

## Chapter 5

# Rules and Policies

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### 5.1.1 Amendments to NI 31-103 Registration Requirements and Exemptions

#### AMENDMENTS TO NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS AND EXEMPTIONS

1. **National Instrument 31-103 Registration Requirements and Exemptions is amended by this Instrument.**
2. **The title is amended by replacing “and Exemptions” with “, Exemptions and Ongoing Registrant Obligations”.**
3. **Subsection 1.1 is amended by**
  - (a) **deleting the definition of “NI 45-106”,**
  - (b) **replacing paragraph (d) of the definition of “permitted client” with the following:**
    - (d) a person or company registered under the securities legislation of a jurisdiction of Canada as an adviser, investment dealer, mutual fund dealer or exempt market dealer; **and**
  - (c) **by replacing “NI 45-106” wherever the expression occurs with “National Instrument 45-106 Prospectus and Registration Exemptions”.**
4. **Subsection 1.3 (1) is amended**
  - (a) **in paragraphs (a) and (b) by replacing “registered firm” with “person or company”,**
  - (b) **in subparagraph (b)(i) by replacing “firm” wherever the expression occurs with “person or company”, and**
  - (c) **in subparagraph (b)(ii) by replacing “firm’s” with “person or company’s”.**
5. **Section 3.1 is amended**
  - (a) **in the definition of “Canadian Investment Funds Exam” by replacing “Canadian Investment Funds Exam” with “Canadian Investment Funds Course Exam”,**
  - (b) **by replacing “Investment Funds Institute of Canada” wherever it occurs with “IFSE Institute”; and**
  - (c) **by adding the following after the definition of “Canadian Securities Course Exam”:**

“Chief Compliance Officers Qualifying Exam” means the examination prepared and administered by CSI Global Education Inc. and so named on the day this Instrument comes into force, and every examination that preceded that examination, or succeeded that examination, that does not have a significantly reduced scope and content when compared to the scope and content of the first-mentioned examination;”
6. **Section 3.3 is replaced with the following:**
  - 3.3 **Time limits on examination requirements**
    - (1) For the purpose of this Part, an individual is deemed to have not passed an examination unless the individual passed the examination not more than 36 months before the date of his or her application for registration.
    - (2) Subsection (1) does not apply if the individual passed the examination more than 36 months before the date of his or her application and has met one of the following conditions:
      - (a) the individual was registered in the same category in any jurisdiction of Canada at any time during the 36-month period before the date of his or her application;

(b) the individual has gained 12 months of relevant securities industry experience during the 36-month period before the date of his or her application.

(3) For the purpose of paragraph (2)(a), an individual is not considered to have been registered during any period in which the individual's registration was suspended.

7. **Subsection 3.4 (1) is amended by adding** “, including understanding the structure, features and risks of each security the individual recommends” **after** “competently”.

8. **Section 3.5 is replaced with the following:**

**3.5 Mutual fund dealer – dealing representative**

A dealing representative of a mutual fund dealer must not act as a dealer in respect of the securities listed in section 7.1(2)(b) unless any of the following apply:

- (a) the individual has passed the Canadian Investment Funds Course Exam, the Canadian Securities Course Exam or the Investment Funds in Canada Course Exam;
- (b) the individual has met the requirements of section 3.11 [*portfolio manager – advising representative*];
- (c) the individual has earned a CFA Charter and has gained 12 months of relevant securities industry experience in the 36-month period before applying for registration;
- (d) the individual is exempt from section 3.11 [*portfolio manager – advising representative*] because of subsection 16.10(1) [*proficiency for dealing and advising representatives*].

9. **Section 3.6 is amended**

(a) **in subparagraph (a)(i) by replacing** “Canadian Investment Funds Exam” **with** “Canadian Investment Funds Course Exam”,

(b) **in subparagraph (a)(ii) by replacing** “or” **with** “,” **and by adding** “or the Chief Compliance Officers Qualifying Exam;” **after** “Compliance Exam;” **and**

(c) **by adding the following after paragraph (b):**

(c) section 3.13 [*portfolio manager – chief compliance officer*] does not apply in respect of the individual because of subsection 16.9(2) [*registration of chief compliance officers*].

10. **Section 3.7 is replaced with the following:**

**3.7 Scholarship plan dealer – dealing representative**

A dealing representative of a scholarship plan dealer must not act as a dealer in respect of the securities listed in section 7.1(2)(c) unless the individual has passed the Sales Representative Proficiency Exam.

11. **Section 3.8 is amended by adding, in paragraph (c), after** “Exam”, “or the Chief Compliance Officers Qualifying Exam.”

12. **Section 3.9 is replaced with the following:**

**3.9 Exempt market dealer – dealing representative**

A dealing representative of an exempt market dealer must not perform an activity listed in section 7.1(2)(d) unless any of the following apply:

- (a) the individual has passed the Canadian Securities Course Exam;
- (b) the individual has passed the Exempt Market Products Exam;
- (c) the individual has earned a CFA Charter and has gained 12 months of relevant securities industry experience in the 36-month period before applying for registration;

- (d) the individual satisfies the conditions set out in section 3.11 [*portfolio manager – advising representative*];
- (e) the individual is exempt from section 3.11 [*portfolio manager – advising representative*] because of subsection 16.10(1) [*proficiency for dealing and advising representatives*].

**13. Section 3.10 is replaced with the following:**

**3.10 Exempt market dealer – chief compliance officer**

An exempt market dealer must not designate an individual as its chief compliance officer under subsection 11.3(1) [*designating a chief compliance officer*] unless any of the following apply:

- (a) the individual has passed the following:
  - (i) the Exempt Market Products Exam or the Canadian Securities Course Exam; and
  - (ii) the PDO Exam or the Chief Compliance Officers Qualifying Exam;
- (b) the individual has met the requirements of section 3.13 [*portfolio manager – chief compliance officer*];
- (c) section 3.13 [*portfolio manager – chief compliance officer*] does not apply in respect of the individual because of subsection 16.9(2) [*registration of chief compliance officers*].

**14. Section 3.11 is replaced with the following:**

**3.11 Portfolio manager – advising representative**

An advising representative of a portfolio manager must not act as an adviser on behalf of the portfolio manager unless any of the following apply:

- (a) the individual has earned a CFA Charter and has gained 12 months of relevant investment management experience in the 36-month period before applying for registration;
- (b) the individual has received the Canadian Investment Manager designation and has gained 48 months of relevant investment management experience, 12 months of which was gained in the 36-month period before applying for registration.

**15. Section 3.12 is replaced with the following:**

**3.12 Portfolio manager – associate advising representative**

An associate advising representative of a portfolio manager must not act as an adviser on behalf of the portfolio manager unless any of the following apply:

- (a) the individual has completed Level 1 of the Chartered Financial Analyst program and has gained 24 months of relevant investment management experience;
- (b) the individual has received the Canadian Investment Manager designation and has gained 24 months of relevant investment management experience.

