

BCP 31-601

BC POLICY 31-601 (Previously LPS 3-16 and LPS 3-22)

Registration Requirements

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**BC POLICY 31-601
REGISTRATION REQUIREMENTS (Previously LPS 3-22)**

PART A STREAMLINING INFORMATION AND CONTEXT

This B.C. Policy contains the content of former LPS 3-16 and LPS 3-22 corrected for cross-references. In the future, the Executive Director will review and update the content of this instrument and will incorporate the contents of BCIN 33-702 (formerly NIN95/7) and BCIN 33-703 (formerly NIN 97/30) into new policy.

PART 1 EFFECTIVE DATE AND PURPOSE

1.1 Effective Date

The **Executive Director** rescinds Local Policy Statement 3-22, dated April 15, 1998, and Local Policy Statement 3-16, dated August 14, 1990, and substitutes this BC Policy, effective April 25, 2001.

1.2 Purpose of this Policy

The **Act, Regulation and Rules** are intended, among other objectives, to ensure that the investing public receives expert advice and ethical treatment from persons trading in, underwriting or advising on, securities and exchange contracts. The legislation provides a legal framework for regulating persons who trade in, underwrite or advise on securities or exchange contracts. This policy contains guidelines about the registration provisions in Part 5 of the **Act and Rules**.

1.3 Refer to the Act, Regulation and Rules

This policy sets out the principal requirements for registration under the **Act, Regulation and Rules**. It also provides guidance as to how the **Executive Director** is likely to exercise discretion under the legislation in various circumstances. This policy is not a substitute for the detailed requirements set out in the **Act, Regulation and Rules**, and applicants for registration, as well as persons already registered, should refer to those documents. Registrants are reminded that they must also comply with any National Instruments and Local Rules that may apply to them and that may come into effect subsequent to the effective date of this policy.

For convenience, references to section numbers of the **Act, Regulation and Rules** are provided. Copies of the **Act, Regulation, Rules**, policies, forms and other materials may be obtained from the sources listed in Appendix 2 to this policy or at www.bcsc.bc.ca.

1.4 Forms

If a dealer, underwriter or adviser is required to file a form, other than BC Forms 33-905F, 33-907F and 33-908F, and has its principal place of business in Canada in a jurisdiction other than British Columbia, or is a member of an exchange or self-regulatory body in Canada, the **Executive Director** will accept a corresponding form that is required by that jurisdiction, exchange or self-regulatory body in place of the required form.

Similarly, if an individual is required to file a form and acts on behalf of a dealer, underwriter or adviser described in the previous paragraph, the **Executive Director** will accept a corresponding form that is required by the jurisdiction in which the dealer, underwriter or adviser has its principal place of business, or by the exchange or self-regulatory body of which the dealer, underwriter or adviser is a member, in place of the required form.

However, if the corresponding form required by the other jurisdiction, exchange or self-regulatory body does not contain all material information required by the required form, the **Executive Director** may require further information to be filed. For example, if an applicant files a personal information form from another jurisdiction that generally corresponds to BC Form 31-902F but does not include a consent to a criminal records check, the **Executive Director** may require the applicant to file a BC Form 31-903F (Consent to a Criminal Records Check).

1.5 Courses

If a course name has been changed or if a course has been replaced by another course, only the new course name is referred to in this policy. The **Executive Director** will consider on a case-by-case basis whether completion of a predecessor course will be considered equivalent to completion of the new course.

1.6 Defined Terms

Terms defined in the **Act, Rules** or **NI 14-101**, and used in this policy, have the same meaning as in the **Act, Rules** or **NI 14-101**. Terms defined in Appendix 1 to this policy are shown in boldface print. Some terms bracketed in italicized print are also defined in Appendix 1 to this policy.

PART 2 CATEGORIES OF REGISTRATION

2.1 Dealer

(a) A corporation or partnership that trades in securities or exchange contracts in British Columbia must be registered as a dealer [*Act s. 34(1)(a)(i)*] or be exempted from registration. The **Executive Director** will not register a sole proprietorship as a dealer. The term "trade", defined in section 1(1) of the **Act**, covers a broad range of activities.

Exemptions from the requirement to register as a dealer are set out in sections 45 to 48 of the **Act** and section 89 of the **Rules**.

The **Executive Director** will classify an applicant for registration as a dealer, according to qualifications and business plan, into one or more of the following categories [*Rules s. 6(2)*]:

- investment dealer
- securities dealer, or
- limited dealer.

Applicants classified as limited dealers will be further classified into one or more of the following categories:

- exchange contracts dealer
- mutual fund dealer
- security issuer
- real estate securities dealer

- scholarship plan dealer, or
- special limited dealer.

Refer to Parts 7 – 13 of this policy for the requirements of each category of dealer except the special limited dealer category. The **Executive Director** anticipates using the special limited dealer category only in exceptional circumstances. Initially, the **Executive Director** will consider applicants for the special limited dealer category on a case-by-case basis.

(b) An applicant for registration as a dealer must file with the person referred to in section 2.1(c) of this policy the following completed documents and fees:

- an “Application for Registration as Dealer, Adviser or Underwriter” [*Act s. 34(2), BC Form 31-901F*]
- the registration fee of \$2,500 for the chief place of business in British Columbia [*Regulation s. 22(1) Item 1(a)*]
- the registration fee of \$50 for each branch office where more than three registered individuals carry on business on behalf of the dealer [*Regulation s. 22(1) Item 1(b)*] (there is no fee for a branch office with less than four registered individuals)
- the additional fees, if any, levied by the **IDA - Pacific**, if the applicant files the application with the **IDA - Pacific**
- a “Uniform Application for Registration/Approval (B.C.)” for each designated compliance officer (no additional fee) (see section 2.1(l) of this policy) [*Act s. 34(2), BC Form 31-902F*]
- a “Uniform Application for Registration/Approval (B.C.)” for each branch manager (no additional fee) [*Act s. 34(2), BC Form 31-902F*]
- a “Uniform Application for Registration/Approval (B.C.)” for each investor that is the beneficial owner of securities of the applicant carrying 10% or more of the voting rights attached to all of the outstanding voting securities of the applicant (no fee) [*Act s. 34(2), BC Form 31-902F*]
- if the applicant is applying as an investment dealer, securities dealer or exchange contracts dealer, an audited **Joint Regulatory Financial Questionnaire and Report** for a period ending no more than 90 days before the date of application [*Act s. 34(2), Rules s. 70(1), BC Form 33-902F*]
- if the applicant is applying as a securities dealer, exchange contracts dealer, mutual fund dealer, real estate securities dealer or scholarship plan dealer, audited financial statements in the required form for a period ending no more than 90 days before the date of application [*Rules s. 64(1)(a)*]
- if the applicant is applying as an investment dealer, securities dealer, exchange contracts dealer, mutual fund dealer, real estate securities dealer or scholarship plan dealer, a **Statement of Financial Condition (Audited)** relating to the applicant’s latest financial year [*Act s. 34(2), Rules ss. 50(1)(g)(i) and 70(4), BC Form 33-906F*]

- if the applicant is applying as a mutual fund dealer, an audited **Report of Working Capital** corresponding to the date of preparation of the financial statements filed with the application [*Rules s. 64(1)(b), BC Form 33-905F*]
- a “Conflict of Interest Rules Statement” or a “Statement and Undertaking”, as discussed in section 4.9 of this policy [*Act s. 34(2), Rules s. 77, BC Forms 33-907F and 33-908F*]
- if the applicant is applying as a securities dealer, exchange contracts dealer, mutual fund dealer, real estate securities dealer or scholarship plan dealer, forms of business cards and letterheads to be used by the dealer or any individual acting on its behalf
- a copy of the written direction to the applicant’s auditor to conduct any audit the **Executive Director** requires [*Rules s. 72(1)*], and
- except in the case of an application for registration as a security issuer, a copy of the applicant’s policy and procedure manual, prepared in accordance with:
 - ◇ section 5.6 of this policy, or
 - ◇ if the applicant is applying for registration as an investment dealer, the requirements of the **IDA -Pacific**

[*Act s. 34(2)*].

(c) An applicant for registration as a dealer must file the “Application for Registration as Dealer, Adviser or Underwriter”, the “Uniform Application for Registration/Approval (B.C.)” [*Act s. 34(2), BC Forms 31-901F and 31-902F*] and any other required documents with, and make all fees payable to:

- the **IDA - Pacific**, if the applicant is applying for registration as an investment dealer, or
- the **Commission**, if the applicant is applying for registration in any other category of dealer (fees should be made payable to the “British Columbia Securities Commission”).

(d) An applicant for registration as a dealer (other than as a security issuer) must be incorporated, or organized as a partnership, under the laws of Canada or a province or territory of Canada [*Rules s. 15(1)*].

(e) An applicant for registration as a dealer that is incorporated under the laws of a jurisdiction other than British Columbia must be registered as an extraprovincial company with the Registrar of Companies under the *Company Act*, R.S.B.C. 1996, c. 62 [*Rules s. 15(2)(a)*]. If an applicant is organized as a partnership, it must register its name and other particulars with the Registrar of Companies under the *Partnership Act*, R.S.B.C. 1996, c. 348 [*Rules s. 15(2)(b)*].

(f) The **Executive Director** will generally require, as a condition of registration, that an applicant for registration as a dealer establish a business office in British Columbia [*Rules s. 17(1)*]. The applicant must set out the addresses of its head office in British Columbia and any branch offices located in British Columbia as part of its application [*Act s. 34(2), BC Form 31-901F*].

(g) An applicant for registration as an investment dealer must participate in the **Canadian Investor Protection Fund**. An applicant for registration as a securities dealer, exchange

contracts dealer, mutual fund dealer or real estate securities dealer must contribute \$15,000 to, and participate in, the **Contingency Trust Fund** [Rules s. 23, Form 53].

(h) An applicant for registration as a securities dealer, exchange contracts dealer, mutual fund dealer, real estate securities dealer or scholarship plan dealer must have a financial institution bond for a minimum of \$200,000 coverage. An applicant for registration as an investment dealer must have a financial institution bond for coverage in the amount that the **IDA -Pacific** requires. Subject to the paragraph that follows, the bond must cover the applicant, its partners, directors, officers, salespersons (including dependent and independent contractors – see BCIN33-703) and other employees for a minimum of:

- fidelity
- on-premises loss of property
- in-transit loss of property
- forgery or alteration
- loss resulting from forged, altered, lost or stolen securities, and
- counterfeit currency

[Rules s. 21(1)(a)].

An applicant for registration as a mutual fund dealer that does not hold client funds or securities and that is permitted by the **Executive Director** to maintain the lower level of working capital set out in section 10.3 of this policy must, as a minimum, maintain coverage relating to the first three bullets above [Rules ss. 19(5), 21(1)(a)].

An applicant for registration as an exchange contracts dealer that does not hold client funds or securities and that is permitted by the **Executive Director** to maintain the lower level of risk adjusted capital set out in section 9.4 of this policy must, as a minimum, maintain coverage relating to the first three bullets above [Rules ss. 19(4), 21(1)(a)].

In each case, the partners or directors of the applicant must state, by certified resolution, that they consider the amount of bonding adequate to cover insurable business risks [Rules s. 21(1)(b)].

(i) For the purpose of determining compliance by a mutual fund dealer, scholarship plan dealer or real estate securities dealer with minimum working capital requirements, the **Executive Director** will consider amounts owing to non-arm's length parties (within the meaning of that term in the *Income Tax Act*, R.S.C. 1985 (5th Supp.), c. 1) to be current liabilities of the dealer (regardless of repayment terms) unless an **unconditional subordination agreement** is executed in the required form and filed with the **Executive Director** [Rules s. 25, BC Forms 33-904F and 33-905F]. The **Executive Director** may require the person executing the **unconditional subordination agreement** to file a "Uniform Application for Registration/Approval (B.C.)" [BC Form 31-902F] in that person's capacity as an investor. If the person is a corporation or partnership, the **Executive Director** may require the principal or principals of the corporation or partnership to file a "Uniform Application for Registration/Approval (B.C.)" [BC Form 31-902F].

(j) The application for registration as a dealer must indicate the date of the applicant's financial year end [Act s. 34(2), BC Form 31-901F].

(k) An applicant for registration as a dealer that is controlled by or associated with a financial institution, or that proposes to carry on business in a branch office of a financial institution, should consult the **Principles of Regulation**, and should determine whether it must file a notice of a networking arrangement [*Rules s. 84*].

(l) An applicant for registration as a dealer must designate at least one individual as a “compliance officer” to ensure compliance with the **Act** and **Rules** by the applicant, its partners, directors, officers, salespersons and other employees [*Rules s. 65*]. The compliance officer must be a trading partner, director or officer [*Rules s. 60*] unless that requirement is varied by the **Executive Director** (see section 6.1(b) of this policy).

(m) The **Executive Director** will normally grant registration in all of the dealer categories for a maximum of one year [*Act s. 36, Rules s. 67*].

(n) A registered dealer has an ongoing obligation to notify immediately the person referred to in section 2.1(c) of this policy of changes in prescribed information including, but not limited to:

- changes in its business address, the addresses of its branch offices, or its address for service
- commencement or termination of the employment of partners, directors, or officers, and the reasons for any termination
- commencement or termination of the employment of registered salespersons, and the reasons for any termination
- charges, indictments or convictions of the dealer or one of its partners, directors or officers
- civil findings of fraud, theft, deceit, misrepresentation or similar conduct against the dealer or one of its partners, directors or officers
- bankruptcy of the dealer or one of its partners, directors or officers
- appointment of a receiver or receiver manager to hold the assets of the dealer or one of its partners, directors or officers, and
- intention to carry on any other business than that of dealer

[*Act s. 42(1), Rules s. 74, BC Forms 31-905F, 35-901F and 33-901F*].

Notification under this section must be accompanied by:

- where notification is filed with the **Commission**, a fee of \$100 [*Regulation s. 22(1) Item 9*], or
- where notification is filed with the **IDA - Pacific**, such fees as the **IDA - Pacific** prescribes.

(o) A registered dealer must notify the **Executive Director** of any changes in the dealer’s auditor [*Rules s. 72(2)*].

2.2 Underwriter

(a) A corporation or partnership that acts as an underwriter in a distribution of securities in British Columbia must be registered as an underwriter [Act s. 34(1)(b)] or be exempted from registration. The **Executive Director** will not register a sole proprietorship as an underwriter. The term “underwriter” is broadly defined in section 1(1) of the **Act**, and the term “distribution”, also defined in section 1(1) of the **Act**, covers a broad range of activities. Registration as an investment dealer or securities dealer does *not* entitle the applicant to act as an underwriter in British Columbia.

A corporation or partnership is exempt from registration as an underwriter unless it acts as an underwriter in a distribution of securities made by prospectus or other offering document specified by the **Executive Director** [Rules s. 87] including:

- an offering memorandum used in connection with the distribution of special warrants under a prospectus exemption (i.e., an exemption from section 61 of the **Act**) [NIN 96/41], and
- a rights offering circular used in connection with the distribution of rights under the prospectus exemption set out in section 74(2)(7) of the **Act** [NIN 96/41].

If a distribution is made by prospectus, a person acting as an underwriter for the purposes of that distribution is required to sign the underwriting certificate attached to the prospectus [Act s. 69]. If the prospectus is used to qualify securities issued upon the exercise of special warrants that were previously distributed in reliance upon an exemption from the trading registration and prospectus requirements, Commission staff consider the exempt distribution and the prospectus distribution to be a single distribution. As a result, the person acting as an underwriter must be registered as an underwriter prior to participating in the exempt distribution [NIN 96/41].

