

Chapter 5

Rules and Policies

5.1.1 Amendments to NI 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations

AMENDMENTS TO NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS

1. **National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations is amended by this Instrument.**
2. **Section 1.1 is amended by**
 - (a) **adding the following definitions:**

“designated rating” has the same meaning as in National Instrument 81-102 *Investment Funds*;

“designated rating organization” has the same meaning as in National Instrument 81-102 *Investment Funds*;

“DRO affiliate” means an affiliate of a designated rating organization that issues credit ratings in a foreign jurisdiction and that has been designated as such under the terms of the designated rating organization’s designation;

“principal regulator” has the same meaning as in section 4A.1 of Multilateral Instrument 11-102 *Passport System*;

“sub-adviser” means an adviser to

 - (a) a registered adviser, or
 - (b) a registered dealer acting as a portfolio manager as permitted by section 8.24 [*IROC members with discretionary authority*];
 - (b) **replacing “IROC Provision” with “IROC provision”, “IROC Provisions” with “IROC provisions”, “MFDA Provision” with “MFDA provision” and “MFDA Provisions” with “MFDA provisions” wherever these terms occur in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, and**
 - (c) **amending the definition of “sponsoring firm” by replacing “the registered firm” with “the firm registered in a jurisdiction of Canada”.**
3. **Section 1.3 is amended by**
 - (a) **repealing subsection (1),**
 - (b) **replacing subsection (2) with the following:**
 - (2) For the purpose of a requirement in this Instrument to notify or to deliver or submit a document to the regulator or the securities regulatory authority, the person or company may notify or deliver or submit the document to the person or company’s principal regulator.,
 - (c) **repealing subsection (3), and**
 - (d) **adding the following subsections:**
 - (4) Despite subsection (2), for the purpose of the notice and delivery requirements in section 11.9 [*registrant acquiring a registered firm’s securities or assets*], if the principal regulator of the registrant and the principal regulator of the firm identified in paragraph 11.9(1)(a) or 11.9(1)(b), if registered in any jurisdiction of Canada, are not the same, the registrant must deliver the written notice to the following:
 - (a) the registrant’s principal regulator; and

- (b) the principal regulator of the firm identified in paragraph 11.9(1)(a) or 11.9(1)(b) as applicable, if registered in any jurisdiction of Canada identified in paragraph 11.9(1)(a) or 11.9(1)(b).
- (5) Subsection (2) does not apply to
 - (a) section 8.18 [*international dealer*], and
 - (b) section 8.26 [*international adviser*].
- 4. **Paragraph 2.2(1)(e) is amended by replacing “[dealing with clients – individuals and firms]” with “Dealing with clients – individuals and firms”.**
- 5. **Section 3.3 is amended by adding the following subsection:**
 - (4) Subsection (1) does not apply to the examination requirements in
 - (a) section 3.7 [*scholarship plan dealer – dealing representative*] if the individual was registered in a jurisdiction of Canada as a dealing representative of a scholarship plan dealer on and since September 28, 2009, and
 - (b) section 3.9 [*exempt market dealer – dealing representative*] if the individual was registered as a dealing representative of an exempt market dealer in Ontario or Newfoundland and Labrador on and since September 28, 2009..
- 6. **Section 3.5 is amended by replacing “section 7.1(2)(b)” with “paragraph 7.1(2)(b)”.**
- 7. **Section 3.6 is amended by replacing paragraph (a) with the following:**
 - (a) the individual has
 - (i) passed the Canadian Investment Funds Course Exam, the Canadian Securities Course Exam or the Investment Funds in Canada Course Exam,
 - (ii) passed the PDO Exam, the Mutual Fund Dealers Compliance Exam or the Chief Compliance Officers Qualifying Exam, and
 - (iii) gained 12 months of relevant securities industry experience in the 36-month period before applying for registration;.
- 8. **Section 3.7 is amended by replacing “section” with “paragraph”.**
- 9. **Section 3.8 is replaced with the following:**

3.8 Scholarship plan dealer – chief compliance officer

A scholarship plan dealer must not designate an individual as its chief compliance officer under subsection 11.3(1) [*designating a chief compliance officer*] unless the individual has

 - (a) passed the Sales Representative Proficiency Exam,
 - (b) passed the Branch Manager Proficiency Exam,
 - (c) passed the PDO Exam or the Chief Compliance Officers Qualifying Exam, and
 - (d) gained 12 months of relevant securities industry experience in the 36-month period before applying for registration..
- 10. **Section 3.9 is amended by replacing “section 7.1(2)(d)” with “paragraph 7.1(2)(d)”.**

11. **Section 3.10 is amended by replacing paragraph (a) with the following:**

- (a) the individual has
 - (i) passed the Exempt Market Products Exam or the Canadian Securities Course Exam,
 - (ii) passed the PDO Exam or the Chief Compliance Officers Qualifying Exam, and
 - (iii) gained 12 months of relevant securities industry experience in the 36-month period before applying for registration;.

