

British Columbia Securities Commission

BC Instrument 32-511

Exemption from obligation to establish whether clients are insiders

The British Columbia Securities Commission, considering that to do so would not be prejudicial to the public interest, orders that effective February 26, 2010, BC Instrument 32-511 entitled “Exemption from obligation to establish whether clients are insiders” is made.

February 26, 2010

Brenda M. Leong
Chair

(This part is for administrative purposes only and is not part of the Order)

Authority under which Order is made:

Act and sections:- *Securities Act*, section 48(1)

BC Instrument 32-511
Exemption from obligation to establish whether clients are insiders

Order under section 48(1) of the Securities Act

Definitions

1. Terms defined in the *Securities Act*, R.S.B.C. 1996, c. 418, as amended (the **Act**) or in National Instrument 14-101 *Definitions* have the same meaning in this order.

Background

2. Subsection 13.2(2)(b) of National Instrument 31-103 - *Registration Requirements and Exemptions* (**NI 31-103**) provides that a registrant must take reasonable steps to establish whether a client is an insider of a reporting issuer or any other issuer whose securities are publicly traded.
3. The purpose of this requirement is to guard against abusive insider trading by, for example, allowing dealers to notify a client of the client's obligation to file an insider trade report.
4. If a registrant limits its trading with clients to certain securities, only in very rare circumstances will a trade require the filing of an insider trade report.
5. Compliance with subsection 13.2(2)(b) of NI 31-103 presents significant costs to mutual fund dealers that are not justified when trading with a client is limited to certain securities.
6. The Commission considers that limited relief from the requirements in subsection 13.2(2)(b) would not be prejudicial to the public interest.

Order

7. The Commission orders under, under section 48(1) of the Act that a person or company registered in the category of a mutual fund dealer as defined in NI 31-103 registered in British Columbia is exempt from subsection 13.2(2)(b) of NI 31-103 so long as such person or company is not registered in any other categories specified in section 7.1 of NI 31-103.