A person applying for registration as an underwriter will not be registered as an underwriter unless the person is a member of the Investment Dealers Association of Canada or the Montréal Exchange [Rules s. 7, LPS 21-601(BC)].

Refer to Part 14 of this policy for further registration requirements for underwriters.

(b) An applicant for registration as an underwriter must file with the organization specified in section 2.2(c) of this policy:

- an “Application for Registration as Dealer, Adviser or Underwriter” [Act s. 34(2), BC Form 31-901F]
- the registration fee of \$2,500 [Regulation s. 22(1) Item 3] or, if the applicant is also registered, or applying for registration, as an investment dealer, \$500 [Regulation s. 22(1) Item 4]
- the additional fees, if any, levied by the **IDA - Pacific**
- a “Uniform Application for Registration/Approval (B.C.)” for each designated compliance officer (no additional fee) [Act s. 34(2), BC Form 31-902F]
- a “Uniform Application for Registration/Approval (B.C.)” for each investor that is beneficial owner of securities of the applicant carrying 10% or more of the voting rights attached to all of the outstanding voting securities of the applicant (no fee) [Act s. 34(2), BC Form 31-902F]

- a copy of the written direction to the applicant's auditor to conduct any audit the **Executive Director** requires [*Rules s. 72(1)*], and

- a copy of the applicant's due diligence procedures, prepared in accordance with section 5.7 of this policy [*Act s. 34(2)*].

(c) An applicant for registration as an underwriter must file the required documents with, and make all fees payable to:

- the **IDA - Pacific**, if the applicant is also registered, or is applying to be registered, as an investment dealer, or

- the **Commission** (fees should be made payable to the British Columbia Securities Commission) if the applicant is a member of the Montréal Exchange or the Investment Dealers Association of Canada (and is not a member of the **IDA - Pacific**).

(d) An applicant for registration as an underwriter must be incorporated, or organized as a partnership, under the laws of Canada or a province or territory of Canada [*Rules s. 15(1)*].

(e) An applicant for registration as an underwriter that is incorporated under the laws of a jurisdiction other than British Columbia must be registered as an extraprovincial company with the Registrar of Companies under the *Company Act*, R.S.B.C. 1996, c. 62 [*Rules s. 15(2)(a)*]. If an applicant is organized as a partnership, it must register its name and other particulars with the Registrar of Companies under the *Partnership Act*, R.S.B.C. 1996, c. 348 [*Rules s. 15(2)(b)*].

(f) The applicant must set out the address of its office in British Columbia, if any, as part of its application [*Act s. 34(2)*, *BC Form 31-901F*].

(g) An applicant for registration as an underwriter must have a financial institution bond for a minimum of \$200,000 coverage or, in the case of an applicant that is also registered, or is applying to be registered, as an investment dealer, coverage in the amount that the **IDA - Pacific** requires. The bond must cover the applicant, its partners, directors, officers and employees for a minimum of:

- fidelity
- on-premises loss of property, and
- in-transit loss of property

[*Rules s. 21(1)(a)*].

The partners or directors of the underwriter must state, by certified resolution, that they consider the amount of bonding adequate to cover insurable business risks [*Rules s. 21(1)(b)*].

(h) The application must indicate the date of the applicant's financial year end [*Act s. 34(2)*, *BC Form 31-901F*].

(i) An applicant for registration as an underwriter must designate at least one individual as a "compliance officer" to ensure compliance with the **Act** and **Rules** by the applicant, its partners, directors, officers and employees [*Rules s. 65*].

(j) The **Executive Director** will normally grant registration as an underwriter for a maximum of one year [Act s. 36, Rules s. 67].

(k) A registered underwriter has an ongoing obligation to notify immediately the person referred to in section 2.2(c) of this policy of changes in prescribed information including, but not limited to:

- changes in its business address, the addresses of its branch offices, or its address for service
- commencement or termination of the employment of partners, directors or officers, and the reasons for any termination
- charges, indictments or convictions of the underwriter or any of its partners, directors or officers
- civil findings of fraud, theft, deceit, misrepresentation or similar conduct against the underwriter or any of its partners, directors or officers
- bankruptcy of the underwriter or any of its partners, directors or officers
- appointment of a receiver or receiver manager to hold the assets of the underwriter or any of its partners, directors or officers, and
- intention to carry on any other business than that of underwriter

[Act s. 42(2), Rules s. 74, BC Forms 31-905F, 35-901F and 33-901F].

Notification under this section must be accompanied by:

- where notification is filed with the **Commission**, a fee of \$100 [Regulation s. 22(1) Item 9], or
- where notification is filed with the **IDA - Pacific**, such fees as the **IDA - Pacific** prescribes.

(l) A registered underwriter must notify the **Executive Director** of any changes in the underwriter's auditor [Rules s. 72(2)].

2.3 Adviser

(a) A corporation, partnership or sole proprietorship that is in the business of advising another about the purchase or sale of securities, exchange contracts or both must be registered as an adviser [Act s. 34(1)(c)(i)]. However, a person may act as an adviser in certain circumstances without registering as an adviser [Act ss. 44, 47, Rules s. 86, NI 32-101, BCI32-501, BCIN 33-701 and BCIN 31-701].

The exemptions set out in sections 45 and 46 of the **Act** and section 89 of the **Rules** are exemptions only from registration as a dealer, and not from registration as an adviser. Advising is, generally speaking, offering an opinion about the investment merits of, or recommending investment in, securities or exchange contracts. Registration to trade in securities or exchange contracts does not entitle a person to act as an adviser on securities or exchange contracts [BCIN 33-701 and BCIN 31-701].

Subject to restrictions, certain businesses and professionals may act as advisers without registration. For example, an insurer, a savings institution, the Business Development Bank of Canada, a lawyer, an accountant (CA, CGA, CMA), a registered dealer (acting with respect to its research reports) and a publisher or writer (provided that the publication meets certain tests) are exempted from the requirement to register as an adviser except if:

- the advice is not solely incidental to the person's principal business, or
- the person advertises its business and advising is featured prominently in the advertisements

[Act ss. 44(1), (2)(a), (b), (c), (d), (f) and (3)(a)].

A registered dealer, its registered trading partners, directors or officers and its registered salespersons are also exempted from the requirement to register as an adviser if the advice given is reasonably in fulfillment of the person's duty to ensure the suitability of a proposed purchase or sale for a client [Act ss. 44(2)(e) and (3)(b)]. In other words, these registrants are exempt from the requirement to register as advisers under section 34(1)(c) of the **Act** provided that advice given to clients is in accordance with the registrant's duty under section 48 of the **Rules** to know the client and to make recommendations that are consistent with the general investment needs and objectives of the client.

Registered investment dealers and their registered salespersons may also be able to avail themselves of an advising registration exemption, described in section 15.3 of this policy.

(b) The **Executive Director** will classify an applicant for registration as an adviser according to qualifications and business plan, into one or more of these categories [Rules s. 8]:

- portfolio manager
- investment counsel, or
- securities adviser.

Refer to Parts 15 - 17 of this policy for the requirements of each category of adviser.

(c) An applicant for registration as an adviser must file:

- an "Application for Registration as Dealer, Adviser or Underwriter" [Act s. 34(2), BC Form 31-901F]
- the registration fee of \$1,500 [Regulation s. 22(1) Item 5(a)]
- the registration fee of \$50 for each branch office where more than three registered individuals carry on business on behalf of the adviser [Regulation s. 22(1) Item 5(b)] (there is no fee for a branch office with fewer than four registered individuals)
- a "Uniform Application for Registration/Approval (B.C.)" for each designated compliance officer (no additional fee) (see section 2.3(k) of this policy) [Act s. 34(2), BC Form 31-902F]
- a "Uniform Application for Registration/Approval (B.C.)" for each branch manager (no additional fee) [Act s. 34(2), BC Form 31-902F]

- a “Uniform Application for Registration/Approval (B.C.)” for each investor that is beneficial owner of securities of the applicant carrying 10% or more of the voting rights attached to all of the outstanding voting securities of the applicant (no fee) [*Act s. 34(2), BC Form 31-902F*]
 - a copy of the written direction to the applicant’s auditor to conduct any audit the **Executive Director** requires [*Rules s. 72(1)*]
 - except in the case of an application for registration as a securities adviser, a copy of the applicant’s policy and procedure manual, prepared in accordance with section 5.6 of this policy [*Act s. 34(2)*]
 - if the applicant is applying as a portfolio manager or investment counsel, a “Conflict of Interest Rules Statement” or “Statement and Undertaking”, as discussed in section 4.9 of this policy [*Act s. 34(2), Rules s. 77, BC Forms 33-907F and 33-908F*], and
 - if the applicant is applying as a portfolio manager or investment counsel, forms of business cards and letterheads to be used by the adviser or any individual acting on its behalf.
- (d) An applicant for registration as an adviser must file the “Application for Registration as Dealer, Adviser or Underwriter”, the “Uniform Application for Registration/Approval (B.C.)” [*Act s. 34(2), BC Forms 31-901F and 31-902F*] and any other required documents with the **Commission**, and make all fees payable to the “British Columbia Securities Commission”.
- (e) Subject to paragraph (g), an applicant for registration as an adviser must be incorporated, or organized as a partnership or sole proprietorship, under the laws of Canada or a province or territory of Canada [*Rules ss. 15(1) and (3)*].
- (f) An applicant that is incorporated under the laws of a jurisdiction other than British Columbia must be registered as an extraprovincial company with the Registrar of Companies under the *Company Act*, R.S.B.C. 1996, c. 62 [*Rules s. 15(2)(a)*]. Subject to paragraph (g), if an applicant is organized as a partnership or sole proprietorship, it must register its name and other particulars with the Registrar of Companies under the *Partnership Act*, R.S.B.C. 1996, c. 348 [*Rules ss. 15(2)(b) and (3)*].
- (g) The applicant must set out the address of its head office in British Columbia and any branch offices located in British Columbia as part of its application [*Act s. 34(2), BC Form 31-901F*]. The **Executive Director** is prepared to register an adviser that is not resident in British Columbia including an adviser that is resident in another province or territory of Canada and, subject to the conditions set out in section 15.9 of this policy, a **foreign adviser**. In any situation where an adviser is seeking to have registration requirements waived, in part or in whole, the person should discuss the details of its proposal with the Director, Capital Markets Regulation prior to making the application.
- (h) An applicant for registration as a portfolio manager or investment counsel must have a financial institution bond for a minimum of \$200,000 coverage. Subject to the paragraph that follows, the bond must cover the applicant, its partners, directors, officers, advising employees and other employees for a minimum of:
- fidelity
 - on-premises loss of property

- in-transit loss of property
- forgery or alteration
- loss resulting from forged, altered, lost or stolen securities, and
- counterfeit currency

[*Rules s. 21(1)(a)*].

An applicant for registration as an investment counsel that does not hold client funds or securities and that is permitted by the **Executive Director** to maintain the lower level of working capital set out in section 16.3 of this policy must, as a minimum, maintain coverage relating to the first three bullets above [*Rules ss. 20(2), 21(1)(a)*].

In each case, the partners or directors of the adviser must, by certified resolution, state that they consider the amount of bonding adequate to cover insurable business risks [*Rules s. 21(1)(b)*].

(i) For the purpose of determining compliance with minimum working capital requirements, the **Executive Director** will consider amounts owing to non-arm's length parties (within the meaning of that term in the *Income Tax Act*, R.S.C. 1985 (5th Supp.), c.1) to be current liabilities of the adviser (regardless of repayment terms) unless an **unconditional subordination agreement** is executed, in the required form, and filed with the **Executive Director** [*Rules s. 25, BC Forms 33-904F and 33-905F*]. The **Executive Director** may require the person executing the **unconditional subordination agreement** to file a "Uniform Application for Registration/Approval (B.C.)" [*BC Form 31-902F*] in that person's capacity as an investor. If the person is a corporation or partnership, the **Executive Director** may require the principal or principals of the corporation or partnership to file a "Uniform Application for Registration/Approval (B.C.)" [*BC Form 31-902F*].

(j) The application must indicate the date of the applicant's financial year end [*Act s. 34(2), BC Form 31-901F*].

(k) An applicant for registration as an adviser must designate at least one individual as a "compliance officer" to ensure compliance with the **Act** and **Rules** by the applicant, its partners, directors, officers, advising employees and other employees [*Rules s. 65*]. The compliance officer must be an advising partner, director or officer [*Rules s. 60*].

(l) The **Executive Director** will normally grant registration in all of the adviser categories for a maximum of one year [*Act s. 36, Rules s. 67*].

(m) A registered adviser has an ongoing obligation to notify immediately the **Executive Director** of changes in prescribed information, including, but not limited to:

- changes in its business address, the addresses of its branch offices, or its address for service
- commencement or termination of the employment of directors or officers, and the reasons for any termination
- commencement or termination of the employment of registered advising employees and the reasons for any termination

orex dealers to register with IDA-Pacific•charges, indictments or convictions of the adviser or any of its partners, directors or officers

- civil findings of fraud, theft, deceit, misrepresentation or similar conduct against the adviser or any of its partners, directors or officers
- bankruptcy of the adviser or any of its partners, directors or officers
- appointment of a receiver or receiver manager to hold the assets of the adviser or any of its partners, directors or officers, and
- intention to carry on any other business than that of adviser

[Act s. 42(2), Rules s. 74, BC Forms 31-905F, 35-901F and 33-901F].

Notification under this section must be accompanied by a fee of \$100 [Regulation s. 22(1) Item 9].

(n) In addition, the adviser must immediately notify the **Executive Director** of any change in the adviser's auditor [Rules s. 72(2)].

2.4 Partner, Director or Officer

(a) A partner, director or officer of a dealer who trades in securities or exchange contracts on behalf of the dealer must be registered as a trading partner, director or officer [Act s. 34(1)(a)(ii), Rules s. 9(b)].

A partner, director or officer of an adviser who advises on securities or exchange contracts on behalf of the adviser must be registered as an advising partner, director or officer [Act s. 34(1)(c)(ii), Rules s. 10(b)].

(b) An applicant for registration as a trading partner, director or officer or advising partner, director or officer must file:

- a "Uniform Application for Registration/Approval (B.C.)" [Act s. 34(2), BC Form 31-902F]
- the registration fee of \$250 [Regulation s. 22(1) Item 2]
- the additional fees, if any, levied by the **IDA - Pacific**, if the applicant files the application with the **IDA - Pacific**, and
- proof that the applicant meets the proficiency and qualification requirements required by the **Executive Director** [Act s. 34(2)].

The **Executive Director** may require an applicant to submit official transcripts or other documents from a course provider or to submit an affidavit attesting to completion of a course or examination.

(c) An applicant for registration as a trading partner, director or officer or advising partner, director or officer must file any required documents with, and make all fees payable to:

- the **IDA - Pacific**, if the applicant is applying for registration as a trading partner, director or officer of an investment dealer, or

- the **Commission** (fees should be made payable to the British Columbia Securities Commission) if the applicant is applying for registration as a trading partner, director or officer of a dealer (other than an investment dealer), or as an advising partner, director or officer of an adviser.

