

CSA Staff Notice 31-331***Follow-up to Broker-Dealer Registration in the Exempt Market Dealer Category*****July 12, 2012****Introduction**

On September 2, 2011, Canadian Securities Administrators (**CSA** or we) published CSA Staff Notice 31-327 *Broker-Dealer Registration in the Exempt Market Dealer Category* (**CSA Staff Notice 31-327**). This notice is a follow-up to the CSA Staff Notice 31-327.

Substance and Purpose

The purpose of this notice is to introduce an Investment Industry Regulatory Organization of Canada (**IIROC**) Concept Paper published as IIROC Notice 12-0217 (the **IIROC proposal**).

Background

CSA Staff Notice 31-327 raised concerns with firms applying for registration, or registered, in the exempt market dealer (**EMD**) category that are conducting brokerage activities (trading securities listed on an exchange in foreign or Canadian markets) (**brokerage activities**). It stated that we would be examining this issue to ensure that appropriate regulatory requirements apply to all firms conducting brokerage activities.

Consultation

We conducted a survey of all EMD firms to determine the extent of these activities. We determined that it is primarily broker-dealer firms registered in the United States that are members of the Financial Industry Regulatory Authority (**FINRA**) that are conducting brokerage activities. We are of the view that IIROC should oversee these firms because IIROC rules and supervision govern exchange trading practices and address the risks associated with brokerage activities. Accordingly, we have been working with IIROC and have asked IIROC to consider a framework for the oversight of these firms.

IIROC Proposal

The IIROC proposal introduces a new class of IIROC Member, called a “Restricted Dealer Member”, which is intended to migrate firms currently registered as EMDs or restricted dealers carrying out brokerage activities to IIROC membership. Based on this proposal, firms would surrender their EMD or restricted dealer registration and apply for investment dealer registration as well as seek IIROC membership.

Next Steps

We look forward to reviewing any comments on the IIROC proposal. At the conclusion of the consultation period, IIROC may make changes to its by-laws and rules. We may also propose changes to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* to expressly limit the types of activities that EMDs can conduct.

Questions

Please refer your questions to any of the following people:

Lindy Bremner
Senior Legal Counsel, Capital Markets
Regulation
British Columbia Securities Commission
Tel: 604-899-6678
1-800-373-6393
lbremner@bcsc.bc.ca

Navdeep Gill
Manager, Registration
Alberta Securities Commission
Tel: 403-355-9043
navdeep.gill@asc.ca

Dean Murrison
Deputy Director, Legal and Registration
Saskatchewan Financial Services
Commission
Tel: 306 787 5879
dean.murrison@gov.sk.ca

Chris Besko
Legal Counsel, Deputy Director
The Manitoba Securities Commission
Tel: 204-945-2561
Toll Free (Manitoba only): 1-800-655-5244
chris.besko@gov.mb.ca

Sandra Blake
Senior Legal Counsel
Ontario Securities Commission
Tel: 416-593-8115
sblake@osc.gov.on.ca

Sophie Jean
Senior Policy Adviser
Autorité des marchés financiers
Tel: 514-395-0337, ext. 4786
Toll-free: 1-877-525-0337
sophie.jean@lautorite.qc.ca

Brian W. Murphy
Deputy Director, Capital Markets
Nova Scotia Securities Commission
Tel: 902-424-4592
murphybw@gov.ns.ca

Ella-Jane Loomis
Legal Counsel
New Brunswick Securities Commission
Tel: 506-643-7857
ella-jane.loomis@nbsc-cvmnb.ca

Katharine Tummon
Superintendent of Securities
Prince Edward Island Securities Office
Tel: 902-368-4542
kptummon@gov.pe.ca

Craig Whalen
Manager of Licensing, Registration and
Compliance
Office of the Superintendent of Securities
Government of Newfoundland and Labrador
Tel: 709-729-5661
cwhalen@gov.nl.ca

Louis Arki, Director, Legal Registries
Department of Justice, Government of
Nunavut
Tel: 867-975-6587
larki@gov.nu.ca

Donn MacDougall
Deputy Superintendent, Legal &
Enforcement
Office of the Superintendent of Securities
Government of the Northwest Territories
Tel: 867-920-8984
donald.macdougall@gov.nt.ca

Helena Hrubesova
Securities Officer
Securities Office, Corporate Affairs (C-6)
Government of Yukon
Tel: 867-667-5466
helena.hrubesova@gov.yk.ca