**16. Section 3.13 is amended**

**(a) by replacing subparagraph (a)(ii) with the following:**

- (ii) passed the PDO Exam or the Chief Compliance Officers Qualifying Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course Exam, and;

**(b) in clause (a)(iii)(B) by adding “also” after “and”,**

**(c) in paragraph (b) by replacing “the PDO” with “either the PDO Exam or the Chief Compliance Officers Qualifying”,**

- (d) *in subparagraph (b)(ii) by adding “also” after “and”, and*
- (e) *in paragraph (c) by replacing “the PDO” with “either the PDO Exam or the Chief Compliance Officers Qualifying”.*

**17. Section 3.14 is amended**

- (a) *by replacing subparagraph (a)(ii) with the following:*
  - (ii) passed the PDO Exam or the Chief Compliance Officers Qualifying Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course Exam, and,
- (b) *in clause (a)(iii)(B) by adding “also” after “and”,*
- (c) *in subparagraph (b)(i) by adding “Course” after “Canadian Investment Funds”,*
- (d) *in subparagraph b(ii) by adding “or the Chief Compliance Officers Qualifying Exam” after “Exam”,*
- (e) *by adding the following after paragraph (c):*
  - (d) section 3.13 [*portfolio manager – chief compliance officer*] does not apply in respect of the individual because of subsection 16.9(2) [*registration of chief compliance officers*].

**18. Section 3.15 is amended**

- (a) *in subsection (1) by adding “that is a member of IIROC” after “dealer”, and*
- (b) *in subsection (2) by adding “that is a member of the MFDA” after “dealer”.*

**19. Subsection 3.16(3) is replaced with the following:**

(3) In Québec, the requirements listed in subsection (2) do not apply to a registered individual who is a dealing representative of a mutual fund dealer to the extent equivalent requirements to those listed in subsection (2) are applicable to the registered individual under the regulations in Québec.

**20. Section 4.1 is replaced with the following:**

**4.1 Restriction on acting for another registered firm**

- (1) A registered firm must not permit an individual to act as a dealing, advising or associate advising representative of the registered firm if the individual
  - (a) acts as an officer, partner or director of another registered firm that is not an affiliate of the first-mentioned registered firm, or
  - (b) is registered as a dealing, advising or associate advising representative of another registered firm.
- (2) Paragraph (1)(b) does not apply in respect of a representative whose registration as a dealing, advising or associate advising representative of more than one registered firm was granted before July 11, 2011.

**21. Subsection 4.2(3) is amended by adding “or, in Québec, the securities regulatory authority” after “the regulator”.**

**22. Section 6.7 is replaced with the following:**

**6.7 Exception for individuals involved in a hearing or proceeding**

Despite section 6.6, if a hearing or proceeding concerning a suspended registrant is commenced under securities legislation or under the rules of an SRO, the registrant’s registration remains suspended.

**23. Section 7.1 is amended**

- (a) *in subparagraph (2)(b)(ii) by striking out “except in Quebec,” and*
- (b) *by repealing subsection (3).*

**24. Section 8.6 is amended**

- (a) *by replacing the heading with “Investment fund trades by adviser to managed account”,*
- (b) *in subsection (1) by replacing “a non-prospectus qualified” with “an”,*
- (c) *in subsection (2) by striking out “non-prospectus qualified”, and*
- (d) *in subsection (3) by adding “or, in Québec, the securities regulatory authority” after “regulator”,*
- (e) *in subsection (3) by replacing “7 days” with “10 days”.*

**25. Section 8.14 is amended by replacing “NI 45-106” with “National Instrument 45-106 Prospectus and Registration Exemptions”.**

**26. Subsection 8.16 (1) is amended by deleting “ “control person” has the same meaning as in section 1.1 of NI 45-106;” and by replacing “NI 45-106” with “National Instrument 45-106 Prospectus and Registration Exemptions” wherever the expression occurs.**

**27. Subsection 8.17 (5) is amended by replacing “8.3.1” with “8.4” and “NI 45-106” with “National Instrument 45-106 Prospectus and Registration Exemptions”.**

**28. Section 8.18 is amended**

- (a) *in subsection (1) by deleting “,” after “In this section” and by adding the following before the definition of “foreign security”:*

“Canadian permitted client” means a permitted client referred to in any of paragraphs (a) to (e), (g) or (i) to (r) of the definition of “permitted client” in section 1.1 if

- (a) in the case of an individual, the individual is a resident of Canada;
  - (b) in the case of a trust, the terms of the trust expressly provide that those terms are governed by the laws of a jurisdiction of Canada;
  - (c) in any other case, the permitted client is incorporated, organized or continued under the laws of Canada or a jurisdiction of Canada.
- (b) *in subsection (2) by adding “any of” after “in respect of”,*
  - (c) *in paragraphs (b), (c) and (d) by adding “Canadian” before “permitted client”,*
  - (d) *in subsection (3) by replacing “exemptions” with “exemption” and “are” with “is”,*
  - (e) *by replacing paragraph (3)(d) with the following:*
    - (d) the person or company is acting as principal or as agent for
      - (i) the issuer of the securities
      - (ii) a permitted client, or
      - (iii) a person or company that is not a resident of Canada;

**(f) by replacing paragraph (4) with the following:**

**(4)** The exemption under subsection (2) is not available to a person or company in respect of a trade with a Canadian permitted client unless one of the following applies:

- (a) the Canadian permitted client is a person or company registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer;
- (b) the person or company has notified the Canadian permitted client of all of the following:
  - (i) the person or company is not registered in the local jurisdiction to make the trade;
  - (ii) the foreign jurisdiction in which the head office or principal place of business of the person or company is located;
  - (iii) all or substantially all of the assets of the person or company may be situated outside of Canada;
  - (iv) there may be difficulty enforcing legal rights against the person or company because of the above;
  - (v) the name and address of the agent for service of process of the person or company in the local jurisdiction.

**(g) by replacing subsection (5) with the following:**

**(5)** A person or company that relied on the exemption in subsection (2) during the 12 month period preceding December 1 of a year must notify the regulator or, in Québec, the securities regulatory authority of that fact by December 1 of that year, **and**

**(h) by adding the following after subsection (6):**

**(7)** The adviser registration requirement does not apply to a person or company that is exempt from the dealer registration requirement under this section if the person or company provides advice to a client and the advice is

- (a) in connection with an activity or trade described under subsection (2), and
- (b) not in respect of a managed account of the client.

