

Chapter 5

Rules and Policies

5.1.1 CSA Notice - Amendments to NI 31-101 National Registration System and NP 31-201 National Registration System

NOTICE

AMENDMENTS TO NATIONAL INSTRUMENT 31-101 *NATIONAL REGISTRATION SYSTEM* AND TO NATIONAL POLICY 31-201 *NATIONAL REGISTRATION SYSTEM*

Introduction

We, the Canadian Securities Administrators (CSA) have amended National Instrument 31-101 *National Registration System* (NI 31-101) and National Policy 31-201 *National Registration System* (NP 31-201). NI 31-101 and NP 31-201 are currently in force in all Canadian jurisdictions.

The amendments to NI 31-101 have been made or are expected to be made by each member of the CSA, and will be implemented as

- a regulation in Québec
- a rule in each of Alberta, Manitoba, Ontario and Nova Scotia, Prince Edward Island, New Brunswick and Newfoundland and Labrador;
- a blanket order in British Columbia;
- a commission regulation in Saskatchewan; and
- a policy in all other jurisdictions represented by the CSA.

We also expect that the amendments to NP 31-201 will be adopted in all jurisdictions.

In Ontario, the amendments to the Instrument and other required materials were delivered to the Minister of Government Services (the Minister) on April 20, 2006. The Minister may approve or reject the amendments or return them for further consideration. If the Minister approves the amendments or does not take any further action, they will come into force on the date indicated below.

In Québec, the amending regulation is a regulation made under section 331.1 of the *Securities Act* (Québec) and must be approved, with or without amendment, by the minister of Finance. The amending regulation will come into force on the date of its publication in the *Gazette officielle du Québec* or on any later date specified in the regulation.

Provided all necessary approvals are obtained, the amendments will come into force on August 1, 2006.

Substance and Purpose

The substance and purpose of the amendments to NI 31-101 and NP 31-201 are to require that a firm filer select as its principal regulator the local securities regulatory authority or regulator in the jurisdiction where the filer's head office is located. In exceptional circumstances, factors other than the firm's head office may be considered when the firm filer applies for a change of principal regulator, as provided in the amendment to section 3.3 of NP 31-201.

Written Comments Received

During the comment period, we received one submission, from The Investment Funds Institute of Canada. This submission states that a firm's principal jurisdiction under the National Registration System should be the one chosen by the firm. However, we note that the amendments are consistent with the selection of an issuer's principal regulator under National Policy 43-201

Mutual Reliance Review System for Prospectuses and Annual Information Forms, and Multilateral Instrument 11-101 Principal Regulator System. Further, we do not believe that the amendments will give rise to an increase in time or costs for registrants.

We have therefore made no change to the amendments.

Questions

Please refer your questions to any of:

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The text of the proposed amendments follows or can be found elsewhere on a CSA member website.

May 12, 2006

**AMENDMENTS TO NATIONAL INSTRUMENT 31-101
NATIONAL REGISTRATION SYSTEM**

PART 1 AMENDMENTS TO NATIONAL INSTRUMENT 31-101

- 1.1 National Instrument 31-101 *National Registration System* is amended by this Instrument.
- 1.2 Paragraph (a) of the definition of "principal regulator" is repealed and the following is substituted:
- "for a firm filer, the securities regulatory authority or regulator of the jurisdiction in which the firm filer's head office is located;"
- 1.3 Section 2.3 is repealed and the following is substituted: "If a firm filer changes its head office to another jurisdiction, the firm filer must immediately notify its principal regulator of such change by submitting a completed Form 31-101F2."
- 1.4 Item 3 of Form 31-101F1 is repealed and the following is substituted:
- "3. Reasons for Designation of Principal Regulator
- State here the location of firm filer's head office."
- 1.5 Form 31-101F2 is amended
- (a) Item 1 of the General Instructions is repealed and replaced by the following:
- "1. The Form must be submitted by a firm filer to notify its principal regulator if a firm filer changes its head office to another jurisdiction."
- (b) Item 2 by striking out "the factors considered by the firm filer to determine the jurisdiction with which the firm filer has the most significant connection" and substituting "the head office".

PART 2 EFFECTIVE DATE

- 2.1 This Instrument is effective August 1, 2006.

**AMENDMENTS TO NATIONAL POLICY 31-201
NATIONAL REGISTRATION SYSTEM**

PART 1 AMENDMENTS

1.1 National Policy 31-201 is amended by deleting sections 3.2, 3.3 and 3.4 and substituting the following:

3.2. Designation of Principal Regulator

- (1) The firm filer must select as its principal regulator the securities regulatory authority or regulator of the jurisdiction in which the firm filer's head office is located.
- (2) The principal regulator for an individual filer is the securities regulatory authority or the regulator of the jurisdiction in which the individual filer's working office is located.

3.3. Change of Principal Regulator Applied for by Filer

- (1) A filer may apply for a change of principal regulator if it believes that its principal regulator is not the appropriate principal regulator. However, a change of a firm filer's principal regulator based on factors other than the head office criterion set out in section 3.2 (1) will generally not be permitted unless exceptional circumstances justify the change. The factors that may be considered in assessing an application for a change of a filer's principal regulator are:
 - (a) location of management,
 - (b) operational headquarters,
 - (c) business office,
 - (d) workforce, and
 - (e) clientele.
- (2) If a filer applies for a change of its principal regulator, the application should be submitted in paper form to the principal regulator and the requested regulator at least thirty days in advance of any filing of materials under NRS to permit adequate time for staff of the relevant securities regulatory authorities to consider and resolve the application. If the application is not resolved before the date of any filing of materials, the principal regulator will continue to act as principal regulator for that filing, and the change requested, if granted, will relate to materials filed after the issuance of the final MRRS decision document.

3.4. Change of Principal Regulator - by the Regulators

- (1) The securities regulatory authorities and regulators may change the principal regulator designated by the filer where the securities regulatory authorities and regulators determine that changing the principal regulator of a filer would result in greater administrative and regulatory efficiencies in connection with the filer's registration or approval.
- (2) If the securities regulatory authorities and regulators propose to change a filer's principal regulator, the principal regulator will notify the filer in writing of the proposed change and will identify the reasons for the proposed change.

3.5. Effect of Change of Principal Regulator

Unless otherwise consented to by the principal regulator and the redesignated principal regulator, a change of principal regulator pursuant to sections 3.3 and 3.4 will take effect immediately. Requirements applicable to the filer will change accordingly, subject to the temporary exemption contained in section 3.2 of NI 31-101 for the benefit of registered filers.

PART 2 EFFECTIVE DATE

2.1. These amendments come into force on August 1, 2006.