(d) The **Executive Director** may refuse an application for registration as a trading partner, director or officer, or as an advising partner, director or officer, if the applicant is not a resident of British Columbia [*Act s. 35(2)*]. The **Executive Director** will not require a trading partner, director or officer or an advising partner, director or officer to be a resident of British Columbia if the individual:

- meets the requirements set out in section 35(2) of the **Act**
- is employed by a registered investment dealer, if the rules or bylaws of the **IDA - Pacific** do not require residency, or
- in the case of a trading partner, director or officer, is employed by a registered mutual fund dealer that is related to a financial institution, if the **Principles of Regulation** permit salespersons that are registered in, but are not residents of, British Columbia to deal with clients in British Columbia.

(e) An individual who is registered as an advising partner, director or officer must not act as a director or officer of a reporting issuer [*Rules s. 61(2)*]. However, the **Executive Director** may waive this prohibition if the **Executive Director** considers that to do so would not be prejudicial to the public interest [*Rules s. 17(1)(a)*].

(f) The **Executive Director** will normally grant registration as a trading partner, director or officer or advising partner, director or officer for a maximum of one year [*Act s. 36, Rules s. 67*].

(g) The **Executive Director** may consider an applicant for registration as a trading partner, director or officer or advising partner, director or officer to be unsuitable for registration if the applicant has not reached the age of majority [*Act s. 35(1)(a), Age of Majority Act, R.S.B.C. 1996, c. 7*].

2.5 Salesperson and Advising Employee

(a) The **Executive Director** will only register as a salesperson or advising employee an applicant who is trading or advising, respectively, on behalf of a dealer or adviser that is registered under the **Act**.

Dealers usually employ one or more salespersons, each of whom must also be registered under the **Act** as a salesperson [*Act s. 34(1)(a)(ii), Rules s. 9(a)*]. The relationship between a dealer and its salespersons has traditionally been that of employer and employee. However, the **Executive Director** is prepared to consider other relationships, including “dependent” contractors and, on a case-by-case basis, “independent” contractors, provided that:

- the dealer retains effective supervision and control over the salespersons under the arrangement
- the dealer remains responsible and liable for the actions of its salespersons, to the extent that they are acting in their capacity as salespersons

- the dealer arranges for bonding or insurance through third parties that ensures adequate coverage for the dealer and its salespersons
- arrangements for the payment of referral fees, commissions or other compensation conform with securities legislation, and
- the public interest is not otherwise compromised by the manner in which the relationship is structured

[*BCIN31-702*].

Registration of personal companies as salespersons is not contemplated at this time.

The **Executive Director** will classify an applicant for registration as a salesperson, according to qualifications, into one of the following categories:

- registered representative, or
- investment adviser

[*Rules s. 9*].

Advisers sometimes employ individuals, who are not partners, directors or officers of the adviser, to advise on securities or exchange contracts or both on behalf of the adviser. These individuals must be registered as advising employees [*Act s. 34(1)(c)(ii)*, *Rules s. 10(a)*]. If the proposed relationship between an adviser and its advising employees is other than employer and employee, the adviser should discuss the proposed relationship with the Director, Capital Markets Regulation.

(b) An applicant for registration as a salesperson or advising employee must file:

- a "Uniform Application for Registration/Approval (B.C.)" [*BC Form 31-902F*]
- the registration fee of \$250 [*Regulation s. 22(1) Items 2 and 6*]
- the additional fees, if any, levied by the **IDA - Pacific**, if the applicant files the application with the **IDA - Pacific**, and
- proof that the applicant meets the proficiency and qualification requirements required by the **Executive Director** [*Act s. 34(2)*].

The **Executive Director** may require an applicant to submit official transcripts or other documents from a course provider or to submit an affidavit attesting to the completion of a course or examination.

(c) An applicant for registration as a salesperson or advising employee must file any required documents with, and make all fees payable to:

- the **IDA - Pacific**, if the applicant is applying for registration as a salesperson of an investment dealer, or

- the **Commission** (fees should be made payable to the British Columbia Securities Commission) if the applicant is applying for registration as a salesperson of a dealer (other than an investment dealer) or as an advising partner, director or officer of an adviser.

(d) The **Executive Director** will not normally register a salesperson unless that person will work full-time as a salesperson [*Rules s. 63*]. The **Executive Director** may consent to less than full-time employment if an individual is carrying on an outside activity, including a hobby, recreational or cultural activity, that will not interfere, or create a conflict of interest, with the individual's duties and responsibilities as a salesperson. In addition to the issue of conflict of interest, the **Executive Director** will look at the individual's ability to maintain proficiency and provide an appropriate level of client service. The **Executive Director** may consent in situations such as the following:

- the individual is employed as a salesperson by a mutual fund dealer in an area that is so remote and sparsely populated that full-time employment as a salesperson in that area is not economically feasible
- the individual is licensed as an insurance agent or insurance salesperson under the **Financial Institutions Act** as set out in Part 3 of this policy
- the individual is licensed as an agent or "salesperson" under the *Real Estate Act*, R.S.B.C. 1996, c. 397, and is employed by a real estate securities dealer
- the individual is dually employed by a financial institution and a dealer that is related to the financial institution [*Principles of Regulation*]
- the individual is enrolled full time as a student in a business, commercial or financial course and is intending to continue a career in the investment business
- the individual is employed other than as a salesperson for six months or less during the calendar year, or
- the individual is employed as a fee-for-service financial planner, provided that the individual has been permitted by the **Executive Director** to hold herself or himself out as a "financial planner" in accordance with section 4.6(b) of this policy.

The **Executive Director** may require the employing dealer to acknowledge, and consent in writing to, a part-time salesperson's outside activities.

(e) The **Executive Director** may refuse an application for registration as a salesperson, or as an advising employee, if the applicant is not a resident of British Columbia [*Act s. 35(2)*]. The **Executive Director** will not require a salesperson or an advising employee to be a resident of British Columbia if the individual:

- meets the requirements set out in section 35(2) of the **Act**
- is employed by a registered investment dealer, if the rules or bylaws of the **IDA - Pacific** do not require residency, or
- in the case of a salesperson, is employed by a registered mutual fund dealer that is related to a financial institution, if the **Principles of Regulation** permit salespersons that are registered in, but are not residents of, British Columbia to deal with clients in British Columbia.

(f) An individual who is registered as a salesperson or advising employee must not act as a director or officer of a reporting issuer [*Rules s. 61(2)*].

(g) If a dealer terminates a salesperson's employment, the salesperson's registration is suspended [*Act s. 40*]. The **Executive Director** will also require that an advising employee be employed by a registered adviser in order to maintain registration [*Act s. 40*].

(h) An applicant for registration as a salesperson of a security issuer must have a surety bond of a minimum of \$1,000 covering the applicant [*Rules s. 21(2)*].

(i) The **Executive Director** will normally grant registration as a salesperson or advising employee for a maximum of one year [*Act, s. 36, Rules s. 67*].

(j) The **Executive Director** may consider an applicant for registration as a salesperson or advising employee to be unsuitable for registration if the applicant has not reached the age of majority [*Act s. 35(1)(a), Age of Majority Act, R.S.B.C. 1996, c. 7*].

(k) Once registered, a salesperson or advising employee has an ongoing obligation to notify immediately the **Executive Director** or, if the individual trades on behalf of an investment dealer the **IDA - Pacific**, of changes in prescribed information including, but not limited to:

- changes in the address for service in British Columbia or in any business address of the salesperson or advising employee
- changes in employment of the salesperson by a registered dealer or of the advising employee by a registered adviser
- changes in the name of the salesperson or advising employee
- charges, indictments or convictions of the salesperson or advising employee
- civil findings of fraud, theft, deceit, misrepresentation or similar conduct against the salesperson or advising employee
- bankruptcy of the salesperson or advising employee, and
- appointment of a receiver or receiver manager to hold the assets of the salesperson or advising employee

[*Act s. 42(3), BC Form 31-906F*].

Notification under this section must be accompanied by:

- where notification is filed with the **Commission**, a fee of \$100 [*Regulation s. 22(1) Item 9*], or
- where notification is filed with the **IDA - Pacific**, such fees as the **IDA - Pacific** may prescribe.

PART 3 Registration for Securities and Licensing for Insurance

3.1 Purpose and Scope

This policy sets out the conditions under which an individual may be registered as a salesperson of a registered dealer under the **Act** while also licensed as an insurance agent or insurance salesperson under the **Financial Institutions Act**.

Only an individual who is employed full time as a salesperson may be granted registration, renewal or reinstatement as a registered dealer's salesperson. However, that requirement does not apply to an individual who carries on an outside activity, including other employment, with the **Executive Director's** consent. The **Executive Director** may consent to a salesperson engaging in other employment if the other employment will not interfere with or create a conflict of interest with that person's duties and responsibilities as a registered salesperson. For example, the **Executive Director** may consider registering, renewing or reinstating a salesperson's registration if, among other things, the individual holds a licence as an insurance agent under the **Financial Institutions Act** [*Rules s. 63*].

This policy sets out only the requirements of the **Commission**. Individuals who want to be licensed under the **Financial Institutions Act** should refer to the **Financial Institutions Act**, its regulations, and the policies of the Financial Institutions Commission and the Insurance Council of British Columbia.

3.2 Dealer's Responsibility

A dealer has primary responsibility for deciding whether to permit its salespersons to apply to be licensed under the **Financial Institutions Act** [*Rules s. 63*].

A dealer that permits its salespersons to apply to be licensed under the **Financial Institutions Act** must ensure that insurance activities are carried on separately from securities activities, not through the dealer registered under the **Act**. For example, a dealer can create a subsidiary through which its insurance activities are carried on, or a salesperson may enter into a contract directly with an insurer, in accordance with the licensing requirements of the **Financial Institutions Act**.

3.3 Requirements for registration as a salesperson

If an individual is licensed under the **Financial Institutions Act**, the **Executive Director** will usually register that individual as a salesperson of a registered dealer under the **Act**, if the individual applying for registration:

- is employed by a dealer registered under the **Act**
- advises the dealer and the **Executive Director** of the nature of the licence held under the **Financial Institutions Act**
- delivers to the **Executive Director** a letter from the registered dealer employing the individual acknowledging the individual's registration under the **Act** and licensing under the **Financial Institutions Act**, and not objecting to the dual employment
- delivers to the **Executive Director** a copy of a letter notifying the Insurance Council of British Columbia that the individual is applying for registration under the **Act**, and

- meets all requirements for registration set out in the **Act**, the **Rules** and this BC Policy

[Act s. 36, Rules s. 17 and 63].

3.4 Executive Director's requirements for individuals applying for licensing under *Financial Institutions Act*

If a salesperson who is registered under the **Act** wishes to apply to the Insurance Council of British Columbia for a licence under the **Financial Institutions Act**, the salesperson is expected to:

- before applying, obtain the written approval of the dealer employing the salesperson,
- at the time of making the application for the licence, file the dealer's approval with the **Executive Director**, and
- when the salesperson receives the licence, advise the **Executive Director**

[Act s. 36, Rules s. 17 and 63].

3.5 Executive Director may impose conditions

To address the potential conflicts of interest arising from registration under the **Act** and licensing under the **Financial Institutions Act**, the **Executive Director** may impose conditions, at the time of granting registration under the **Act** or when notified that a salesperson has applied for licensing under the **Financial Institutions Act**. The **Executive Director** may add conditions beyond those set out in this policy [Act s. 36, Rules s. 17 and 63].

3.6 General conditions for Maintaining Registration

For an individual who is licensed under the **Financial Institutions Act** to maintain registration as a salesperson under the **Act**:

- the individual must comply with any conditions of registration which have been imposed, and
- the dealer employing the individual must comply with any dealer's conditions which have been imposed

[Act s. 36, Rules s. 17 and 63].

3.7 Salesperson's Conditions for Maintaining Registration

The **Executive Director** will usually impose conditions on a salesperson registered under the **Act** and licensed under the **Financial Institutions Act** similar to the following. If these conditions are imposed, a salesperson must comply. The conditions usually imposed on a salesperson registered under the **Act** and licensed under the **Financial Institutions Act**, are:

- (a) All letterhead, signs, business cards and other material used by the salesperson in connection with a trade in securities must state prominently the name of the dealer that employs the salesperson [Act s. 36, Rules s. 17 and 63].
- (b) The salesperson must represent herself or himself as a salesperson of the dealer when acting in connection with a trade in securities [Act s. 36, Rules s. 17 and 63].

- (c) The salesperson must ensure that all securities transactions involving the salesperson are handled through the dealer and not through any other person [*Act s. 36, Rules s. 17 and 63*].
- (d) The salesperson must notify the dealer and the **Executive Director**, as soon as practicable, of any disciplinary action commenced against the salesperson under the **Financial Institutions Act** [*Act s. 36, Rules s. 17 and 63*].
- (e) The salesperson must notify the dealer and the **Executive Director**, as soon as practicable, of any change in the status of a licence held by the salesperson under the **Financial Institutions Act** [*Act s. 36, Rules s. 17 and 63*].

3.8 Dealer's Conditions for Maintaining Registration

The **Executive Director** will usually impose conditions on a dealer employing a salesperson registered under the **Act** and licensed under the **Financial Institutions Act**, similar to the following. If these conditions are imposed, a dealer must comply. The conditions usually imposed on a dealer employing a salesperson registered under the **Act** and licensed under the **Financial Institutions Act**, are:

- monitor the activities of the salesperson as they apply to trading in securities and ensure that all activities of the salesperson are in compliance with the requirements of the **Act**, the **Rules**, the **Commission's** policies and the rules of any self-regulatory body or exchange of which the dealer is a member,
- pay directly to the salesperson and not to any other person all commissions earned by the salesperson from securities transactions, and
- implement systems designed to ensure that members of the public dealing with the salesperson understand
 - ◇ that the salesperson is employed by more than one entity,
 - ◇ that they will be dealing with two different entities depending on the product purchased from the salesperson,
 - ◇ that the remuneration earned by the salesperson from the sale of different products may vary,
 - ◇ the procedure for the handling of confidential client information, including the intended use of information a client has permitted to be transferred to another person, and
 - ◇ the identity of the entity holding the client's funds

[*Act ss. 34 and 36, Rules ss. 17 and 63*].

3.9 Delivery of Notice

If the **Commission** has delegated responsibility for licensing a salesperson to the **IDA - Pacific**, then references to the **Executive Director** should be read as a reference to the **IDA - Pacific**. Notice should be delivered to the **IDA - Pacific** [*Registration Transfer Rules*].

PART 4 CONDITIONS OF REGISTRATION

4.1 Power to Waive, Vary or Add to Provisions Respecting Registration

This policy sets out a number of provisions of general application respecting registration of registrants or a group of registrants. However, the **Executive Director** may waive, vary or add to provisions respecting the registration of a registrant or group of registrants, including those related to:

- capital and bonding
- record keeping and reporting
- the maintenance of client accounts
- proficiency and qualification
- branch managers
- duration of registration
- annual financial statements, and
- other financial reports

[*Act s. 36(1), Rules s. 17(1)*].

This power of the **Executive Director** is subject to certain “public interest” tests [*Rules s. 17(1)*]. If the **Executive Director** proposes to vary or add to provisions respecting registration, the registrant (or group of registrants) is entitled to an opportunity to be heard, as described in section 4.12 of this policy [*Rules s. 17(2)*].

4.2 Duty to Deal Fairly, Honestly and in Good Faith

A registrant must deal fairly, honestly and in good faith with clients. If the registrant is an individual, the registrant must also deal fairly, honestly and in good faith with the clients of the dealer or adviser for which the registrant works or acts as a partner, director or officer [*Rules s. 14*].