**29. Subparagraph 8.19(2)(a)(i) is amended by adding, after “dealer”, “in respect of securities listed in section 7.1(2)(b)”.**

**30. Paragraph 8.22 (2)(d) is amended by replacing “\$25 000” with “\$25,000”.**

**31. The Note to Section 8.25 is amended by replacing “7.24” with “8.25”.**

**32. Section 8.26 is amended by**

**(a) replacing the definition of “permitted client” with the following:**

“Canadian permitted client” means a permitted client referred to in any of paragraphs (a) to (c), (e), (g) or (i) to (r) of the definition of “permitted client” in section 1.1 if

- (a) in the case of an individual, the individual is a resident of Canada;
- (b) in the case of a trust, the terms of the trust expressly provide that those terms are governed by the laws of a jurisdiction of Canada; and
- (c) in any other case, the permitted client is incorporated, organized or continued under the laws of Canada or a jurisdiction of Canada, **and**

**(b) replacing paragraphs (3), (4) and (5) with the following:**

**(3)** The adviser registration requirement does not apply to a person or company in respect of its acting as an adviser to a Canadian permitted client if the adviser does not advise that client on securities of Canadian issuers, unless providing that advice is incidental to its providing advice on a foreign security.

**(4)** The exemption under subsection (3) is not available unless all of the following apply:

- (a) the adviser's head office or principal place of business is in a foreign jurisdiction;
- (b) the adviser is registered or operates under an exemption from registration, under the securities legislation of the foreign jurisdiction in which its head office or principal place of business is located, in a category of registration that permits it to carry on the activities in that jurisdiction that registration as an adviser would permit it to carry on in the local jurisdiction;
- (c) the adviser engages in the business of an adviser in the foreign jurisdiction in which its head office or principal place of business is located;
- (d) as at the end of its most recently completed financial year, not more than 10% of the aggregate consolidated gross revenue of the adviser, its affiliates and its affiliated partnerships was derived from the portfolio management activities of the adviser, its affiliates and its affiliated partnerships in Canada;
- (e) before advising a client, the adviser notifies the client of all of the following:
  - (i) the adviser is not registered in the local jurisdiction to provide the advice described under subsection (3);
  - (ii) the foreign jurisdiction in which the adviser's head office or principal place of business is located;
  - (iii) all or substantially all of the adviser's assets may be situated outside of Canada;
  - (iv) there may be difficulty enforcing legal rights against the adviser because of the above;
  - (v) the name and address of the adviser's agent for service of process in the local jurisdiction;
- (f) the adviser has submitted to the securities regulatory authority a completed Form 31-103F2 Submission to Jurisdiction and Appointment of Agent for Service.

**(5)** A person or company that relied on the exemption in subsection (3) during the 12 month period preceding December 1 of a year must notify the regulator or, in Québec, the securities regulatory authority of that fact by December 1 of that year.

**33. Section 8.29 is amended by adding the following after subsection (2):**

**(3)** This section does not apply in Ontario.

Note: In Ontario, subsection 35.1 of the <i>Securities Act</i> (Ontario) provides a general exemption from the registration requirement for trust companies, trust corporations and other specified financial institutions.
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**34. Section 9.3 is amended**

**(a) in the heading by replacing "SRO" with "IIROC",**

**(b) by replacing the introductory sentence in subsection (1) with**

**(1)** Unless it is also registered as an investment fund manager, a registered firm that is a member of IIROC is exempt from the following requirements:"

(c) **in subsection (1) by inserting the following after paragraph (l):**

(l.1) section 13.15 [*handling complaints*];

(d) **by replacing subsection (2) with the following:**

(2) If a registered firm is a member of IIFROC and is registered as an investment fund manager, the firm is exempt from the following requirements:

- (a) section 12.3 [*insurance – dealer*];
- (b) section 12.6 [*global bonding or insurance*];
- (c) section 12.12 [*delivering financial information – dealer*];
- (d) subsection 13.2(3) [*know your client*];
- (e) section 13.3 [*suitability*];
- (f) section 13.12 [*restriction on lending to clients*];
- (g) section 13.13 [*disclosure when recommending the use of borrowed money*];
- (h) section 13.15 [*handling complaints*];
- (i) subsection 14.2(2) [*relationship disclosure information*];
- (j) section 14.6 [*holding client assets in trust*];
- (k) section 14.8 [*securities subject to a safekeeping agreement*];
- (l) section 14.9 [*securities not subject to a safekeeping agreement*];
- (m) section 14.12 [*content and delivery of trade confirmation*],, **and**

(e) **by repealing subsections (3), (4), (5) and (6).**

**35. This instrument is amended by adding the following after section 9.3:**

**9.4 Exemptions from certain requirements for MFDA members**

(1) Unless it is also registered as an exempt market dealer, a scholarship plan dealer or an investment fund manager, a registered firm that is a member of the MFDA is exempt from the following requirements:

- (a) section 12.1 [*capital requirements*];
- (b) section 12.2 [*notifying the regulator of a subordination agreement*];
- (c) section 12.3 [*insurance – dealer*];
- (d) section 12.6 [*global bonding or insurance*];
- (e) section 12.7 [*notifying the regulator of a change, claim or cancellation*];
- (f) section 12.10 [*annual financial statements*];
- (g) section 12.11 [*interim financial information*];
- (h) section 12.12 [*delivering financial information – dealer*];
- (i) section 13.3 [*suitability*];
- (j) section 13.12 [*restriction on lending to clients*];

- (k) section 13.13 [*disclosure when recommending the use of borrowed money*];
- (l) section 13.15 [*handling complaints*];
- (m) subsection 14.2(2) [*relationship disclosure information*];
- (n) section 14.6 [*holding client assets in trust*];
- (o) section 14.8 [*securities subject to a safekeeping agreement*];
- (p) section 14.9 [*securities not subject to a safekeeping agreement*];
- (q) section 14.12 [*content and delivery of trade confirmation*].

(2) If a registered firm is a member of the MFDA and is registered as an exempt market dealer, scholarship plan dealer or investment fund manager, the firm is exempt from the following requirements:

- (a) section 12.3 [*insurance – dealer*];
- (b) section 12.6 [*global bonding or insurance*];
- (c) section 13.3 [*suitability*];
- (d) section 13.12 [*restriction on lending to clients*];
- (e) section 13.13 [*disclosure when recommending the use of borrowed money*];
- (f) section 13.15 [*handling complaints*];
- (g) subsection 14.2(2) [*relationship disclosure information*];
- (h) section 14.6 [*holding client assets in trust*];
- (i) section 14.8 [*securities subject to a safekeeping agreement*];
- (j) section 14.9 [*securities not subject to a safekeeping agreement*];
- (k) section 14.12 [*content and delivery of trade confirmation*].

(3) Subsections (1) and (2) do not apply in Québec.

