



BC Notice 2008/05

Notice and Request for Comment

Amendment to BC Policy 31-601 *Registration Requirements* (BCP 31-601)

1. Introduction

In BCP 31-601 *Registration Requirements*, the Commission asks foreign exchange contract (forex) dealers in B.C. to register with the Commission as exchange contract dealers. The policy sets out some specific conditions that would generally apply to the registration of a forex dealer in the exchange contract dealer category. Since publishing the policy, the Commission has gained a greater understanding of forex dealers' business and the risks related to trading forex position on margin.

As a result, the Commission's actual practice has evolved and is no longer as set out in BC Policy 31-601. Staff now asks a forex dealer that applies for registration to join the Investment Dealers Association of Canada (Pacific District) and register as an investment dealer – exchange contract dealer. The Investment Dealers Association of Canada is a self-regulatory organization that regulates dealers whose businesses may include trading in derivatives and offering margin facilities. The IDA has particular expertise, therefore, to effectively regulate forex dealers in B.C.

BC Policy 31-601 is amended as set out below, effective immediately, to reflect the Commission's current practice. However, we invite comments on the amendment. We will consider all comments received by March 26, 2008. Instructions for providing your comments are at the end of this notice.

2. Amendment

Part 2 is amended by deleting "(other than an exchange contracts dealer that trades in foreign exchange contracts)" in the third paragraph of section 2.1(h).

Part 9 is amended by deleting sections 9.2, 9.3, 9.4, and substituting:

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 a contract 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)].

3. Request for Comments

We welcome your comments on the amendments to Parts 2 and 9 of BCP 31-601. If you are not sending in your comments by email, you should send a diskette containing your submission (in Windows format, Word).

Please address your submission to the British Columbia Securities Commission.

Deliver your comments to:

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Senior Advisor, Compliance and Registration
Capital Markets Regulation
British Columbia Securities Commission
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We cannot keep submissions confidential because the securities legislation requires publication of a summary of the written comments received during the comment period.

Questions:

Please refer your questions regarding the amendments to BC Policy 31-601 to:

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Douglas M. Hyndman
Chair

This Notice may refer to other documents. These documents can be found at the B.C. Securities Commission public website at www.bcsc.bc.ca in the section Securities Law & Policy: Policies & Instruments.