Registrants are advised that, as part of this duty, they are required to make certain disclosures to their clients [see for example, *Rules s. 50(3), NI 33-102*]. Registrants should consult the **Act**, **Rules**, and **Commission** instruments, including B.C. Interpretation Notes, B.C. Instruments and B.C. Policies, for additional disclosure requirements and considerations.

4.3 Referral Fees and Commission Splitting

(a) A registrant must disclose to a client the fact that the registrant receives from, or pays to, another person a fee or other compensation for referral of the client [*Rules s. 53(1)*]. If the registrant receives such compensation, the registrant must make the disclosure at the time the referral is made by the registrant or as soon as practicable after that time [*Rules s. 53(3)(a)*]. If the registrant pays such compensation, the registrant must make the disclosure at the time the person referred to becomes a client of the registrant or as soon as practicable after that time

[*Rules s. 53(3)(b)*]. The disclosure must, as a minimum, describe how the fee or other compensation is determined [*Rules s. 53(3)*].

(b) A registrant must disclose to a client the fact that the registrant receives from, or pays to, another person a commission or commission-like compensation related to the purchase or sale of a security or exchange contract on behalf of the client [*Rules s. 53(2)*]. The registrant must make the disclosure at the time the purchase or sale is made or as soon as practicable after that time and the disclosure must, as a minimum, describe how the commission or other compensation is determined [*Rules s. 53(3)*]. If the arrangement is ongoing, the registrant is only required to disclose the arrangement, and any subsequent material changes to the arrangement, prior to the first purchase or sale for a client under the arrangement [*Rules s. 53(4)*].

(c) The disclosure described in paragraph (b) is not required if the compensation is already disclosed in accordance with paragraph (a) [*Rules s. 53(2)*]. Nor is such disclosure required if the compensation is paid from or to the registrant's partners, directors, officers or salespersons, another registered dealer, or a person registered as a dealer in another jurisdiction [*Rules s. 53(5)*].

(d) payment of a commission or fee from or to a non-registrant indicates registrable activity. Accordingly, payment should not be made without determining in advance whether the underlying activity for which the payment is being made constitutes trading and, if so, requires registration. If in doubt, registrants are encouraged to contact the Director, Capital Markets Regulation.

(e) Director, Capital Markets Regulation, has, by way of the imposition of conditions of registration, restricted most limited dealers, and therefore their salespersons, from making referrals to any non-registrant for the purpose of trading in or advising on a security sold in reliance on an exemption from registration and prospectus requirements [*BCIN 31-701 and BCIN 33-701*].

4.4 Contingent Commissions and Fees

A registrant may only charge contingent commissions or fees based on profits or performance with the client's prior informed written consent [*Rules s. 54*].

4.5 Communication with the Public

Registration is required in order to trade in, or advise on, securities or exchange contracts [*Act s. 34*]. The definition of "trade" is broad enough to include advertising and other solicitations made in furtherance of trading in securities or exchange contracts [*Act s. 1(1)*]. Accordingly, dealers, advisers and their representatives must clearly undertake all such forms of communication with the public under the dealer's or adviser's registered name. Communications should leave no uncertainty as to the dealer or adviser through which a prospective client will contract to receive trading or advising services.

Communications should be made in the name of the dealer or adviser even if there is an agreement between the dealer or adviser and a registered individual that suggests that the latter is something other than an employee of the dealer or adviser. This applies even if the individual is, with the consent of the dealer or adviser and the permission of the **Executive Director**, conducting activities ancillary to the individual's registrable activities through a personal company that the individual has established for that purpose.

A dealer's or adviser's signs must be displayed prominently at each location in British Columbia where the dealer or adviser regularly conducts business. Signs, telephone greetings, letterhead,

business cards, Internet websites, advertising and other communications with the public must include:

- the registered dealer name or adviser name, appearing prominently
- if two or more business names are being used in a communication, the registered dealer or adviser name appearing in at least equal size and prominence (including location on a page) as other business names in the communication, and
- if two or more business names are being used in a communication, clear disclosure of the differing products or services offered by each business, where such information is not evident from the names of the businesses.

[BCIN 31-702].

Business names other than that of the registrant may be used only in the following circumstances:

- if a registrant is also licensed to sell insurance products, the business name or trademark registered with the Insurance Council of British Columbia may be used
- if the registrant's relationship to the division name or trademark is clearly disclosed in the communication, a name representing an unincorporated division or registered trademark of the registered dealer or adviser may be used
- if a registrant is formally recognized by the **Executive Director** as meeting the requirements of subsection 4.6(b) of this policy, the financial planning business name registered with the Registrar of Companies may be used, and
- if a registrant is dually employed by a financial institution and a registered dealer, or where a networking arrangement exists between a financial institution and a registered dealer, the name of the financial institution may be used (provided that the **Executive Director** does not object to the networking arrangement).

[BCIN31-702].

References in public communication inferring independence from the registered dealer or adviser must be avoided. If two or more business names are used in a communication, phrases such as "associated with" or "licensed through" may mislead the public.

Certain titles, if used by individuals or companies in communication without appropriate proficiency and registration, may mislead the public [*Rules s. 11*]. A registrant should contact the Director, Capital Markets Regulation prior to use of any title other than that appearing with its registration.

4.6 Holding Out

(a) A person who represents that that person is registered under the **Act** must, in making the representation, specify the person's category of registration under the **Act** or **Rules** [*Act s. 54(1)(b)*]. A person must not use the words "portfolio manager", "investment counsel", "securities adviser", "investment adviser" (or "investment advisor") or other words in connection with the person's business in a way that is likely to deceive or mislead the public about the proficiency and qualifications of the person to undertake the business of advising another with

respect to investment in, or the purchase or sale of, securities or exchange contracts [*Rules s. 11*], or in a way likely to give a false impression that the person is authorized to act as a portfolio manager, investment counsel, securities adviser or salesperson—investment adviser, as the case may be [*Rules s. 11(d)*].

(b) The **Executive Director** will not normally register a trading partner, director or officer or a salesperson if the individual intends to hold herself or himself out as a “financial planner” or by similar title, or as having proficiency in financial planning, unless the individual satisfies the **Executive Director** that the individual:

- is licensed by the Financial Planners Standards Council of Canada to use the designation "Certified Financial Planner" or "CFP", or
- has similar qualifications and, where appropriate, is subject to similar continuing education requirements.

The **Executive Director** considers that members of the following organizations who hold the following designations or who have successfully completed the approved course meet the criteria set out in the preceding bullet and are eligible to apply to the **Executive Director** for approval, on a case-by-case basis, to hold themselves out as financial planners:

- | | |
|---|---|
| • Association for Investment Management and Research | CFA |
| • Canadian Association of Financial Planners | RFP |
| • Canadian Association of Insurance and Financial Advisors | CLU |
| • Canadian Institute of Financial Planning | Chartered
Financial Planner |
| • Canadian Securities Institute | Professional
Financial Planning
Course |
| • Certified General Accountants Association of British Columbia or of the Canadian province or territory in which the applicant is resident | CGA |
| • Certified Management Accountants Society of British Columbia or of the Canadian province or territory in which the applicant is resident | CMA |
| • Institute of Canadian Bankers | P.F.P. |
| • Institute of Chartered Accountants of British Columbia or of the Canadian province or territory in which the applicant is resident. | CA |

These requirements are minimum requirements and are subject to change.

If the individual intends to provide financial planning services on a fee-for-service basis, the individual must also:

- satisfy the **Executive Director** that the individual has “errors and omissions” insurance for a minimum of \$1 million coverage
- file, as part of the individual’s application for registration, a copy of a client disclosure statement that discloses:
 - ◇ the name(s) of the company or companies through which the individual will provide clients with financial planning services and the name(s) of the registered dealer(s) or adviser(s) through which the individual holds her or his registration under the **Act**
 - ◇ the means by which the financial planner generates income, including a schedule of fees
 - ◇ that the client is entitled to go elsewhere to implement any plan that the financial planner prepares for the client
 - ◇ if the client wishes the financial planner to implement a plan, that the client will become a client of the registered dealer through which the financial planner holds her or his registration under the **Act**, and that the financial planner will receive commissions from the registered dealer as a result of the implementation of the plan
 - ◇ if the financial planner receives any commissions or referral fees, disclosure in accordance with statutory requirements (see section 4.3 of this policy)
 - ◇ if the individual is also registered as an insurance agent or insurance salesperson under the **Financial Institutions Act**, that any insurance products sold by the individual to the client will also generate commissions to the financial planner, as set out in Part 3 of this policy
 - ◇ the individual’s category of registration under the **Act** and **Rules**, and
 - ◇ other licenses, if any, held by the individual, including licenses under the **Financial Institutions Act**, and the *Real Estate Act*, R.S.B.C. 1996, c. 397
- undertake to provide clients with a copy of the disclosure statement described above
- send the disclosure statement described above to each client annually and whenever there is a change in the circumstances that are required to be disclosed
- file a copy of the disclosure statement described above with the **Executive Director**, whenever there is a change in the circumstances that are required to be disclosed, and
- file, as part of the person’s application for registration, a copy of the business cards and letterhead that the person proposes to use [*Act* s. 34(2)].

4.7 Trading Securities Under Exemptions

- (a) There are a number of exceptions to the general prohibition against trading in securities or exchange contracts in British Columbia without registration, usually with a corresponding prospectus exemption [*BCP 45-601 and MI 45-103CP*].
- (b) Where a registered salesperson trades securities under exemptions, the product must be approved by the registered dealer through which the salesperson holds registration, and the trades must be recorded in the books and records, and made under the supervision of that dealer. The “know your client” and suitability rules apply to each purchase or sale of securities

under exemptions from registration and prospectus requirements [*Rules s. 48*] and such transactions must be supervised by a compliance officer or branch manager [*Rules s. 47*]. Trading in the exempt market by a registered salesperson or other registrant “off book” may result in the suspension of the registrant’s registration or other disciplinary action. The registered dealer through which the salesperson holds registration, and the compliance officer of the dealer, may be held accountable for the activities of salespersons of the dealer in the exempt market [*BCIN 31-701 and BCIN 33-701*].

(c) The Director, Capital Markets Regulation, has imposed conditions of registration on most limited dealers setting out requirements for dealers and their salespersons who wish to trade in reliance on an exemption from registration and prospectus requirements. Unless the dealer acts in accordance with these conditions, the dealer (and its salespersons) will not be able to trade in reliance on certain exemptions [*BCIN 31-701 and BCIN 33-701*].

4.8 Interest in Other Registrants

(a) Except as expressly permitted, the following persons may not have a direct or indirect interest in any other dealer, underwriter or adviser:

- a registered dealer, underwriter or adviser
- an associate of a registered dealer, underwriter or adviser
- a partner, director or officer of a registered dealer, underwriter or adviser, whether the individual is registered or not, and
- a registered salesperson of a dealer or a registered advising employee of an adviser

[*Rules s. 16(1)*].

The restrictions described above do not prohibit a salesperson or a partner, director, or officer of a dealer, underwriter or adviser, as applicable, from having an interest in:

- that dealer, underwriter or adviser, or
- a dealer, underwriter or adviser that is a “related party” (as defined in section 75(1) of the **Rules**) of the dealer, underwriter or adviser referred to in the preceding bullet

[*Rules s. 16(2)*].

(b) A registered dealer (other than a security issuer), underwriter or adviser must notify the **Executive Director** immediately if another person is about to acquire, or has acquired, beneficial ownership of 10% or more of any class of the registrant’s voting securities [*Rules s. 73*].

(c) A registered dealer (other than a security issuer), underwriter or adviser that intends to carry on any business other than that of a dealer, underwriter or adviser, respectively, must give the **Executive Director** written notice at least 30 days before the registrant begins carrying on the other business [*Rules s. 74(1)*].

4.9 Conflict of Interest

A registered dealer (other than a security issuer), underwriter and adviser must file, and furnish to its clients, a "Conflict of Interest Rules Statement" in the required form [*Rules s. 77(1), (2), (3), BC Form 33-907F*].

However, if the registrant does not engage in activities as an adviser, dealer or underwriter in the circumstances set out in sections 78, 79, 81, 82 or 83 of the **Rules**, the registrant may be exempted from the requirement to file a "Conflict of Interest Rules Statement", and, if so, must instead file a "Statement and Undertaking" in the required form [*Rules s. 77(4), BC Form 33-908F*]. Registrants that engage only in activities that fall within the exceptions contained in sections 78(3), (4) or (5), 79(2), 81(2), 82(2) or 83(3) of the **Rules** are able to rely on the exemption.

4.10 Writing and Rewriting Courses or Examinations

In addition to any other requirement that the **Executive Director** imposes, an individual applicant must write or rewrite a required course or examination, in the following circumstances:

- if the applicant has previously surrendered registration under section 41 of the **Act**, and applies for registration three or more years after the date of surrender [*Rules s. 62(a)*]
- if the applicant was not previously registered in British Columbia and applies for registration three or more years after successfully completing a course or examination required for a particular category of registration [*Rules s. 62(b)*], or
- if the applicant is registered in a more restricted category (such as salesperson of a mutual fund dealer), and the applicant applies for registration in a less restricted category (such as salesperson of a securities dealer) three or more years after completing the required courses and examinations [*Rules ss. 60(1) and 61(1)*].

In addition to individuals applying for registration, the requirements of this section apply to unregistered compliance officers.

The **Executive Director** has provided relief from the requirements of this section for individuals employed by investment dealers, if the individuals comply with the writing and rewriting requirements of the **IDA - Pacific** [*BCI 33-502*].

4.11 Application for Renewal of Registration

The **Executive Director** will not "backdate" a registration period under any circumstances. To facilitate renewal of registrations, the **Executive Director** or **IDA - Pacific**, as appropriate, will make efforts to mail to each registrant a "Uniform Application for Renewal of Registration", plus a fee checklist, at least six weeks before the expiry of current registration [*BC Form 31-904F*].

Whether or not a registrant receives a "Uniform Application for Renewal of Registration", it is the responsibility of the registrant to ensure that the registrant applies to renew its registration at least 30 days before expiry of its current registration. If there is a "gap" in registration, the registrant will not be permitted to carry on, or resume, any of the activities for which registration is required until registration has been reinstated [*BC Form 31-904F*].

Together with the "Uniform Application for Renewal of Registration", the **Executive Director** will make efforts to mail to dealers, underwriters (except those registered by the **IDA - Pacific**) and advisers a notice requiring certain information to update the registrant's file, including:

- addresses of branch offices in British Columbia, the names of the responsible branch managers for each branch in British Columbia, and the names of all registered individuals who carry on business in each branch in British Columbia
- the names of partners, directors and officers, whether or not registered, and
- the names and addresses of the financial institutions used by the dealer, underwriter or adviser in British Columbia

[BC Form 31-904F].

All dealers (except security issuers), underwriters and advisers may also be asked to file a current "Conflict of Interest Rules Statement" or "Statement and Undertaking" as part of their renewal application as discussed in section 4.9 of this policy [*Rules s. 77, Forms 33-907F and 33-908F*].