(4) In Québec, the requirements listed in subsection (1) do not apply to a mutual fund dealer to the extent equivalent requirements to those listed in subsection (1) are applicable to the mutual fund dealer under the regulations in Québec.

**36. Section 10.6 is amended**

- (a) **in the heading by adding “or proceeding” after “hearing”, and**
- (b) **by adding “or proceeding” after “hearing”.**

**37. Subsection 11.2 (2) is replaced with the following:**

- (2) A registered firm must designate an individual under subsection (1) who is one of the following:
  - (a) the chief executive officer of the registered firm or, if the firm does not have a chief executive officer, an individual acting in a capacity similar to a chief executive officer;
  - (b) the sole proprietor of the registered firm;
  - (c) the officer in charge of a division of the registered firm, if the activity that requires the firm to register occurs only within the division and the firm has significant other business activities.

**38. The heading of section 11.4 is amended by replacing “board” with “the board of directors”.**

**39. Subsection 11.6(1) and (2) are replaced with the following:**

- (1) A registered firm must keep a record that it is required to keep under securities legislation
  - (a) for 7 years from the date the record is created,
  - (b) in a safe location and in a durable form, and
  - (c) in a manner that permits it to be provided to the regulator or, in Québec, the securities regulatory authority in a reasonable period of time.
- (2) A record required to be provided to the regulator, or, in Québec, the securities regulatory authority must be provided in a format that is capable of being read by the regulator or the securities regulatory authority.

**40. The note to s. 11.6 is amended by replacing “require” with “required”.**

**41. Section 11.9 is replaced with the following:**

**11.9 Registrant acquiring a registered firm’s securities or assets**

- (1) A registrant must give the regulator or, in Québec, the securities regulatory authority written notice in accordance with subsection (2) if it proposes to acquire any of the following:
  - (a) beneficial ownership of, or direct or indirect control or direction over, a security of a registered firm;
  - (b) beneficial ownership of, or direct or indirect control or direction over, a security of a person or company of which a registered firm is a subsidiary;
  - (c) all or a substantial part of the assets of a registered firm.
- (2) The notice required under subsection (1) must be delivered to the regulator or, in Québec, the securities regulatory authority at least 30 days before the proposed acquisition and must include all relevant facts regarding the acquisition sufficient to enable the regulator or the securities regulatory authority to determine if the acquisition is
  - (a) likely to give rise to a conflict of interest,
  - (b) likely to hinder the registered firm in complying with securities legislation,
  - (c) inconsistent with an adequate level of investor protection, or
  - (d) otherwise prejudicial to the public interest.
- (3) Subsection (1) does not apply to the following:
  - (a) a proposed acquisition if the beneficial ownership of, or direct or indirect control or direction over, the person or company whose security is to be acquired will not change;
  - (b) a registrant who, alone or in combination with any other person or company, proposes to acquire securities that, together with the securities already beneficially owned, or over which direct or indirect control or direction is already exercised, do not exceed more than 10% of any class or series of securities.
- (4) Except in Ontario and British Columbia, if, within 30 days of the regulator’s, or, in Québec, the securities regulatory authority’s receipt of a notice under subsection (1), the regulator or the securities regulatory authority notifies the registrant making the acquisition that the regulator or the securities regulatory authority objects to the acquisition, the acquisition must not occur until the regulator or the securities regulatory authority approves it.
- (5) In Ontario, if, within 30 days of the regulator’s receipt of a notice under subsection (1)(a) or (c), the regulator notifies the registrant making the acquisition that the regulator objects to the acquisition, the acquisition must not occur until the regulator approves it.

(6) Following receipt of a notice of objection under subsection (4) or (5), the person or company who submitted the notice to the regulator or, in Québec, the securities regulatory authority may request an opportunity to be heard on the matter.

**42. Section 11.10 is replaced with the following:**

**11.10 Registered firm whose securities are acquired**

(1) A registered firm must give the regulator or, in Québec, the securities regulatory authority written notice in accordance with subsection (2) if it knows or has reason to believe that any person or company, alone or in combination with any other person or company, is about to acquire, or has acquired, beneficial ownership of, or direct or indirect control or direction over, 10% or more of any class or series of voting securities of any of the following:

- (a) the registered firm;
- (b) a person or company of which the registered firm is a subsidiary.

(2) The notice required under subsection (1) must,

- (a) be delivered to the regulator or, in Québec, the securities regulatory authority as soon as possible,
- (b) include the name of each person or company involved in the acquisition, and
- (c) after the registered firm has applied reasonable efforts to gather all relevant facts, include facts regarding the acquisition sufficient to enable the regulator or the securities regulatory authority to determine if the acquisition is
  - (i) likely to give rise to a conflict of interest,
  - (ii) likely to hinder the registered firm in complying with securities legislation,
  - (iii) inconsistent with an adequate level of investor protection, or
  - (iv) otherwise prejudicial to the public interest.

(3) This section does not apply to an acquisition in which the beneficial ownership of, or direct or indirect control or direction over, a registered firm does not change.

(4) This section does not apply if notice of the acquisition was provided under section 11.9 [*registrant acquiring a registered firm's securities or assets*].

(5) Except in British Columbia and Ontario, if, within 30 days of the regulator's or, in Québec, the securities regulatory authority's receipt of a notice under subsection (1), the regulator or the securities regulatory authority notifies the person or company making the acquisition that the regulator or the securities regulatory authority objects to the acquisition, the acquisition must not occur until the regulator or the securities regulatory authority approves it.

(6) In Ontario, if, within 30 days of the regulator's receipt of a notice under subsection (1)(a), the regulator notifies the person or company making the acquisition that the regulator objects to the acquisition, the acquisition must not occur until the regulator approves it.

(7) Following receipt of a notice of objection under subsection (5) or (6), the person or company proposing to make the acquisition may request an opportunity to be heard on the matter.

**43. Section 12.1 is replaced with the following:**

**12.1 Capital requirements**

(1) If, at any time, the excess working capital of a registered firm, as calculated in accordance with Form 31-103F1 *Calculation of Excess Working Capital*, is less than zero, the registered firm must notify the regulator or, in Québec, the securities regulatory authority as soon as possible.

(2) The excess working capital of a registered firm, as calculated in accordance with Form 31-103F1 *Calculation of Excess Working Capital*, must not be less than zero for 2 consecutive days.

