Chapter 1

Notices

1.1 Notices

1.1.1 Notice of General Order – Ontario Instrument 32-507 (Commodity Futures Act) Exemptions for International Dealers, Advisers and Sub-Advisers (Interim Class Order)

NOTICE OF GENERAL ORDER

ONTARIO INSTRUMENT 32-507 (COMMODITY FUTURES ACT)
EXEMPTIONS FOR INTERNATIONAL DEALERS, ADVISERS AND SUB-ADVISERS (INTERIM CLASS ORDER)

The Ontario Securities Commission (the **Commission**) has made an order (the **Order**) under subsection 75(2) of the *Commodity Futures Act* (Ontario) (the **Act**) providing an exemption from the registration requirements in the Act for certain international firms and their representatives that provide trading or advisory services to institutional clients in relation to commodity futures contracts and commodity futures options (collectively, **contracts**) that trade on foreign exchanges.

Description of Order

The Order is a regulatory burden reduction initiative intended to codify relief that is routinely granted by the Commission under the Act to international dealers, international advisers and international sub-advisers (collectively **international firms**).

The exemptions in the Order are consistent with the proposed exemptions in Proposed OSC Rule 32-506 (Commodity Futures Act) *Exemptions for International Dealers, Advisers and Sub-Advisers* (**Proposed OSC Rule 32-506**) that was published for comment in December 2020. The Order is intended to provide interim relief to international firms and their institutional clients until Proposed OSC Rule 32-506 can be finalized and implemented.

Reasons for the Order

On December 1, 2020, the Commission published Proposed OSC Rule 32-506 and a proposed amendment to OSC Rule 91-502 *Trades in Recognized Options* (**OSC Rule 91-502**) for a 90-day comment period (collectively, the **Proposed Instrument**).[1]

As explained in the Notice and Request for Comment in respect of the Proposed Instrument, the Proposed Instrument is a regulatory burden reduction initiative intended to codify relief that is routinely granted by the Commission under both the Act and OSC Rule 91-502 to international firms.

International firms that wish to provide trading or advisory services to institutional clients in relation to contracts that trade on foreign exchanges are generally required to file applications for relief with the Commission because the Act does not include exemptions for international firms comparable to the following exemptions in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) for international firms that provide trading or advisory services to institutional clients in relation to securities:

- section 8.18 [*international dealer*]
- section 8.26 [*international adviser*]
- section 8.26.1 [*international sub-adviser*]

These applications for relief also sometimes include a request for an exemption from the options proficiency requirements in OSC Rule 91-502 that may otherwise be applicable to the international firms and their representatives. The exemptions in the Proposed Instrument are intended to eliminate the need for international firms to file these applications for relief.

The comment period for the Proposed Instrument expired on March 1, 2021. The Commission received two comment letters on the Proposed Instrument.[2] Both comment letters were generally supportive of the Proposed Instrument.

[1] https://www.osc.ca/en/securities-law/instruments-rules-policies/3/32-506
[2] https://www.osc.ca/en/securities-law/instruments-rules-policies/3/32-506/proposed-osc-rule-32-506-under-commodity-futures-act-exemptions-international-dealers-advisers-and/comment-letters

One of the commenters requested that the Commission consider issuing an interim class order until such time as the Proposed Instrument comes into force so as to avoid the cost and burden of renewing relief for those firms whose sunset clauses might expire prior to the coming into force of the Proposed Instrument.

Accordingly, this Order is intended to provide interim relief until such time as the Commission has had an opportunity to consider comments, finalize and, subject to Ministerial approval, implement the Proposed Instrument.

In light of the Commission's ongoing initiative to reduce regulatory burden, the Commission is satisfied that, subject to the conditions of the Order, it would not be prejudicial to the public interest to provide, on an interim basis, exemptions from the registration requirement in the Act for international firms that wish to provide trading or advisory services to institutional clients in relation to contracts that trade on foreign exchanges.

Day on which the Order Ceases to Have Effect

The Order comes into effect on April 15, 2021 and remains in effect until the earlier of the following:

(a) the date that is 18 months after the date of the Order unless extended by the Commission, and

(b) the effective date of the Proposed Instrument.