4.12 Opportunity to be Heard

The Supervisor of Registration or other **Commission** staff may recommend to the **Executive Director** that an application to grant, renew, reinstate or amend a registration under the **Act** be refused. **Commission** staff may also recommend to the **Executive Director** that registration or renewal be restricted, or that conditions be imposed on registration. **Commission** staff will provide, in writing, the reasons for the recommendation and, before the **Executive Director** refuses an application, restricts a person's registration, or imposes a condition of registration, the applicant has an opportunity to be heard [*Act ss. 35(3) and 36(2)*].

An applicant or person registered under the **Act** who wishes to be heard before the **Executive Director** has made a final decision should provide written notice to the Director, Capital Markets Regulation within 15 days after the date of the letter that sets out **Commission** staff's proposed recommendation. Applicants should include brief reasons why the application should not be refused or a condition of registration imposed. No final decision will be made until the 15 days has passed.

The Director, Capital Markets Regulation has the authority to hear applicants or registrants in place of the **Executive Director**.

4.13 Hearing and Review

If, after an opportunity to be heard, a person's application for registration, renewal or reinstatement of registration or amendment to registration is refused by the **Executive Director**, or restrictions or conditions are placed or proposed to be placed on the person's registration by the **Executive Director**, that person is entitled to a hearing and review of the decision by the **Commission**. Persons requesting a hearing and review should provide written notice to the Secretary, British Columbia Securities Commission, within 30 days after the date on which the refusal letter, or letter setting out the restrictions or conditions, was sent. [*Act s. 165(3), BC Policy 15-601*].

PART 5 RECORD KEEPING AND POLICY AND PROCEDURE MANUAL

5.1 Record Keeping Requirements

A dealer, underwriter or adviser must keep in British Columbia a complete and accurate record of its business transactions (including any trades in securities made under an exemption from

registration and prospectus requirements) and financial affairs conducted in the province and, if its head office is in British Columbia, its business transactions and financial affairs conducted outside of the province, including the following reports [*Rules s. 27*]:

- account opening documentation [*Rules ss. 39, 47 and 48*] including, but not limited to, documents prepared in furtherance of the “know your client” and suitability rules [*Rules s. 48*] and other documents prepared in compliance with provisions in the registrant’s policy and procedure manual that deal with opening new accounts (see section 5.6(d) of this policy)
- itemized daily blotters [*Rules s. 29*]
- detailed ledgers [*Rules s. 30*]
- clients’ itemized ledger accounts [*Rules s. 31*]
- securities and exchange contracts position report [*Rules s. 32*]
- record of each order and instruction [*Rules s. 33*]
- confirmation and statement record [*Rules s. 34*]
- record of account [*Rules s. 39*]
- record of options granted or guaranteed by the registrant [*Rules s. 40*]
- monthly capital record [*Rules s. 41*], and
- standards of fairness (portfolio managers/investment counsel) [*Rules s. 44(5)*].

The **Executive Director** will only require a registrant to keep those records that are relevant to its category of registration [*Rules s. 27(2)*]. Detailed record keeping requirements are set out in Division 5 of Part 5 of the **Rules**.

Providing electronic access to trading records will satisfy the requirement to keep records in British Columbia, subject to certain conditions [*Rules s. 28*]. A dealer that carries on business in more than one jurisdiction could, for example, centralize its records electronically and organize its affairs so that, although records are not physically held in British Columbia, they are readily available in the province. The records must be provided in an accurate and intelligible form and must be capable of being printed within a reasonable time, to any person lawfully entitled to examine the information [*Rules s. 28(c)*].

5.2 Summary of Distributions - Underwriter’s Record Keeping Requirements

An underwriter should maintain for inspection by the **Executive Director** a summary of all distributions in which it acted as underwriter during its current period of registration, including, for each distribution:

- the name of the issuer
- the total number and type of securities distributed (including securities underwritten or sold on a “best efforts” basis by other underwriters and dealers that participated in the distribution)

- the total value of securities distributed (including securities underwritten or sold on a “best efforts” basis by other underwriters and dealers that participated in the distribution)
- the number and value of the securities referred to in the preceding two bullets that were underwritten or sold on a “best efforts” basis by the underwriter
- the name of any individual who conducted a due diligence review on behalf of the underwriter, and
- a description of the steps that were taken to carry out the due diligence reviews referred to in this section.

On request, an underwriter must file the summary of distributions referred to above with the **Executive Director**.

The **Executive Director** or **IDA - Pacific**, as the case may be, in reviewing prior distributions involving the underwriter, may identify problems with the underwriter’s performance that could affect the underwriter’s suitability for renewal of registration.

5.3 Financial Statements

A dealer, underwriter or adviser must file with the **Executive Director** the following financial statements, prepared in accordance with generally accepted accounting principles [*Rules* s. 3(3)] and approved by its directors, general partners or sole proprietor [*Rules* s. 69(2)]

- a registered dealer (except a security issuer), underwriter and adviser must file audited annual financial statements within 90 days of the end of its financial year [*Rules* ss. 3(4) and 69(1)(a)], and
- a registered limited dealer (except an exchange contracts dealer or security issuer) and, if required by the **Executive Director** as a condition of registration, an adviser, must file:
 - ◇ during its initial period of registration, unaudited interim financial statements within 30 days of the end of each financial month [*Rules* s. 69(1)(b)], and
 - ◇ during subsequent periods of registration, unaudited interim financial statements within 30 days of the end of each financial quarter [*Rules* s. 69(1)(b)].

5.4 Other Financial Reports

A dealer, underwriter or adviser must file with the **Executive Director** the following financial reports, approved by its directors, general partners or sole proprietor [*Rules* s. 70(7)]:

- an investment dealer, securities dealer, exchange contracts dealer and every person registered solely as an underwriter must file an audited **Joint Regulatory Financial Questionnaire and Report** within 90 days of the end of its financial year [*Rules* ss. 70(1), (5) and (6)(a), *BC Form 33-902F*]
- a securities dealer, exchange contracts dealer and every person registered solely as an underwriter must file an unaudited **Report of Risk Adjusted Capital**:
 - ◇ during its first period of registration, within 30 days of the end of each month [*Rules* ss. 70(2)(a) and (6)(b), *BC Form 33-903F*], and

◇ after that, within 30 days of the end of its first, second and third financial quarters [*Rules ss. 70(2)(b) and (6)(b), BC Form 33-903F*]

- a mutual fund dealer and, if required by the **Executive Director** as a condition of registration, a real estate securities dealer, scholarship plan dealer, security issuer, portfolio manager, investment counsel and securities adviser must file an unaudited **Report of Working Capital**:

◇ during its first period of registration, within 30 days of the end of each month [*Rules ss. 17(1), 70(3)(a) and (6)(b), BC Form 33-905F*], and

◇ after that, within 30 days of the end of its first, second and third financial quarters [*Act s. 36(1), Rules ss. 17(1), 70(3)(b) and (6)(b), BC Form 33-905F*]

- if required by the **Executive Director** as a condition of registration, a mutual fund dealer, real estate securities dealer, scholarship plan dealer, security issuer, portfolio manager, investment counsel and securities adviser must file an audited **Report of Working Capital**, within 90 days of the end of its financial year [*Act s. 36(1), Rules s. 17(1), BC Form 33-905F*], and

- a dealer (except a security issuer) must file an audited **Statement of Financial Condition (Audited)** annually, relating to the dealer's latest financial year, within 90 days of the end of its financial year [*Rules ss. 70(4), (5) and (6)(a), BC Form 33-906F*].

5.5 Members to File with IDA - Pacific

A member of the **IDA - Pacific** is required to file, with the **Executive Director**, a copy of an audited annual financial statement or report that is filed with the **IDA - Pacific** within seven days of filing the statement or report with the **IDA - Pacific** [*Rules ss. 69, 70 and 153*].

5.6 Policy and Procedure Manual

A dealer, portfolio manager or investment counsel must establish and apply written prudent business procedures for dealing with clients in compliance with the **Act, Regulation and Rules** [*Rules s. 44*]. These procedures must be set out in a policy and procedure manual, prepared and maintained in accordance with this section.

Investment dealers must maintain a manual that substantially complies with the provisions set out in this section, but should contact the **IDA - Pacific** for their specific requirements.

The manual should encompass the following, if applicable:

(a) Organization and general provisions of the applicant, including:

- procedures for accumulating and maintaining a complete list of associated parties, connected parties and related parties of the dealer or adviser (current list to be included in the manual) [*Rules s. 77, BC Form 33-907F*]

- details of the applicant's commission structure, including policies regarding commission splitting and payments to unregistered individuals or entities [*Rules s. 53*]

- procedures for ensuring that all advertising is forwarded to the designated compliance officer for approval prior to use (see sections 4.5 and 4.6 of this policy)

- provisions for designating a compliance officer, branch manager to review, or supervise the review of, transactions made on behalf of client accounts, and procedures to cover periods when this individual is unavailable to perform the required duties [*Rules s. 47*], and
- policies and procedures for providing other significant operational controls (e.g., reconciliation of client orders to confirmations, safeguarding of assets, handling of cash, cheques or securities by employees);

(b) Record keeping by the applicant, including:

- policies for identifying who is responsible for keeping records of the applicant's business transactions, financial affairs [*Rules s. 27*] and financial statements and reports (see sections 5.3 and 5.4 of this policy)
- policies and procedures describing how records will be stored (e.g., mechanically, electronically) and the precautions that will be taken to guard against their loss or falsification [*Rules s. 28(b)*], and
- policies stating where [*Rules s. 27*] and for how long [*Rules s. 42*] records will be kept;

(c) Registration and conduct of registered individuals, including:

- policies and procedures to ensure that employees are adequately supervised and comply with the requirements of the **Act**, **Regulation** and **Rules** and any policies established by the dealer, portfolio manager or investment counsel
- policies and procedures for ensuring that individuals trade in or advise on securities or exchange contracts only in accordance with the registration requirements or exemptions set out in the **Act** and **Rules**
- procedures for ensuring that the forms of business cards and letterheads to be used by partners, directors, officers, salespersons, advising employees and other employees are approved, prior to use, by the compliance officer and, where requested, reviewed by the **Executive Director**
- policies and procedures regarding ongoing training and education of employees
- procedures for ensuring that employees are advised of significant changes in the legislative or other requirements that apply to them
- provisions for ensuring compliance with the requirement to obtain the consent of the **Executive Director** to work other than full-time or to maintain outside employment [*Rules s. 63*], and
- procedures for managing the termination of a registered individual, including:
 - ◇ return of the individual's registration certificate to the **Executive Director**, if the **Executive Director** issued the individual with a registration certificate [*Act s. 41, BCI 31-502*]
 - ◇ filing of a "Uniform Termination Notice (B.C.)" [*BC Form 33-901F*] for the individual with the **Executive Director** [*Act ss. 42(1)(b) and (c), 42(2)(a) and (b)*], and

◇ arrangements, if any, for continuing service to the individual's clients (e.g., clarification of whether an individual may take her or his "client book" upon termination, arrangements for notifying clients of the individual's termination, etc.);

(d) Policies and procedures for the opening of new accounts, including:

- standards of inquiry concerning the identity, creditworthiness and reputation of clients [*Rules s. 48(1)(a)*]
- standards of inquiry for determining the general investment needs and objectives, including tolerance to risk, of the client [*Rules s. 48(1)(b)*] and provisions for the update of documentation upon changes in a client's circumstances
- procedures for distributing disclosure statements to clients (e.g., "Conflict of Interest Rules Statement" [*BC Form 33-907F*], referral fees [*Rules s. 53*], leverage risks [*NI 33-102*], dual licensing, as set out in Part 3 of this policy)
- provisions for obtaining instructions from clients with respect to shareholder communications [*NI 54-101*]
- procedures to ensure that client signatures are obtained upon opening of an account and in other appropriate circumstances [*NI/N 93/8*]
- procedures to ensure that no account is opened without the prior written approval of the compliance officer, branch manager or administration officer [*Rules s. 47*]
- provisions for ensuring suitability of proposed purchases or sales for clients in accordance with documented needs and objectives [*Rules s. 48*]
- policies and procedures for managing the operation and supervision of discretionary and managed accounts, including provisions for ensuring that these accounts are operated only by persons registered as portfolio managers [*BCIN 33-702*], and
- policies and procedures relating to:
 - ◇ registration of client securities
 - ◇ mailing of statements, confirmations and prospectuses to clients [*Rules ss. 36, 37 and 38*]
 - ◇ operation and supervision of margin accounts
 - ◇ holding of client free credit balances in trust [*Rules s. 57(2)*]
 - ◇ holding of client subscriptions and prepayments in interest-bearing trust accounts [*Rules s. 58, 58.1, 58.2, NI 81-102, 81-102CP, CSA Notice 81-304*]
 - ◇ notification of pending expiry of options, warrants or exchange contracts
 - ◇ notification of pending delivery of cash or securities, and
 - ◇ handling of client complaints;

(e) Trading in an applicant's own trading accounts, including:

- procedures for ensuring compliance with conflict of interest rules [*Rules Part 5, Division 11*], including limitations on trading if the registrant sells securities for its own account to a client, or buys securities for its own account from a client [*Rules s. 79*];

(f) Trading in the "exempt market", including:

- procedures relating to trading in the "exempt market" (i.e., if securities are to be traded in reliance on an exemption from registration and prospectus requirements - see section 4.7 of this policy as well as BCIN 31-701 and BCIN 33-701);

(g) Duties of compliance officers and branch managers, including:

- procedures for ensuring that the dealer, underwriter, or adviser, and individuals acting on its behalf, comply with the **Act, Regulation and Rules** [*Rules s. 65*]
- procedures for ensuring that the dealer, underwriter, or adviser, and individuals acting on its behalf, comply with any conditions of registration that are imposed
- procedures describing how compliance officers or other responsible persons will undertake to comply with conditions of registration imposed against limited dealers with respect to the sale of securities under exemptions from registration and prospectus requirements
- policies relating to:
 - ◇ supervision of daily trading activities
 - ◇ periodic (monthly) review of client account activity
 - ◇ periodic review of the applicant's trading accounts and trading accounts of its partners, directors, officers and employees
 - ◇ review of employee applications for registration [*BC Form 31-902F*], and
 - ◇ review and approval of advertising materials
- procedures for addressing conflicts of interest [*Rules Part 5 Division 11*]
- procedures for reviewing the adequacy of the applicant's bonding [*Rules s. 21*], and
- procedures for periodic review of the applicant's policies and procedures.

5.7 Due Diligence Procedures for Underwriters

An underwriter must establish and apply written prudent business procedures or other safeguards for underwriting distributions of securities made by way of prospectus or other offering document specified by the **Executive Director** [*Rules s. 45, BCIN 45-703*].

An applicant for registration as an underwriter should file with the **Executive Director** and, if the applicant is a member of the **IDA - Pacific**, with the **IDA - Pacific**, a written description of its procedures or other safeguards for underwriting distributions of securities by way of prospectus or

other offering documents specified by the **Executive Director** [BCIN 45-703]. The descriptions should cover procedures and other safeguards:

- separating underwriting functions from trading functions, including the establishment of safeguards for dealing with confidential information
- developing proficiency requirements, including corporate finance staff education and experience, commensurate with the requirements and responsibilities of underwriting
- ensuring that appropriate due diligence reviews are undertaken by or on behalf of the underwriter prior to the execution by the underwriter of a certificate [Act s. 69], and
- ensuring that the proceeds of a distribution are properly held, or disbursed, in accordance with the trust or other governing agreements between the underwriter and the issuer making the distribution

[Rules s. 45].