- (3) For the purpose of completing Form 31-103F1 *Calculation of Excess Working Capital*, the minimum capital is
- (a) \$25,000, for a registered adviser that is not also a registered dealer or a registered investment fund manager,
  - (b) \$50,000, for a registered dealer that is not also a registered investment fund manager, and
  - (c) \$100,000, for a registered investment fund manager.
- (4) Paragraph (3)(c) does not apply to a registered investment fund manager that is exempt from the dealer registration requirement under section 8.6 [*investment fund trades by adviser to managed account*] in respect of all investment funds for which it acts as adviser.
- (5) This section does not apply to a registered firm that is a member of IIROC and is registered as an investment fund manager if all of the following apply:
- (a) the firm has a minimum capital of not less than \$100,000 as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*;
  - (b) the firm notifies the regulator or, in Québec, the securities regulatory authority as soon as possible if, at any time, the firm's risk adjusted capital, as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report* is less than zero;
  - (c) the risk adjusted capital of the firm, as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*, is not less than zero for 2 consecutive days.
- (6) This section does not apply to a mutual fund dealer that is a member of the MFDA if it is also registered as an exempt market dealer, a scholarship plan dealer or an investment fund manager and if all of the following apply:
- (a) the firm has a minimum capital, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*, of not less than
    - (i) \$50,000, if the firm is registered as an exempt market dealer or scholarship plan dealer,
    - (ii) \$100,000, if the firm is registered as an investment fund manager;
  - (b) the firm notifies the regulator or, in Québec, the securities regulatory authority as soon as possible if, at any time, the firm's risk adjusted capital, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report* is less than zero;
  - (c) the risk adjusted capital of the firm, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*, is not less than zero for 2 consecutive days.

**44. Section 12.2 is amended**

- (a) **by replacing the heading with** "Notifying the regulator or the securities regulatory authority of a subordination agreement".
- (b) **by adding** "or, in Québec, the securities regulatory authority" **after** "regulator", **and**
- (c) **by replacing** "5 days" **with** "10 days".

**45. Subsection 12.3(2) is amended by deleting** "and".

**46. Subsections 12.4(2) and (3) are amended by deleting** "and" **wherever it occurs after** "Appendix A".

**47. Subsection 12.5 (2) is amended by deleting** "and" **after** "Appendix A".

**48. Section 12.7 is amended by**

- (a) **Replacing the heading with** "Notifying the regulator or the securities regulatory authority of a change, claim or cancellation".

(b) **by adding** “or, in Québec, the securities regulatory authority” **after** “regulator”.

**49. Section 12.8 is replaced with the following:**

**12.8 Direction by the regulator or the securities regulatory authority to conduct an audit or review**

A registered firm must direct its auditor in writing to conduct any audit or review required by the regulator or, in Québec, the securities regulatory authority during its registration and must deliver a copy of the direction to the regulator or the securities regulatory authority

- (a) with its application for registration, and
- (b) no later than the 10th day after the registered firm changes its auditor.

**50. Section 12.10 is amended in subsections (1) and (2) by adding** “or, in Québec, the securities regulatory authority” **after** “regulator”.

**51. Subsection 12.11(1) and (2) is amended by adding** “or, in Québec, the securities regulatory authority” **after** “regulator”.

**52. Section 12.12 is amended**

(a) **by adding** “or, in Québec, the securities regulatory authority” **after** “regulator” **wherever the expression occurs.**

(b) **by adding, after section (2), the following:**

(2.1) If a registered firm is a member of the MFDA and is registered as an exempt market dealer or scholarship plan dealer, the firm is exempt from paragraphs (1)(b) and (2)(b) if all of the following apply:

- (a) the firm has a minimum capital of not less than \$50,000 as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*;
- (b) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 *MFDA Financial Questionnaire and Report*, no later than the 90<sup>th</sup> day after the end of its financial year, that shows the calculation of the firm’s risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any;
- (c) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 *MFDA Financial Questionnaire and Report*, no later than the 30<sup>th</sup> day after the end of the first, second and third interim period of its financial year, that shows the calculation of the firm’s risk adjusted capital as at the end of the interim period and as at the end of the immediately preceding month, if any.

(c) **in subsection (3) by adding** “unless it is also registered in another category” **after** “exempt market dealer”.

**53. Section 12.13 is amended by adding** “or, in Québec, the securities regulatory authority” **after** “regulator”.

**54. Section 12.14 is amended**

(a) **by adding** “or, in Québec, the securities regulatory authority” **after** “regulator” **wherever the expression occurs;**

(b) **by adding, after subsection (3), the following:**

(4) If a registered firm is a member of IIROC and is registered as an investment fund manager, the firm is exempt from paragraphs (1)(b) and (2)(b) if

- (a) the firm has a minimum capital of not less than \$100,000, as calculated in accordance with IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*;

- (b) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*, no later than the 90<sup>th</sup> day after the end of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any, and
  - (c) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed IIROC Form 1 *Joint Regulatory Financial Questionnaire and Report*, no later than the 30<sup>th</sup> day after the end of the first, second and third interim period of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the interim period and as at the end of the immediately preceding month, if any.
- (5) If a registered firm is a member of the MFDA and is registered as an investment fund manager, the firm is exempt from paragraphs (1)(b) and (2)(b) if
- (a) the firm has a minimum capital of not less than \$100,000, as calculated in accordance with MFDA Form 1 *MFDA Financial Questionnaire and Report*,
  - (b) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 *MFDA Financial Questionnaire and Report*, no later than the 90<sup>th</sup> day after the end of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the financial year and as at the end of the immediately preceding financial year, if any, and
  - (c) the firm delivers to the regulator or, in Québec, the securities regulatory authority a completed MFDA Form 1 *MFDA Financial Questionnaire and Report*, no later than the 30<sup>th</sup> day after the end of the first, second and third interim period of its financial year, that shows the calculation of the firm's risk adjusted capital as at the end of the interim period and as at the end of the immediately preceding month, if any.

55. **Section 13.1 is amended by adding** “an investment fund manager in respect of its activities as” **after** “apply to”.

56. **Section 13.2 is amended**

- (a) **in subsection (3) by deleting** “under paragraph (2)(a)”,
- (b) **in subparagraph (3)(b)(i) by replacing** “10%” **with** “25%”, **and**
- (c) **by adding the following after subsection (6):**

(7) Paragraph (2)(b) does not apply to a registrant in respect of a client for which the registrant only trades securities referred to in paragraphs 7.1(2)(b) and 7.1(2)(c).

57. **Paragraph 13.6 (b) is amended by adding** “, or is managed by an affiliate of,” **after** “affiliate of”.

58. **Section 13.8 is replaced with the following:**

**Permitted referral arrangements**

**13.8** A registered firm, or a registered individual whose registration is sponsored by the registered firm, must not participate in a referral arrangement with another person or company unless,

- (a) before a client is referred by or to the registrant, the terms of the referral arrangement are set out in a written agreement between the registered firm and the person or company;
- (b) the registered firm records all referral fees, and
- (c) the registrant ensures that the information prescribed by subsection 13.10(1) [*disclosing referral arrangements to clients*] is provided to the client in writing before the party receiving the referral either opens an account for the client or provides services to the client.

