [capital requirements]</u>	<ol style="list-style-type: none"> 1. <u>Rule 3.1.1 [Minimum Levels];</u> 2. <u>Rule 3.1.2 [Notice];</u> 3. <u>Rule 3.2.2 [Member Capital];</u> 4. <u>Form 1 MFDA Financial Questionnaire and Report; and</u> 5. <u>Policy No. 4 [Internal Control Policy Statements – Policy Statement 2: Capital Adequacy]</u>
<u>section 12.2 [notifying the regulator of a subordination agreement]</u>	<ol style="list-style-type: none"> 1. <u>Form 1 MFDA Financial Questionnaire and Report, Statement F [Statement of Changes in Subordinated Loans]; and</u> 2. <u>Membership Application Package – Schedule I (Subordinated Loan Agreement)</u>
<u>section 12.3 [insurance – dealer]</u>	<ol style="list-style-type: none"> 1. <u>Rule 4.1 [Financial Institution Bond];</u> 2. <u>Rule 4.4 [Amounts Required];</u> 3. <u>Rule 4.5 [Provisos]; and</u> 4. <u>Policy No. 4 [Internal Control Policy Statements – Policy Statement 3: Insurance]</u>
<u>section 12.6 [global bonding or insurance]</u>	<ol style="list-style-type: none"> 1. <u>Rule 4.7 [Global Financial Institution Bonds]</u>
<u>section 12.7 [notifying the regulator of a change, claim or cancellation]</u>	<ol style="list-style-type: none"> 1. <u>Rule 4.2 [Notice of Termination]; and</u> 2. <u>Rule 4.3 [Termination or Cancellation]</u>
<u>section 12.10 [annual financial statements]</u>	<ol style="list-style-type: none"> 1. <u>Rule 3.5.1 [Monthly and Annual];</u> 2. <u>Rule 3.5.2 [Combined Financial Statements]; and</u> 3. <u>Form 1 MFDA Financial Questionnaire and Report</u>
<u>section 12.11 [interim financial information]</u>	<ol style="list-style-type: none"> 1. <u>Rule 3.5.1 [Monthly and Annual];</u> 2. <u>Rule 3.5.2 [Combined Financial Statements]; and</u> 3. <u>Form 1 MFDA Financial Questionnaire and Report</u>
<u>section 12.12 [delivering financial information – dealer]</u>	<ol style="list-style-type: none"> 1. <u>Rule 3.5.1 [Monthly and Annual]</u>
<u>section 13.3 [suitability]</u>	<ol style="list-style-type: none"> 1. <u>Rule 2.2.1 [“Know-Your-Client”]; and</u> 2. <u>Policy No. 2 [Minimum Standards for Account Supervision]</u>
<u>section 13.12 [restriction on lending to clients]</u>	<ol style="list-style-type: none"> 1. <u>Rule 3.2.1 [Client Lending and Margin]; and</u> 2. <u>Rule 3.2.3 [Advancing Mutual Fund Redemption Proceeds]</u>
<u>section 13.13 [disclosure when recommending the use of borrowed money]</u>	<ol style="list-style-type: none"> 1. <u>Rule 2.6 [Borrowing for Securities Purchases]</u>
<u>section 13.15 [handling complaints]</u>	<ol style="list-style-type: none"> 1. <u>Rule 2.11 [Complaints]</u> 2. <u>Policy No. 3 [Complaint Handling, Supervisory Investigations and Internal Discipline]; and</u> 3. <u>Policy No. 6 [Information Reporting Requirements]</u>
<u>subsection 14.2(2) [relationship disclosure information]</u>	<ol style="list-style-type: none"> 1. <u>Rule 2.2.5 [Relationship Disclosure]</u>
<u>section 14.6 [holding client assets in trust]</u>	<ol style="list-style-type: none"> 1. <u>Rule 3.3.1 [General];</u> 2. <u>Rule 3.3.2 [Cash]; and</u> 3. <u>Policy No. 4 [Internal Control Policy Statements – Policy Statement 4: Cash and Securities, and Policy Statement 5: Segregation of Clients’ Securities]</u>
<u>section 14.8 [securities subject to a safekeeping agreement]</u>	<ol style="list-style-type: none"> 1. <u>Rule 3.3.3 [Securities]; and</u> 2. <u>Policy No. 4 [Internal Control Policy Statements – Policy Statement 4: Cash and Securities, and Policy Statement 5: Segregation of Clients’ Securities]</u>
<u>section 14.9 [securities not subject to a safekeeping agreement]</u>	<ol style="list-style-type: none"> 1. <u>Rule 3.3.3 [Securities]</u>
<u>section 14.12 [content and delivery of trade confirmation]</u>	<ol style="list-style-type: none"> 1. <u>Rule 5.4.1 [Delivery of Confirmations];</u> 2. <u>Rule 5.4.2 [Automatic Payment Plans]; and</u> 3. <u>Rule 5.4.3 [Content]</u>