5.8 Documents to be Available for Inspection

A securities dealer, exchange contracts dealer, mutual fund dealer, real estate securities dealer, scholarship plan dealer, portfolio manager and investment counsel must maintain, for inspection by the **Executive Director**, the following documents, as applicable to its business:

- new client account forms
- trading agreements
- margin agreements
- client authorization forms or trading agreements for discretionary and managed accounts
- leveraging statement [NI 33-102]
- information statements describing investment attributes of government strip bonds [BCN 2003/29]
- hedge letter
- advisory agreement
- "Risk Disclosure Document (Exchange Contracts)" [Rules s. 35, BC Form 91-903F].

5.9 Records to be Kept by Securities Advisers

A securities adviser must maintain, for inspection by the **Executive Director**, the following documents:

- publications authored by the registrant that provide investment advice
- research supporting advice given by the registrant, and

- a record of securities and exchange contracts beneficially owned by the registrant, including records of purchases and sales during the current period of registration.

PART 6 COMPLIANCE OFFICERS AND BRANCH MANAGERS

6.1 Compliance Officer

(a) If an applicant is seeking registration as a dealer or adviser, the compliance officer referred to in sections 2.1(l) and 2.3(k) of this policy must meet the proficiency requirements for, and subject to paragraph (b) must be registered as, respectively, a trading partner, director or officer, or advising partner, director or officer [*Rules s. 60(2)*]. The residency of trading partners, directors or officers and advising partners, directors or officers is discussed in section 2.4(d) of this policy. The compliance officer must submit proof of meeting the proficiency and qualification requirements required by the **Executive Director**.

(b) If a dealer or adviser is related to a financial institution, the **Executive Director** will not require the dealer's or adviser's compliance officer to be registered as a trading partner, director or officer or advising partner, director or officer [*Rules s. 17(1)*].

(c) In addition to meeting the proficiency requirements for a trading partner, director or officer, a compliance officer of a securities dealer must successfully complete, within 18 months of approval as a compliance officer, the **Effective Management Seminar (CSI)**.

(d) If the applicant is seeking registration solely as an underwriter, the compliance officer must meet the proficiency requirements set out in section 14.5 of this policy [*Rules s. 60(1)*].

(e) The **Executive Director** may consider an applicant for registration as a compliance officer to be unsuitable for registration if the applicant has not reached the age of majority [*Act s. 35(1)(a), Age of Majority Act, R.S.B.C. 1996, c. 7*].

6.2 Branch Manager

(a) Each branch office of a dealer or adviser in British Columbia must employ, with the **Executive Director's** approval, a branch manager to ensure that the branch and its employees comply with the **Act, Regulation and Rules** [*Rules s. 66(1)(a)*].

(b) The **Executive Director** will not require a branch of a registrant to employ a branch manager if the branch employs fewer than four registered individuals, and a branch manager in another branch of the registrant will be, in the **Executive Director's** opinion, in a position to adequately supervise the branch [*Rules s. 66(2)*].

(c) The Executive Director may permit more than 4 registered individuals to carry on business in a branch office without a branch manager where one or more of the individuals carries on business on a part-time basis [*Rules s.66(3)*].

(d) Prior to approval as branch manager responsible for supervision of a branch office of a dealer or adviser, an individual must meet the proficiency requirements for a salesperson or advising employee in the applicable category of dealer or adviser, and:

- subject to the following two bullets, a branch manager must have successfully completed the **Branch Managers Course (CSI)**

- a branch manager of a securities dealer may substitute the **Partners, Directors and Senior Officers Qualifying Examination (CSI)** for the **Branch Managers Course (CSI)** and must, within 18 months of approval as a branch manager, complete the **Effective Management Seminar (CSI)**
- a branch manager of a mutual fund dealer may substitute the **Branch Managers' Examination (IFIC)** (including a version modified by elimination of the "options" section) or the **Branch Compliance Officer's Course (ICB)** for the **Branch Managers Course (CSI)**, and
- a branch manager responsible for the supervision of a branch office of a dealer or adviser who proposes to trade in or advise on forward contracts must also meet the proficiency requirements set out in Part 9 of this policy

[*Rules s.60(1)*].

The branch manager must submit proof that the applicant meets the proficiency and qualification requirements required by the **Executive Director**.

(e) The **Executive Director** may consider an applicant for registration as a branch manager to be unsuitable for registration if the applicant has not reached the age of majority [*Act s. 35(1)(a), Age of Majority Act, R.S.B.C. 1996, c. 7*].

PART 7 INVESTMENT DEALER

7.1 General Requirements

Refer also to the general requirements set out in Parts 4 – 6 of this policy.

7.2 Description of Investment Dealer

A registered investment dealer is a corporation or partnership that is a member of the Investment Dealers Association of Canada and is authorized to trade in securities, exchange contracts or both, subject to the scope of its conditions of registration [*Rules s. 6(2)(b)*]. To be registered as an investment dealer, the applicant must meet registration requirements of the **IDA - Pacific** including, but not limited to, proficiency and capital requirements, and be a member in good standing of the **IDA - Pacific**.

7.3 Application to IDA - Pacific

The **Commission** has authorized the **IDA - Pacific** to register:

- investment dealers
- trading partners, directors or officers of investment dealers, and
- salespersons of investment dealers (investment advisers)

[*Registration Transfer Rules*].

Applicants for these categories of registration should direct inquiries about, and applications for, registration to the **IDA - Pacific** at the address set out in Appendix 2 to this policy.

The **Commission** has also authorized the **IDA - Pacific** to register its member dealers as underwriters. Refer to Part 14 of this policy for particulars.

7.4 Categories of Registration used by IDA - Pacific

If the **Executive Director** has not objected [*Act s. 27(1)(a)*], the **IDA - Pacific** may use terms to describe categories of registration that vary from those set out in the **Act** or the **Rules**.

PART 8 SECURITIES DEALER

In March 2001, amendments to the Securities Rules were made as B.C. Reg. 57/2001 that require securities dealers to apply to join either the Investment Dealers Association of Canada or the **MFDA** by May 23, 2001. Securities dealers will have until their current registration expires to become a member of either self-regulatory organization. The amendments will also remove the securities dealer category of registration, effective October 1, 2002. All dealers in that category will have been moved to other categories of registration by that date. [*Rules s. 6, BCI 33-503*]

8.1 General Requirements

Refer also to the general requirements set out in Parts 4 – 6 of this policy.

8.2 Description of Securities Dealer

A registered securities dealer is a corporation or partnership, other than an investment dealer, that is authorized to trade in securities, other than forward contracts [*Rules s. 6(2)(c)*].

8.3 Positive Risk Adjusted Capital

To be registered as a securities dealer, an applicant must maintain positive risk adjusted capital, but may calculate risk adjusted capital on the basis of a minimum capital requirement of \$100,000 instead of the minimum of \$250,000 required by the **Joint Regulatory Financial Questionnaire and Report** [*Rules s. 19(2), BC Form 33-902F*].

8.4 Proficiency Requirements for Trading Partner, Director or Officer

To be registered as a trading partner, director or officer of a securities dealer, the applicant must have successfully completed:

- the **Canadian Securities Course (CSI)**
- the **Conduct and Practices Handbook Course (CSI)**
- the **Professional Financial Planning Course (CSI)**, and
- the **Partners, Directors and Senior Officers Qualifying Examination (CSI)**

and have at least

- seven continuous years of relevant experience in the securities industry, or
- five continuous years of relevant experience in the securities industry with a dealer that is a member of the **IDA - Pacific** or other self-regulatory body or exchange in Canada

[Rules s. 61(1)].

An applicant who satisfies the **Executive Director** that the applicant is licensed by the Financial Planners Standards Council of Canada to use the designation "Certified Financial Planner" or "CFP" is considered to have met the proficiency requirement of completion of the **Professional Financial Planning Course (CSI)**.

8.5 Proficiency Requirements for Salesperson

To be registered as a salesperson of a securities dealer, other than a salesperson restricted to trading in mutual fund securities, the applicant must have successfully completed:

- the **Canadian Securities Course (CSI)**
- the **Conduct and Practices Handbook Course (CSI)**
- a three-month in-house training program satisfactory to the **Executive Director**, during which time the salesperson has no client contact, and
- if the applicant proposes to trade options, the **Options Licensing Course (CSI)**

[Rules s. 61(1)].

8.6 Proficiency Requirements for Compliance Officer

Refer to Part 6 of this policy for proficiency requirements for compliance officers and branch managers.

PART 9 LIMITED DEALER - EXCHANGE CONTRACTS DEALER

9.1 General Requirements

Refer also to the general requirements set out in Parts 4 – 6 of this policy.

9.2 Description of Limited Dealer - Exchange Contracts Dealer

A registered exchange contracts dealer is a corporation or partnership that is authorized to trade exclusively in exchange contracts, forward contracts or both, subject to the scope of its conditions of registration [Rules s. 6(2)(c)(i)]. BC Instrument 31-503 *Exchange Contract Dealers Trading in Commodity Pool Securities* also permits a registered exchange contracts dealer, and individuals registered to trade on its behalf, to trade in Commodity Pool securities without additional registration requirements.

9.3 Forex Dealers to Register with the IDA- Pacific

A foreign exchange contract or "forex" contract is a security that is a forward contract involving a leveraged agreement between two or more parties to exchange different currencies at a future time or times, other than contracts traded on an exchange recognized under sections 58 or 59 of the Securities Act.

A person seeking registration to trade in foreign exchange contracts must register with the **IDA - Pacific** as an investment dealer [Part 7 of this Policy], and not with the BC Securities Commission as an exchange contract dealer. (www.ida.ca)

9.4 Positive Risk Adjusted Capital

To be registered as an exchange contracts dealer, an applicant must maintain positive risk adjusted capital, but may calculate risk adjusted capital based on a minimum capital requirement of \$100,000 instead of the minimum of \$250,000 required by the Joint Regulatory Financial Questionnaire and Report [Rules s. 19(2), BC Form 33-902F].

If an exchange contracts dealer does not hold client funds or securities and is recognized by the Executive Director as an "introducing broker", it may calculate risk adjusted capital based on a minimum capital requirement of \$75,000. [Rules s. 19(4)].

9.5 Proficiency Requirements for Trading Partner, Director or Officer

To be registered as a trading partner, director or officer of an exchange contracts dealer, the applicant must have successfully completed:

- the **Derivatives Fundamentals Course (CSI)** [Rules s. 62]
- the **Futures Licensing Course (CSI)** [Rules s. 62]
- the **Canadian Commodity Supervisors Exam (CSI)** [Rules s. 62], and
- if the applicant proposes to trade options, the **Options Licensing Course** and the **Options Supervisors Course (CSI)** [Rules s. 62]

and have at least

- seven continuous years of relevant experience in the securities industry, or
- five continuous years of relevant experience in the securities industry with a dealer that trades in exchange contracts or forward contracts

[Rules s. 61(1)].

9.6 Proficiency Requirements for Salesperson

To be registered as a salesperson of an exchange contracts dealer, the applicant must have successfully completed:

- the **Derivatives Fundamentals Course** [Rules s. 62]
- the **Futures Licensing Course** [Rules s. 62] and

- if the applicant proposes to trade options, the **Options Licensing Course (CSI)** [*Rules s. 62*].

[*Rules s. 61(1)*].

9.7 Proficiency Requirements for Compliance Officer

Refer to Part 6 of this policy for proficiency requirements of compliance officers and branch managers.

PART 10 LIMITED DEALER - MUTUAL FUND DEALER

In March 2001, amendments to the Securities Rules were made as B.C. Reg. 57/2001 that required mutual fund dealers to apply to join the **MFDA** by May 23, 2001. [*Rules s. 6*]

Mutual fund dealers who are members of the **MFDA** are exempt from sections 19(3), 19(5), 21, 41(1)(c), 41(2), 69, and 70(3) to (7) of the Rules if they comply with the relevant MFDA requirements for capital, financial filings and bonding. [*BCI 33-513*]

10.1 General Requirements

Refer also to the general requirements set out in Parts 4 – 6 of this policy.

10.2 Description of Limited Dealer - Mutual Fund Dealer

A registered mutual fund dealer is a corporation or partnership that is authorized to trade exclusively in securities of mutual funds [*Rules s. 6(2)(d)(ii)*].

Mutual fund dealers relying on an exemption from registration requirements with respect to trading in the “exempt market” shall not provide advice in relation to such trades without separate registration as an adviser [*Act ss. 45 and 46, Rules s. 89*] unless the advice is solely for the purpose of complying with the dealer’s and salesperson’s obligation to ensure suitability. These rules apply to each purchase or sale of securities under an exemption from registration and prospectus requirements [*Rules s. 48*] and such transactions must be supervised by a compliance officer or branch manager [*Rules s. 47, BCIN 33-701 and BCIN 31-701*].

10.3 Working Capital

Subject to the paragraph that follows, to be registered as a mutual fund dealer, the applicant must maintain working capital, calculated in accordance with the **Report of Working Capital**, of at least \$75,000 plus the maximum amount deductible under the applicant’s financial institution bond [*Rules s. 19(3)*].

A mutual fund dealer that does not hold client funds or securities and is recognized by the **Executive Director** must maintain working capital, calculated in accordance with the **Report of Working Capital**, of at least \$25,000 plus the maximum amount deductible under the applicant’s financial institution bond [*Rules s. 19(5), BC Form 33-905F*].

10.4 Proficiency Requirements for Trading Partner, Director or Officer

To be registered as a trading partner, director or officer of a mutual fund dealer, including a dealer

that is controlled by or associated with a financial institution, the applicant must have successfully completed the following requirements:

- the **Canadian Investment Funds Course (IFIC)**, or the **Investment Funds in Canada Course (ICB)** or the **Canadian Securities Course (CSI)**
- the **Partners, Directors and Senior Officers Qualifying Examination (CSI)** or the **Officers', Partners' or Directors' Examination (IFIC)**

and have at least five continuous years of relevant experience in the mutual fund industry, one year of which must have been as a manager [*Rules s. 61(1)*].

10.5 Proficiency Requirements for Salesperson

To be registered as a salesperson of a mutual fund dealer, including a dealer that is controlled by or associated with a financial institution, the applicant must have successfully completed the following requirements:

(a) to trade in mutual fund securities if the applicant is employed full time by the dealer or if the applicant is employed other than full time and the **Executive Director** restricts the type or number of funds that the applicant may trade,

- the **Canadian Securities Course (CSI)**
- the **Canadian Investment Funds Course (IFIC)**, or
- the **Investment Funds in Canada Course (ICB)**

[*Rules s. 61(1)*]; and

(b) to trade in mutual fund securities if the applicant is employed other than full time by the dealer and the **Executive Director** does not restrict the type or number of funds that the applicant may trade,

- the **Canadian Securities Course (CSI)**

[*Rules s. 61(1)*].

10.6 Proficiency Requirements for Compliance Officer

Refer to Part 6 of this policy for proficiency requirements of compliance officers and branch managers.

PART 11 LIMITED DEALER - SECURITY ISSUER

11.1 General Requirements

Refer also to the general requirements set out in Parts 4 – 6 of this policy.

11.2 Description of Limited Dealer - Security Issuer

A registered security issuer is an issuer that is authorized to trade in securities for purposes of distributing securities of its own issue, exclusively for its own account [*Rules s. 6(2)(d)(iii)*].