**59. Section 13.9 is amended by**

- (a) **replacing** “registrant that refers” **with** “registered firm, or a registered individual whose registration is sponsored by the registered firm, must not refer”;
- (b) **replacing** “must take” **with** “unless the firm first takes”, **and**
- (c) **deleting** “himself, herself, or”.

**60. Subsection 13.10 (1) is amended**

- (a) **in paragraph (a) by replacing** “referral arrangement” **with** “agreement referred to in paragraph 13.8(a)”,
- (b) **in paragraph (b) by replacing** “referral arrangement” **with** “agreement”, **and**
- (c) **in paragraph (c) by replacing** “referral arrangement” **with** “agreement”.

**61. Section 13.12 is amended by adding the following:**

- (2) Notwithstanding subsection (1), an investment fund manager may lend money on a short term basis to an investment fund it manages, if the loan is for the purpose of funding redemptions of its securities or meeting expenses incurred by the investment fund in the normal course of its business.

**62. Subsection 13.13 (2) is amended by**

- (a) **adding** “one of the following applies” **after** “if”,
- (b) **repealing paragraph (b)**.

**63. Section 13.14 is replaced with the following:**

**13.14 Application of this Division**

- (1) This Division does not apply to an investment fund manager in respect of its activities as an investment fund manager.
- (2) In Québec, a registered firm is deemed to comply with this Division if it complies with sections 168.1.1 to 168.1.3 of the *Securities Act* (Québec).

**64. Section 14.1 is replaced with the following:**

**14.1 Investment fund managers exempt from Part 14**

- 14.1 Other than sections 14.6 [*holding client assets in trust*], 14.12(5) [*content and delivery of trade confirmation*] and 14.14 [*account statements*], this Part does not apply to an investment fund manager in respect of its activities as an investment fund manager.

**65. Subsection 14.2 (2) is amended**

- (a) **by replacing paragraph (j) with the following:**
  - (j) If section 13.16 applies to the registered firm, disclosure that independent dispute resolution or mediation services are available at the registered firm’s expense, to resolve any dispute that might arise between the client and the firm about any trading or advising activity of the firm or one of its representatives; **and**
- (b) **in paragraph (k) by adding** “registered” **after** “that the”.

**66. Section 14.5 is replaced with the following:**

**14.5 Notice to clients by non-resident registrants**

(1) A registered firm whose head office is not located in the local jurisdiction must provide a client in the local jurisdiction with a statement in writing disclosing the following:

- (a) the firm is not resident in the local jurisdiction;
- (b) the jurisdiction in Canada or the foreign jurisdiction in which the head office or the principal place of business of the firm is located;
- (c) all or substantially all of the assets of the firm may be situated outside the local jurisdiction;
- (d) there may be difficulty enforcing legal rights against the firm because of the above;
- (e) the name and address of the agent for service of process of the firm in the local jurisdiction.

(2) This section does not apply to a registered firm whose head office is in Canada if the firm is registered in the local jurisdiction.

**67. Section 14.12 is amended**

(a) **in subsection (1) by replacing** "Subject to subsection (2), a" **with** "A" **and by adding** "or, if the client consents in writing, to a registered adviser acting for the client," **after** "deliver to the client",

(b) **by replacing subsection (3) with the following:**

- (3) Paragraph (1)(h) does not apply if all of the following apply:
  - (a) the security is a security of a mutual fund that is established and managed by the registered dealer or by an affiliate of the registered dealer, in its capacity as investment fund manager of the mutual fund;
  - (b) the names of the dealer and the mutual fund are sufficiently similar to indicate that they are affiliated or related., **and**

(c) **by adding the following after subsection (4):**

(5) A registered investment fund manager that has executed a redemption order received directly from a security holder must promptly deliver to the security holder a written confirmation of the redemption, setting out the following:

- (a) the quantity and description of the security redeemed;
- (b) the price per security received by the client;
- (c) the commission, sales charge, service charge and any other amount charged in respect of the redemption;
- (d) the settlement date of the redemption.

(6) Section 14.12 (5) does not apply to trades in a security of an investment fund made on reliance on section 8.6.

**68. Section 14.13 is amended**

(a) **in the heading by replacing** "Semi-annual confirmations" **with** "Confirmations", **and**

(b) **by repealing paragraph (d).**

**69. Section 14.14 is amended**

**(a) in the heading by replacing “Client” with “Account”,**

**(b) in subsection (2) by deleting “, other than a mutual fund dealer,” after “registered dealer”,**

**(c) by adding the following after subsection (2):**

(2.1) Subsection (2) does not apply to a mutual fund dealer in connection with its activities as a dealer in respect of the securities listed in section 7.1(2)(b).

**(d) by adding the following after subsection (3):**

(3.1) If there is no dealer of record for a security holder on the records of a registered investment fund manager, the investment fund manager must deliver a statement to the security holder at least once every 12 months,

**(e) by replacing subsection (4) with the following:**

(4) A statement delivered under subsection (1), (2), (3) or (3.1) must include all of the following information for each transaction made for the client or security holder during the period covered by the statement:

- (a) the date of the transaction;
- (b) the type of transaction;
- (c) the name of the security;
- (d) the number of securities;
- (e) the price per security;
- (f) the total value of the transaction.

**(f) by replacing subsection (5) with the following:**

(5) A statement delivered under subsection (1), (2), (3) or (3.1) must include all of the following information about the client's or security holder's account as at the end of the period for which the statement is made:

- (a) the name and quantity of each security in the account;
- (b) the market value of each security in the account;
- (c) the total market value of each security position in the account;
- (d) any cash balance in the account;
- (e) the total market value of all cash and securities in the account, **and**

**(g) by adding the following after subsection (5):**

(6) Subsections (1) and (2) do not apply to a scholarship plan dealer if both of the following apply:

- (a) the dealer is not registered in another dealer or adviser category;
- (b) the dealer delivers to the client a statement at least once every 12 months that provides the information in subsections (4) and (5).

**70. Subsection 15.1 is amended by adding “in Québec” after “regulator”.**

**71. Subsection 16.4 is amended**

- (a) *in paragraph (1)(b) by adding “or, in Québec, the securities regulatory authority” after “regulator”;*
- (b) *in subsection (3) by adding “a” after “dealer or”.*

**72. Subsection 16.5(1) is replaced with the following**

- (1) A person or company is not required to register in the local jurisdiction as an investment fund manager if it is registered, or has applied for registration, as an investment fund manager in the jurisdiction of Canada in which its head office is located.
- (2) Subsection (1) is repealed on September 28, 2012.