11.3 Proficiency Requirements for Trading Partner, Director or Officer

To be registered as a trading partner, director or officer of a security issuer, the applicant must have successfully completed:

- the **Canadian Securities Course (CSI)**, and
- the **Conduct and Practices Handbook Course (CSI)**

and demonstrate sufficient relevant experience in securities matters to the **Executive Director** [*Rules s. 61(1)*].

11.4 Proficiency Requirements for Salesperson

To be registered as a salesperson of a security issuer, the applicant must have successfully completed:

- the **Canadian Securities Course (CSI)**, and
- the **Conduct and Practices Handbook Course (CSI)**

[*Rules s. 61(1)*].

11.5 Proficiency Requirements for Compliance Officer

Refer to Part 6 of this policy for proficiency requirements of compliance officers and branch managers.

PART 12 LIMITED DEALER - REAL ESTATE SECURITIES DEALER

12.1 General Requirements

Refer also to the general requirements set out in Parts 4 – 6 of this policy.

12.2 Description of Limited Dealer - Real Estate Securities Dealer

A registered real estate securities dealer is a corporation or partnership that is authorized to trade exclusively in real estate securities [*Rules s. 6(2)(d)(iv)*].

12.3 Working Capital

To be registered as a real estate securities dealer, the applicant must maintain working capital, calculated in accordance with the **Report of Working Capital**, of at least \$75,000 plus the maximum amount that is deductible under the dealer's financial institution bond [*Rules s. 19(3)*].

12.4 Proficiency Requirements for Trading Partner, Director or Officer

To be registered as a trading partner, director or officer of a real estate securities dealer, the applicant must have successfully completed:

- the **Canadian Securities Course (CSI)** or a real estate course acceptable to the **Executive Director**, and

- the **Partners, Directors and Senior Officers Qualifying Examination (CSI)**

and have at least

- five continuous years of relevant experience in the securities industry, or

- five continuous years relevant experience in the real estate industry, two years of which must have been as a real estate nominee as defined in the *Real Estate Act*, R.S.B.C. 1996, c. 397

[*Rules s. 61(1)*].

12.5 Proficiency Requirements for Salesperson

To be registered as a salesperson of a real estate securities dealer, the applicant must have successfully completed the **Canadian Securities Course (CSI)** or a real estate course acceptable to the **Executive Director** [*Rules s. 61(1)*].

12.6 Proficiency Requirements for Compliance Officer

Refer to Part 6 of this policy for proficiency requirements of compliance officers and branch managers.

PART 13 LIMITED DEALER - SCHOLARSHIP PLAN DEALER

13.1 General Requirements

Refer also to the general requirements set out in Parts 4 – 6 of this policy.

13.2 Description of Limited Dealer - Scholarship Plan Dealer

A registered scholarship plan dealer is a corporation or partnership that is authorized to trade exclusively in securities of a scholarship or educational plan or trust [*Rules s. 6(2)(d)(v)*].

13.3 Working Capital

To be registered as a scholarship plan dealer, the applicant must maintain working capital, calculated in accordance with the **Report of Working Capital**, of at least \$75,000 plus the maximum amount deductible under the applicant's financial institution bond [*Rules s. 19(3)*].

13.4 Proficiency Requirements for Trading Partner, Director or Officer

To be registered as a trading partner, director or officer of a scholarship plan dealer, the applicant must have successfully completed:

- the dealer's in-house course and examination, both of which must have been previously approved by the **Executive Director**, and

- the **Officers', Partners' or Directors' Examination (IFIC)**

and have at least

- four continuous years of relevant experience in the scholarship plan industry, or
- three continuous years of relevant experience in the scholarship plan industry, one year of which must have been as a manager

[*Rules s. 61(1)*].

13.5 Proficiency Requirements for Salesperson

To be registered as a salesperson of a scholarship plan dealer, the applicant must have successfully completed the dealer's in-house course and examination, both of which must have been previously approved by the **Executive Director** [*Rules s. 61(1)*].

13.6 Proficiency Requirements for Compliance Officer

Refer to Part 6 of this policy for proficiency requirements of compliance officers and branch managers.

PART 14 UNDERWRITER

14.1 General Requirements

Refer also to the general requirements set out in Parts 4 – 6 of this policy.

14.2 Description of Underwriter

An underwriter includes a corporation or partnership that:

- as principal, agrees to purchase a security for the purpose of distribution
- as agent, offers for sale or sells a security in connection with a distribution, or
- participates directly or indirectly in a distribution described above

but does not include:

- a person whose interest in the transaction is limited to receiving the usual and customary distribution or sales commission payable by an underwriter or issuer
- a mutual fund that accepts its securities for surrender and resells them
- a corporation that purchases shares of its own issue and resells them, or
- a bank with respect to securities described in section 46 of the **Act** and to prescribed banking transactions

[*Act s. 1(1)*].

The first two branches of the definition of “underwriter” contained in the **Act** capture persons that agree to purchase for resale or to offer for sale securities for the purposes of, or in connection with, a distribution of securities. Distributions include both prospectus offerings and offerings made under exemptions from registration and prospectus requirements. The third branch captures persons that participate in a distribution involving an underwriter under either of the first two branches. Participating in the distribution involves something more than a mere interest in the distribution, that is, there must be some involvement in the distribution. If the activities of a person fall within one of the three branches of the definition, registration as an underwriter is required unless the person meets the requirements of one of the four exceptions that are set out in the definition itself or can rely upon an applicable exemption [*Rules s. 87, BCIN 45-703*].

A person will not be registered as an underwriter unless the person is a member of the Investment Dealers Association of Canada or the Montréal Exchange [*Rules s. 7, LPS 21-601*].

14.3 Application to IDA - Pacific or Commission

The **Commission** has authorized the **IDA - Pacific** to register their member dealers as underwriters [*Registration Transfer Rules*]. Other applicants for registration as an underwriter should apply to the **Commission**. Accordingly, inquiries about, and applications for, registration as an underwriter should be directed to:

- the **IDA - Pacific**, at the applicable address set out in Appendix 2 to this policy, if the applicant is also registered, or is also seeking registration, as an investment dealer, or
- the **Commission**, if the applicant is seeking registration in British Columbia solely as an underwriter.

14.4 Positive Risk Adjusted Capital

To be registered as an underwriter, the applicant must maintain positive risk adjusted capital as required by the **Joint Regulatory Financial Questionnaire and Report** [*Rules s. 19(2), BC Form 33-902F*].

14.5 Proficiency Requirements for Compliance Officer

The compliance officer of an underwriter must have successfully completed:

- the **Canadian Securities Course (CSI)**
- the **Professional Financial Planning Course (CSI)**, except for those persons who have satisfied the **Executive Director** that they are licensed by the Financial Planners Standards Council of Canada to use the designation “Certified Financial Planner” or “CFP”, and
- the **Partners, Directors and Senior Officers Qualifying Examination (CSI)**

and have at least

- seven continuous years of relevant experience in the securities industry, two years of which must have been with an underwriter that is a member of the **IDA - Pacific** or other self-regulatory body or exchange in Canada, or
- five continuous years of relevant experience with an underwriter that is a member of the **IDA - Pacific** or other self-regulatory body or exchange in Canada

[Rules s. 60(1)].

PART 15 PORTFOLIO MANAGER

15.1 General Requirements

Refer also to the general requirements set out in Parts 4 – 6 of this policy.

15.2 Description of Portfolio Manager

A registered portfolio manager is a corporation, partnership or sole proprietorship that is authorized to manage, or to hold itself out as managing, the investment portfolio consisting of securities, exchange contracts or both, of one or more clients through discretionary authority granted by the clients [Rules s. 8(a), BCIN 33-702].

15.3 Exemption for Investment Dealer Acting as Portfolio Manager

An investment dealer, and the partners, directors, officers or salespersons of the investment dealer, may be exempt from registration as an adviser with relation to certain “managed accounts” or “discretionary accounts” [Rules s. 86]. Inquiries about the application of this exemption should be directed to the **IDA - Pacific**.

15.4 Working Capital

To be registered as a portfolio manager, the applicant must maintain working capital, calculated in accordance with the **Report of Working Capital**, of at least \$25,000 plus the maximum amount deductible under the applicant’s financial institution bond [Rules s. 20(1), BC Form 33-905F].

15.5 Proficiency Requirements for Advising Partner, Director or Officer and Advising Employee

Subject to section 15.6 of this policy, to be registered as an advising partner, director or officer or an advising employee of a portfolio manager, the applicant must have successfully completed:

(a) to manage investment portfolios containing securities, other than forward contracts or **Commodity Pools**,

- the **Canadian Securities Course (CSI)**
- the **Canadian Investment Management Program (CIM)**, and
- the first year of the **Chartered Financial Analysts Course (CFP)**

and have at least five continuous years of relevant experience in the securities industry performing research involving the financial analysis of investments in securities, three years of which must have been under the supervision of an adviser responsible for the management or supervision of investment portfolios having an aggregate value of at least \$1 million [Rules s. 61(1)]; and

(b) to manage investment portfolios containing exchange contracts, forward contracts or **Commodity Pools**,

- the **Canadian Investment Management Program (CSI)**, and
- the **Derivatives Fundamentals Course (CSI)** and the **Futures Licensing Course (CSI)** or the **Chartered Financial Analysts Course (AIMR)**

and have at least five continuous years of relevant experience in the securities industry performing research involving the financial analysis of investments in exchange contracts or forward contracts, three years of which must have been under the supervision of an adviser responsible for the management or supervision of investment portfolios having an aggregate value of at least \$1 million [*Rules s. 61(1)*].

15.6 Proficiency Requirements for Advising a Mutual Fund about Permitted Derivatives

If the applicant will be advising a mutual fund about derivatives in which mutual funds are permitted to invest, the applicant must meet the proficiency requirements set out in section 15.5(b) of this policy.

15.7 Proficiency Requirements for Compliance Officer

Refer to Part 6 of this policy for proficiency requirements of compliance officers and branch managers.

15.8 Other Restrictions on Managing Portfolios

The detailed proficiency requirements set out in the preceding sections may not apply directly to a particular situation. The **Executive Director** will assess each application and may limit the types of securities, exchange contracts or both that the registrant may hold in the portfolios that the registrant is managing [*Act s. 36(1), Rules s. 17(1)*]. Accordingly, a person seeking registration as a portfolio manager that does not meet the proficiency requirements set out in the preceding sections should, before applying, discuss the details of the proposal with the Director, Capital Markets Regulation.

15.9 Conditions of Registration - Foreign Adviser

(a) An applicant for registration as a portfolio manager that is a **foreign adviser** must file:

- a "Uniform Application for Registration/Approval (B.C.)" [*BC Form 31-902F*] for every director, officer or employee who will be advising in British Columbia
- a copy of the application for registration in the **foreign adviser's** own jurisdiction
- evidence of the **foreign adviser's** registration in its own jurisdiction
- a copy of the **foreign adviser's** organizational chart
- a copy of course results from the applicant's own jurisdiction and if there are no such results, a resume of educational experience
- a copy of registration as an extraprovincial company with the Registrar of Companies, and
- a **submission to jurisdiction and appointment of agent for service of process.**

(b) The **foreign adviser** shall provide to each person in British Columbia for whom it acts as an adviser, prior to advising, a statement in writing disclosing the name and address of the agent for service of process in British Columbia named in the **submission to jurisdiction and appointment of agent for service of process** or stating that this information is available from the **Commission**.

(c) The **foreign adviser** must not change its agent for service of process in British Columbia without giving the **Commission** 30 days prior notice of such change by filing a **new submission to jurisdiction and appointment of agent for service of process**.

(d) The **foreign adviser** will immediately inform the **Executive Director** upon:

- the **foreign adviser** becoming aware that it is the subject of an investigation or disciplinary action by any financial services or securities regulatory authority or self-regulatory authority, or

- the **foreign adviser** ceasing to meet the minimum working capital requirement [*Rules s. 20*] and bonding requirement [*Rules s. 21*].

(e) The **foreign adviser** is subject to all of the requirements of section 42 of the **Act**.

(f) The **foreign adviser** shall annually, not more than 90 days after the end of its fiscal year, file audited financial statements with the **Executive Director** [*Rules s. 69(1)(a), 145(1)*].

(g) The **foreign adviser** may act in British Columbia only for the following clients:

- a bank to which the *Bank Act*, S.C. 1991, c. 46, applies, if the bank acts as principal or as agent for accounts fully managed by it

- a loan corporation or trust company registered to operate in British Columbia, if the loan corporation or trust company acts as principal or as trustee or agent for accounts fully managed by it

- an insurance company licensed under the *Insurance Act*, R.S.B.C. 1996, c. 226

- Credit Union Central of Canada

- the Business Development Bank of Canada

- the Government of Canada or any province or territory of Canada

- a registered adviser, if the registered adviser acts as principal or as agent for accounts fully managed by the registered adviser

- a registered investment dealer, if the registered investment dealer acts as principal or agent for accounts fully managed by the registered investment dealer

- a trustee pension fund sponsored by an employer for the benefit of its employees or employees of its affiliates that has assets of at least \$100 million as of the date of its most recent audited balance sheet

- a registered charity under the *Income Tax Act*, R.S.C. 1985 (5th Supp.), c.1, that has assets not used directly in charitable activities or administration of at least \$5 million as of the date of its most recent audited balance sheet
 - an individual who has a net worth of at least \$5 million, as certified by the individual, excluding the value of the individual's principal residence
 - a person, other than an individual, in respect of which all of the owners of interests, direct or indirect, legal or beneficial are individuals referred to in the preceding bullet, except for persons or companies holding interests in a corporate trustee that is a trust company registered in British Columbia
 - a corporation that has shareholders' equity of at least \$100 million as of the date of its most recent annual financial statements
 - a mutual fund or non-redeemable investment fund that distributes its securities in British Columbia, provided that:
 - ◇ the person or company having the power and responsibility to direct the affairs of the fund is resident in Canada, is registered as an adviser, investment dealer or mutual fund dealer, and is not an affiliate of the **foreign adviser**, and
 - ◇ the person or company referred to in the preceding bullet is a party to the contract under which the **foreign adviser** provides advice to the fund,
- and
- a mutual fund or non-redeemable investment fund that distributes its securities in British Columbia under a prospectus exemption and is sold in amounts no less than \$500,000.

PART 16 INVESTMENT COUNSEL

16.1 General Requirements

Refer also to the general requirements set out in Parts 4 – 6 of this policy.

16.2 Description of Investment Counsel

A registered investment counsel is a corporation, partnership or sole proprietorship that is authorized to engage, or hold itself out as engaging, in the business of advising others about investing in or buying or selling specific securities, exchange contracts or both, or that is primarily engaged in giving continuous advice on the investment of funds, on the basis of the particular objectives of each client [*Rules s. 8(b), BCIN33-702*].

16.3 Working Capital

Subject to the paragraph that follows, to be registered as an investment counsel the applicant must maintain working capital, calculated in accordance with the **Report of Working Capital**, of at least \$25,000 plus the maximum amount deductible under the applicant's financial institution bond [*Rules s. 20(1), BC Form 33-905F*].

An investment counsel that does not hold client funds or securities and is recognized by the **Executive Director** must maintain working capital, calculated in accordance with the **Report of Working Capital**, of at least \$5,000 plus the maximum amount deductible under the applicant's financial institution bond [*Rules s. 20(2), BC Form 33-905F*].

16.4 Proficiency Requirements for Advising Partner, Director or Officer and Advising Employee

To be registered as an advising partner, director or officer or an advising employee of an investment counsel, the applicant must have successfully completed:

- (a) to advise about securities, other than forward contracts,
- the **Canadian Securities Course (CSI)**
 - the **Canadian Investment Management Program (CSI)**, and
 - the first year of the **Chartered Financial Analysts Course (AIMR)** and have at least five continuous years of relevant experience in the securities industry performing research involving the financial analysis of investments in securities, three years of which must have been under the supervision of an adviser responsible for the management or supervision of investment portfolios having an aggregate value of at least \$1 million [*Rules s. 61(1)*]; and
- (b) to advise about exchange contracts or forward contracts,
- the **Canadian Investment Management Program (CSI)**, and
 - the **Derivatives Fundamentals Course (CSI)** and the **Futures Licensing Course (CSI)** or the **Chartered Financial Analysts Course (AIMR)**

and have at least five continuous years of relevant experience in the securities industry performing research involving the financial analysis of investments in exchange contracts or forward contracts, three years of which must have been under the supervision of an adviser responsible for the management or supervision of investment portfolios having an aggregate value of at least \$1 million [*Rules s. 61(1)*].

16.5 Proficiency Requirements for Compliance Officer

Refer to Part 6 of this policy for proficiency requirements of compliance officers and branch managers.

16.6 Other Restrictions on Investment Counseling

The detailed proficiency requirements set out in the preceding section may not apply directly to a particular situation. The **Executive Director** will assess each application on a case-by-case basis and may limit the types of securities, exchange contracts or both about which the registrant may counsel [*Act s. 36(1), Rules s. 17*]. Accordingly, a person seeking registration as an investment counsel that does not meet the proficiency requirements set out in the preceding sections should, before applying, discuss the details of the proposal with the Director, Capital Markets Regulation.

16.7 Conditions of Registration - Foreign Adviser

An applicant for registration as an investment counsel that is a **Foreign Adviser** must comply with the conditions of registration for a **Foreign Adviser** set out in section 15.9 of this policy.

PART 17 SECURITIES ADVISER

17.1 General Requirements

Refer also to the general requirements set out in Parts 4 – 6 of this policy.

17.2 Description of Securities Adviser

A registered securities adviser is a corporation, partnership or sole proprietorship that is authorized to engage, or hold itself out as engaging, in the business of advising others through direct advice or through publications about investing in, or buying or selling, specific securities, exchange contracts or both, not purporting to tailor that advice or publication to the needs of specific clients [*Rules s. 8(c)*].

17.3 Proficiency Requirements for Advising Partner, Director or Officer and Advising Employee

To be registered as an advising partner, director or officer or an advising employee of a securities adviser, the applicant must have successfully completed:

- (a) subject to paragraph (c), to advise about securities, other than forward contracts,
 - the **Canadian Securities Course (CSI)**, and
 - the **Canadian Investment Management Program (CSI)**

and have at least five continuous years of relevant experience in the securities industry performing research involving the financial analysis of investments in securities under the supervision of an adviser [*Rules s. 61(1)*];

- (b) to advise about exchange contracts or forward contracts,
 - the **Derivatives Fundamentals Course (CSI)** and the **Futures Licensing Course (CSI)**, and
 - the **Canadian Investment Management Program (CSI)**

and have at least five continuous years of relevant experience in the securities industry performing research involving the financial analysis of investments in exchange contracts or forward contracts under the supervision of an adviser [*Rules s. 61(1)*]; and

- (c) to advise about securities of a mutual fund,
 - the **Canadian Investment Funds Course (IFIC)** or the **Canadian Securities Course (CSI)**
 - the **Canadian Investment Management Program (CSI)**, and
 - the **Investment Funds in Canada Course (ICB)**

and have at least five continuous years of relevant experience in the securities industry performing research involving the financial analysis of investments in securities of mutual funds under the supervision of an adviser [*Rules s. 61(1)*].

17.4 Proficiency Requirements for Compliance Officer

Refer to Part 6 of this policy for proficiency requirements of compliance officers and branch managers.

17.5 Other Restrictions on Advising

The detailed proficiency requirements set out in the preceding section may not apply directly to a particular situation. The **Executive Director** will assess each application on a case-by-case basis and may limit the types of securities or exchange contracts or both about which the registrant may advise [*Act s. 36(1), Rules s. 17*]. Accordingly, a person seeking registration as a securities adviser that does not meet the proficiency requirements set out in the preceding sections should, before applying, discuss the details of the proposal with the Director, Capital Markets Regulation.

June 1, 2005

Douglas M. Hyndman
Chair

APPENDIX 1 - DEFINITIONS

In this policy:

“**Act**” means the *Securities Act*, R.S.B.C. 1996, c. 418, or any successor legislation;

“**Branch Compliance Officer’s Course (ICB)**” means an examination prepared by the Institute of Canadian Bankers;

“**Branch Managers’ Examination (IFIC)**” means an examination prepared by The Investment Funds Institute of Canada;

“**Branch Managers Course (CSI)**” means a two-part examination prepared by the Canadian Securities Institute;

“**Canadian Commodity Supervisors Exam (CSI)**” means an examination prepared by the Canadian Securities Institute;

“**Canadian Investment Funds Course (IFIC)**” means an examination prepared by The Investment Funds Institute of Canada;

“**Canadian Investment Management Program (CSI)**” means a multi-part study program, including examinations, prepared by the Canadian Securities Institute;

“**Canadian Investor Protection Fund**” means the fund, referred to in section 23(1)(a) of the **Rules**, set up by the members of the Investment Dealers Association of Canada and The Toronto Stock Exchange, the Montréal Exchange, and the Canadian Venture Exchange;

“**Canadian Securities Course (CSI)**” means an examination prepared by the Canadian Securities Institute;

“**Chartered Financial Analysts Course (AIMR)**” means an examination prepared by the Association for Investment Management and Research;

“**Commission**” means the British Columbia Securities Commission;

“**Commodity Pool**” has the meaning set out in proposed National Instrument 81-104 - “Commodity Pools”, or any successor instrument;

“**Conduct and Practices Handbook Course (CSI)**” means an examination prepared by the Canadian Securities Institute;

“**Contingency Trust Fund**” means the compensation fund or contingency trust fund referred to in section 23(1)(b) of the **Rules**;

“**Derivatives Fundamentals Course (CSI)**” means an examination prepared by the Canadian Securities Institute;

“**Effective Management Seminar (CSI)**” means a seminar course prepared by the Canadian Securities Institute;

“**Executive Director**” means the chief administrative officer of the **Commission** appointed under section 8 of the **Act**;

“Financial Institutions Act” means the *Financial Institutions Act*, R.S.B.C. 1996, c. 141, or any successor legislation;

“foreign adviser” means an adviser that does not maintain an office in Canada or have partners, directors, officers or advising employees residing in Canada;

“Futures Licensing Course (CSI)” means an examination prepared by the Canadian Securities Institute;

“IDA - Pacific” means the Pacific District of the Investment Dealers Association of Canada;

“Interim LPS 3-43” means Interim Local Policy Statement 3-43 “Government Strip Bonds”, or any successor instrument;

“Investment Funds in Canada Course (ICB)” means an examination prepared by the Institute of Canadian Bankers;

“Joint Regulatory Financial Questionnaire and Report” means the questionnaire and report in BC Form 33-902F, as amended from time to time, required by the **Canadian Investor Protection Fund** and sponsoring self-regulatory organisations of the **Canadian Investor Protection Fund**;

“LPS 21-601BC” means Local Policy Statement 21-601BC “Recognition of Exchanges, Self Regulatory Bodies and Jurisdictions”, or any successor instrument;

“MFDA” means the Mutual Fund Dealers Association of Canada;

“NI 14-101” means National Instrument 14-101 “Definitions”, or any successor instrument;

“NI 32-101” means National Instrument 32-101 “Small Securityholder Selling and Purchase Arrangements”, or any successor instrument;

“NI 81-102” means National Instrument 81-102 “Mutual Funds”, or any successor instrument;

“NI 54-101” means National Instrument 54-101 “Communication with Beneficial Owners of Securities of a Reporting Issuer”, or any successor instrument;

“Officers’, Partners’ or Directors’ Examination (IFIC)” means an examination prepared by The Investment Funds Institute of Canada;

“Options Licencing Course (CSI)” means an examination prepared by the Canadian Securities Institute;

“Options Supervisors Course (CSI)” means an examination prepared by the Canadian Securities Institute;

“Partners, Directors and Senior Officers Qualifying Examination (CSI)” means an examination prepared by the Canadian Securities Institute;

“Principles of Regulation” means the guidelines drafted by the Canadian Securities Administrators and adopted by the **Commission** by NIN88/40, NIN88/48 (as modified by NIN90/7) and NIN90/16, or any successor instrument;

“Professional Financial Planning Course (CSI)” means a study program, including examinations, prepared by the Canadian Securities Institute;

“Registration Transfer Rules” means the *Registration Transfer Rules*, B.C. Reg. 193/97, or any successor legislation;

“Regulation” means the *Securities Regulation*, B.C. Reg. 196/97, or any successor legislation;

“Report of Risk Adjusted Capital” (also known as “Monthly Financial Report” or “Quarterly Financial Report”) means a report of risk adjusted capital, in BC Form 33-903F, referred to in section 70(2) of the **Rules**;

“Report of Working Capital” means the report of working capital in BC Form 33-905F, referred to in sections 19(3) and (5), 20(1) and (2), 41(1)(c) and 70(3) of the **Rules**;

“Rules” means the *Securities Rules*, B.C. Reg. 194/97, or any successor legislation;

“Statement of Financial Condition (Audited)” means the statement of financial condition, in BC Form 33-906F, referred to in sections 50(1)(g)(i) and 70(4) of the **Rules**;

“submission to jurisdiction and appointment of agent for service of process” means an agreement, in a form acceptable to the **Executive Director**, in which a registrant or another person:

(a) irrevocably and unconditionally agrees to submit to the non-exclusive jurisdiction of the judicial, quasi-judicial and administrative tribunals of British Columbia and any administrative proceedings in British Columbia, in any proceedings arising out of or related to or concerning its registration under the **Act** or its activities in British Columbia as a registrant, and

(b) designates and appoints an agent in British Columbia upon whom may be served any notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal or other proceeding arising out of or relating to or concerning its registration under the **Act** or its activities in British Columbia as a registrant, and irrevocably waives any right to raise as a defence in any such proceeding any alleged lack of jurisdiction to bring such proceeding;

“unconditional subordination agreement” means an agreement, in BC Form 33-904F, in which a lender agrees to subordinate all of the lender’s rights against a registrant borrower, on account of the registrant’s debt to the lender, to all of the claims of the general creditors so that any claims against the registrant will be paid out of the assets of the registrant before any payment is made to the lender; and

APPENDIX 2 - INFORMATION SOURCES

A bound, annotated compilation of the **Act, Regulation, Rules**, forms and other material is available from:

Carswell
12 Water Street
Suite 201
Vancouver, B.C. V6B 1A5
Tel: (604) 685-8171
Fax: (604) 685-5343

To purchase copies of the **Act, Regulation and Rules**, contact:

Crown Publications
521 Fort Street
Victoria, B.C. V8W 1E7
Tel: (250) 386-4636
Fax: (250) 386-0221
e-mail: crown@pinc.com
internet: www.crownpub.bc.ca

International Travel Maps and Books
552 Seymour Street
Vancouver, B.C. V6B 3J5
Tel: (604) 687-3320
Fax: (604) 687-5925

BC Forms 4A, 51-902F, 31-901F, 31-902F, 31-903F, 31-905F, 31-906F, 33-901F and 35-901F are available for pick up from the **Commission's** 12th floor receptionist at 701 West Georgia Street in Vancouver, or by mail from P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, B.C., V7Y 1L2. Most BC Forms are available in downloadable form from the **Commission's** website at www.bcsc.bc.ca. For more information, contact the Capital Markets Regulation Division.

Upon request, the Registration Supervisor, Capital Markets Regulation, will mail or arrange for you to pick up the **Joint Regulatory Financial Questionnaire and Report [BC Form 33-902F]**. There is no charge for these forms (phone: (604) 899-6500); however, only a reasonable number of copies will be distributed. Persons phoning from within British Columbia can call toll-free (1-800-373-6393).

A "boilerplate" **unconditional subordination agreement [BC Form 33-904F]** and "direction to auditor" are also available from the Registration Supervisor, Capital Markets Regulation, at no charge. In addition, the Registration Supervisor, can provide a set of "standard" conditions of registration for **foreign advisers**.

A complete set of the **Act, Regulation, and Rules** forms and other materials are available on a subscription basis from:

The Continuing Legal Education Society of British Columbia
#300 - 845 Cambie Street
Vancouver, B.C. V6B 5T2
Tel: (604) 669-3544 (toll-free: 1-800-663-0437)
Fax: (604) 669-9260
e-mail: custserv@cle.bc.ca
internet: www.cle.bc.ca

For information on courses and examinations referred to in this policy, contact:

The Canadian Securities Institute
650 West Georgia Street
Suite 1350
P.O. Box 11574
Vancouver, B.C. V6B 4N8
Tel: (604) 683-1338
Fax: (604) 683-6050
e-mail: customer_support@csi.ca
internet: www.csi.ca

The Investment Funds Institute of Canada
151 Yonge Street, 5th Floor
Toronto, Ontario M5C 2W7
Tel: (416) 363-2158
Fax: (416) 861-9937
e-mail: webmaster@ific.ca
internet: www.mutfunds.com/ific

The Institute of Canadian Bankers
National Office
Tour Scotia
1002 Sherbrooke Street West
Suite 1000
Montréal, Québec H3A 3M5
Tel: 1-800-361-7339
Fax: (514) 282-8881
e-mail: info@icb.org
internet: www.icb.org

Association for Investment Management and Research
P.O. Box 3668
560 Ray C. Hunt Drive
Charlottesville, Virginia 22903-0668
U.S.A.
Tel: (804) 951-5499
Fax: (804) 951-5262
e-mail: info@aimr.org
internet: www.aimr.org

Real Estate Council of British Columbia
900 - 750 West Pender Street
Vancouver, B.C. V6C 2T8
Tel: (604) 683-9664 (toll-free: 1-877-683-9664)
Fax: (604) 683-9017
internet: www.realestatecouncil.bc.ca

For information about membership requirements of the **IDA - Pacific**, contact:

Investment Dealers Association of Canada - Pacific District
P.O. Box 11614
1325 - 650 West Georgia Street
Vancouver, B.C. V6B 4N9
Tel: (604) 683-6222
Fax: (604) 683-3491

For information about membership requirements of the **MFDA**, contact:

Mutual Fund Dealers Association of Canada
121 King Street West
Suite 1600
Toronto, Ontario M5H 3T9
Tel: (416) 943-5827
internet: www.mfda.ca

For information about the **Contingency Trust Fund**, contact the fund's trustee:

The Canada Trust Company
Attention: Trust Service Centre
Four Bentall Centre, 8th Floor
P.O. Box 49331, 1055 Dunsmuir Street
Vancouver, B.C. V7X 1L4
Tel: (604) 659-2050
Fax: (604) 659-7465

For information about the **Canadian Investors Protection Fund**, contact:

Canadian Investor Protection Fund
P.O. Box 192, 200 Bay Street
Toronto, Ontario M5J 2J4
Tel: (416) 866-8366
Fax: (416) 360-8441
internet: www.cipf.ca