**73. Subsection 16.6(2) is replaced with the following**

- (2) Subsection (1) is repealed on September 28, 2012.

**74. Subsections 16.7(3) and (4) are amended by adding “or, in Québec, the securities regulatory authority” after “regulator” wherever this expression occurs.**

**75. Subsection 16.8(b) is amended by adding “or, in Québec, the securities regulatory authority” after “regulator”.**

**76. Subsection 16.9 is amended**

- (a) *in paragraph (1)(b), by adding “or, in Québec, the securities regulatory authority” after “regulator”, and*
- (b) *in subsection (2), by adding “in a jurisdiction of Canada” after “compliance officer”.*

**77. Subsection 16.10 (1) is amended by adding “in a jurisdiction of Canada” after “is registered”.**

**78. Subsection 16.16(1) is amended**

- (a) *by adding “in a jurisdiction of Canada” after “registered firm”, and*
- (b) *in subsection (2) by replacing “2 years after this Instrument comes into force” with “on September 28, 2012”.*

**79. Section 16.17 is replaced with the following:**

**16.17 Account statements – mutual fund dealers**

- (1) Section 14.14 [*account statements*] does not apply to a person or company that was, on September 28, 2009, either of the following:
  - (a) a member of the MFDA;
  - (b) a mutual fund dealer in Québec, unless it was also a portfolio manager in Québec.
- (2) Subsection (1) is repealed on September 28, 2011.

80. Form 31-103F1 is replaced with the following:

**FORM 31-103F1 CALCULATION OF EXCESS WORKING CAPITAL**

\_\_\_\_\_ Firm Name

Capital Calculation  
(as at \_\_\_\_\_ with comparative figures as at \_\_\_\_\_)

	<b>Component</b>	<b>Current period</b>	<b>Prior period</b>
1.	Current assets		
2.	Less current assets not readily convertible into cash (e.g., prepaid expenses)		
3.	Adjusted current assets Line 1 minus line 2 =		
4.	Current liabilities		
5.	Add 100% of long-term related party debt unless the firm and the lender have executed a subordination agreement in the form set out in Appendix B and the firm has delivered a copy of the agreement to the regulator or, in Québec, the securities regulatory authority		
6.	Adjusted current liabilities Line 4 plus line 5 =		
7.	Adjusted working capital Line 3 minus line 6 =		
8.	Less minimum capital		
9.	Less market risk		
10.	Less any deductible under the bonding or insurance policy required under Part 12 of National Instrument 31-103, <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations</i>		
11.	Less Guarantees		
12.	Less unresolved differences		
13.	<b>Excess working capital</b>		

**Notes:**

This form must be prepared using the accounting principles that you use to prepare your financial statements in accordance with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*. Section 12.1 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* provides further guidance in respect of these accounting principles.

**Line 5. Related-party debt** – Refer to the CICA Handbook for the definition of “related party” for publicly accountable enterprises.

**Line 8. Minimum Capital** – The amount on this line must be not less than (a) \$25,000 for an adviser and (b) \$50,000 for a dealer. For an investment fund manager, the amount must be not less than \$100,000 unless subsection 12.1(4) applies.

**Line 9. Market Risk** – The amount on this line must be calculated according to the instructions set out in Schedule 1 to this Form.

**Line 11. Guarantees** – If the registered firm is guaranteeing the liability of another party, the total amount of the guarantee must be included in the capital calculation. If the amount of a guarantee is included in the firm’s statement of financial position as a current liability and is reflected in line 4, do not include the amount of the guarantee on line 11.

**Line 12. Unresolved differences** – Any unresolved differences that could result in a loss from either firm or client assets must be included in the capital calculation. The examples below provide guidance as to how to calculate unresolved differences:

- (i) If there is an unresolved difference relating to client securities, the amount to be reported on Line 12 will be equal to the fair value of the client securities that are short, plus the applicable margin rate for those securities.
- (ii) If there is an unresolved difference relating to the registrant's investments, the amount to be reported on Line 12 will be equal to the fair value of the investments (securities) that are short.
- (iii) If there is an unresolved difference relating to cash, the amount to be reported on Line 12 will be equal to the amount of the shortfall in cash.

Please refer to section 12.1 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* for further guidance on how to prepare and file this form.

<b>Management Certification</b>		
<b>Registered Firm Name:</b> _____		
We have examined the attached capital calculation and certify that the firm is in compliance with the capital requirements as at _____.		
<b>Name and Title</b>	<b>Signature</b>	<b>Date</b>
1. _____ _____	_____	_____
2. _____ _____	_____	_____

**Schedule 1 of Form 31-103F1 Calculation of Excess Working Capital  
(calculating line 9 [market risk])**

For purposes of completing this form:

- (1) “Fair value” means the value of a security determined in accordance with Canadian GAAP applicable to publicly accountable enterprises.
- (2) For each security whose value is included in line 1, Current Assets, multiply the fair value of the security by the margin rate for that security set out below. Add up the resulting amounts for all of the securities you hold. The total is the "market risk" to be entered on line 9.

**(a) Bonds, Debentures, Treasury Bills and Notes**

- (i) Bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada, of the United Kingdom, of the United States of America and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively), maturing (or called for redemption):

- |                           |  |
|---------------------------|--|
| within 1 year:            | 1% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365 |
| over 1 year to 3 years:   | 1 % of fair value  |
| over 3 years to 7 years:  | 2% of fair value   |
| over 7 years to 11 years: | 4% of fair value   |
| over 11 years:            | 4% of fair value   |
- (ii) Bonds, debentures, treasury bills and other securities of or guaranteed by any jurisdiction of Canada and obligations of the International Bank for Reconstruction and Development, maturing (or called for redemption):
- |                           |  |
|---------------------------|--|
| within 1 year:            | 2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365 |
| over 1 year to 3 years:   | 3 % of fair value  |
| over 3 years to 7 years:  | 4% of fair value   |
| over 7 years to 11 years: | 5% of fair value   |
| over 11 years:            | 5% of fair value   |
- (iii) Bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or the United Kingdom maturing:
- |                           |  |
|---------------------------|--|
| within 1 year:            | 3% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365 |
| over 1 year to 3 years:   | 5 % of fair value  |
| over 3 years to 7 years:  | 5% of fair value   |
| over 7 years to 11 years: | 5% of fair value   |
| over 11 years:            | 5% of fair value   |
- (iv) Other non-commercial bonds and debentures, (not in default): 10% of fair value
- (v) Commercial and corporate bonds, debentures and notes (not in default) and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the registered firm's name maturing:
- |                           |                   |
|---------------------------|-------------------|
| within 1 year:            | 3% of fair value  |
| over 1 year to 3 years:   | 6 % of fair value |
| over 3 years to 7 years:  | 7% of fair value  |
| over 7 years to 11 years: | 10% of fair value |
| over 11 years:            | 10% of fair value |

**(b) Bank Paper**

Deposit certificates, promissory notes or debentures issued by a Canadian chartered bank (and of Canadian chartered bank acceptances) maturing:

- |                |  |
|----------------|--|
| within 1 year: | 2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365 |
| over 1 year:   | apply rates for commercial and corporate bonds, debentures and notes                                     |

**(c) Acceptable foreign bank paper**

Deposit certificates, promissory notes or debentures issued by a foreign bank, readily negotiable and transferable and maturing:

within 1 year:	2% of fair value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year:	apply rates for commercial and corporate bonds, debentures and notes

“Acceptable Foreign Bank Paper” consists of deposit certificates or promissory notes issued by a bank other than a Canadian chartered bank with a net worth (i.e., capital plus reserves) of not less than \$200,000,000.

**(d) Mutual Funds**

Securities of mutual funds qualified by prospectus for sale in any jurisdiction of Canada:

- (i) 5% of the net asset value per security as determined in accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure*, where the fund is a money market mutual fund as defined in National Instrument 81-102 *Mutual Funds*; or
- (ii) the margin rate determined on the same basis as for listed stocks multiplied by the net asset value per security of the fund as determined in accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure*.

**(e) Stocks**

In this paragraph, “securities” includes rights and warrants and does not include bonds and debentures.

- (i) On securities including investment fund securities, rights and warrants listed on any exchange in Canada or the United States of America:

Long Positions – Margin Required

- Securities selling at \$2.00 or more – 50% of fair value
- Securities selling at \$1.75 to \$1.99 – 60% of fair value
- Securities selling at \$1.50 to \$1.74 – 80% of fair value
- Securities selling under \$1.50 – 100% of fair value

Short Positions – Credit Required

- Securities selling at \$2.00 or more – 150% of fair value
- Securities selling at \$1.50 to \$1.99 – \$3.00 per share
- Securities selling at \$0.25 to \$1.49 – 200% of fair value
- Securities selling at less than \$0.25 – fair value plus \$0.25 per shares

- (ii) For positions in securities that are constituent securities on a major broadly-based index of one of the following exchanges, 50% of the fair value:

- (a) Australian Stock Exchange Limited
- (b) Bolsa de Madrid
- (c) Borsa Italiana
- (d) Copenhagen Stock Exchange

- (e) Euronext Amsterdam
- (f) Euronext Brussels
- (g) Euronext Paris S.A.
- (h) Frankfurt Stock Exchange
- (i) London Stock Exchange
- (j) New Zealand Exchange Limited
- (k) Stockholm Stock Exchange
- (l) Swiss Exchange
- (m) The Stock Exchange of Hong Kong Limited
- (n) Tokyo Stock Exchange

**(f) Mortgages**

- (i) For a firm registered in any jurisdiction of Canada except Ontario:
  - (a) Insured mortgages (not in default): 6% of fair value
  - (b) Mortgages which are not insured (not in default): 12% of fair value of the loan or the rates set by Canadian financial institutions or Schedule III banks, whichever is greater.
- (ii) For a firm registered in Ontario:
  - (a) Mortgages insured under the National Housing Act (Canada) (not in default): 6% of fair value
  - (b) Conventional first mortgages (not in default): 12% of fair value of the loan or the rates set by Canadian financial institutions or Schedule III banks, whichever is greater.

If you are registered in Ontario regardless of whether you are also registered in another jurisdiction of Canada, you will need to apply the margin rates set forth in (ii) above.

- (g) **For all other securities** – 100% of fair value.

**81. Form 31-103F2 is replaced with the following:**

**FORM 31-103F2 SUBMISSION TO JURISDICTION AND APPOINTMENT OF AGENT FOR SERVICE**  
**(sections 8.18 [international dealer] and 8.26 [international adviser])**

1. Name of person or company (“International Firm”):
2. If the International Firm was previously assigned an NRD number as a registered firm or an unregistered exempt international firm, provide the NRD number of the firm.
3. Jurisdiction of incorporation of the International Firm:
4. Head office address of the International Firm:
5. The name, e-mail address, phone number and fax number of the International Firm’s chief compliance officer.

Name:  
E-mail address:  
Phone:  
Fax:

6. Section of National Instrument 31-103 *Registration Requirements, Exceptions and Ongoing Registrant Obligations* the International Firm is relying on:
- Section 8.18 [*international dealer*]
  - Section 8.26 [*international adviser*]
  - Other
7. Name of agent for service of process (the "Agent for Service"):
8. Address for service of process on the Agent for Service:
9. The International Firm designates and appoints the Agent for Service at the address stated above as its agent upon whom may be served a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal or other proceeding (a "Proceeding") arising out of or relating to or concerning the International Firm's activities in the local jurisdiction and irrevocably waives any right to raise as a defence in any such proceeding any alleged lack of jurisdiction to bring such Proceeding.
10. The International Firm irrevocably and unconditionally submits to the non-exclusive jurisdiction of the judicial, quasi-judicial and administrative tribunals of the local jurisdiction in any Proceeding arising out of or related to or concerning the International Firm's activities in the local jurisdiction.
11. Until 6 years after the International Firm ceases to rely on section 8.18 [*international dealer*] or section 8.26 [*international adviser*], the International Firm must submit to the securities regulatory authority
- a. a new Submission to Jurisdiction and Appointment of Agent for Service in this form no later than the 30th day before the date this Submission to Jurisdiction and Appointment of Agent for Service is terminated; and
  - b. an amended Submission to Jurisdiction and Appointment of Agent for Service no later than the 30th day before any change in the name or above address of the Agent for Service.
12. This Submission to Jurisdiction and Appointment of Agent for Service is governed by and construed in accordance with the laws of the local jurisdiction.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature of the International Firm or authorized signatory)

\_\_\_\_\_  
(Name and Title of authorized signatory)

**Acceptance**

The undersigned accepts the appointment as Agent for Service of (Insert name of International Firm) under the terms and conditions of the foregoing Submission to Jurisdiction and Appointment of Agent for Service.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature of Agent for Service or authorized signatory)

\_\_\_\_\_  
(Name and Title of authorized signatory)

**82. Form 31-103F3 is amended by replacing "and Exemptions" with ", Exemptions and Ongoing Registrant Obligations".**

**83. Appendix B is amended**

**(a) replacing "and Exemptions" with ", Exemptions and Ongoing Registrant Obligations", and**

**(b) in section 1 by replacing "owned" with "owed", and**

(c) **in section 4 by adding “10 days before” after “Securities Regulatory Authority” and by deleting “prior to” after “Securities Regulatory Authority”.**

84. This instrument comes into force on July 11, 2011.