12. **Subsection 3.16(2.1) is amended by replacing “paragraphs” with “paragraph”.**

13. **Section 4.1 is amended by replacing subsection (1) with the following:**

- (1) A firm registered in any jurisdiction of Canada must not permit an individual to act as a dealing, advising or associate advising representative of the registered firm if either of the following apply:
 - (a) the individual acts as an officer, partner or director of another firm registered in any jurisdiction of Canada that is not an affiliate of the first-mentioned registered firm;
 - (b) the individual is registered as a dealing, advising or associate advising representative of another firm registered in any jurisdiction of Canada..

14. **Subsection 4.2(3) is amended by replacing “No later than the 7th day” with “No later than 7 days”.**

15. **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 individual is commenced under securities legislation or under the rules of an SRO, the individual's registration remains suspended..

16. **Section 7.1 is amended by**

- (a) **replacing subparagraph (2)(d)(ii) with the following:**
 - (ii) subject to subsection (5), act as a dealer by trading a security that, if the trade were a distribution, would be exempt from the prospectus requirement, or,
- (b) **repealing subparagraph (2)(d)(iii), and**
- (c) **adding the following subsection:**
 - (5) An exempt market dealer must not trade a security if
 - (a) the security is listed, quoted or traded on a marketplace, and
 - (b) the trade in the security does not require reliance on a further exemption from the prospectus requirement..

17. **Part 8 is amended by adding the following section after the title of Division 1:**

8.0.1 General condition to dealer registration requirement exemptions

The exemptions in this Division are not available to a person or company if the person or company is registered in the local jurisdiction and if their category of registration permits the person or company to act as a dealer or trade in a security for which the exemption is provided..

18. **Section 8.5 is amended by**

- (a) **replacing “by the person or company if one of the following applies” with “in a security if either of the following applies”, and**

(b) replacing paragraph (a) with the following:

- (a) the trade is made through a registered dealer, if the dealer is registered in a category that permits the trade unless, in furtherance of the trade, the person or company seeking the exemption solicits or contacts directly any purchaser or prospective purchaser in relation to the trade.

19. Division 1 of Part 8 is amended by adding the following section:

8.5.1 Trades through a registered dealer by registered adviser

The dealer registration requirement does not apply to a registered adviser, or an advising representative or associate advising representative acting on behalf of the registered adviser, in respect of trading activities that are incidental to its providing advice to a client, if the trade is made through a dealer registered in a category that permits the trade or a dealer operating under an exemption from the dealer registration requirement.

20. Paragraph (a) of section 8.9 is amended by

- (a) **replacing, in subparagraph (i), “sections 86(e)” with “section 86(e)” and adding “paragraph” before “131(1)(d)”**,
- (b) **replacing, in subparagraph (iii), “sections 19(3)” with “section 19(3)” and adding “paragraph” before “58(1)(a)”**,
- (c) **replacing, in subparagraph (v), “sections 36(1)(e)” with “paragraphs 36(1)(e)”**,
- (d) **replacing, in subparagraph (vi), “sections 41(1)(e)” with “paragraphs 41(1)(e)”**,
- (e) **replacing, in subparagraphs (vii) and (viii), “section” with “sections”**,
- (f) **replacing, in subparagraph (ix), “sections 35(1)5 and 72(1)(d) of the Securities Act (Ontario)” with “section 35(1)5 and paragraph 72(1)(d) of the Securities Act (Ontario) as they existed prior to their repeal by sections 5 and 11 of the Securities Act (Ontario) S.O. 2009, c. 18, Sch. 26”**,
- (g) **replacing, in subparagraph (x), “section 2(3)(d)” with “paragraph 2(3)(d)”**,
- (h) **replacing, in subparagraph (xi), “sections 51 and 155.1(2)” with “section 51 and subsection 155.1(2)”, and**
- (i) **replacing, in subparagraph (xii), “sections” with “paragraphs”**.

21. Subsection 8.15(2) is amended by adding “or Alberta” after “Ontario”.

22. Subsection 8.17(2) is amended by replacing “subsection” with “paragraph”.

23. Section 8.18 is amended by

- (a) **deleting, in subsection (1), the definition of “Canadian permitted client”**,
- (b) **deleting, in subsection (2), “Canadian” before “permitted client” wherever it occurs**,
- (c) **replacing, in paragraph (2)(f), “acting” with “purchasing”**,
- (d) **replacing, in paragraph (3)(d), “acting as principal or as agent” with “trading as principal or agent”**,
- (e) **deleting, in subsection (4), “Canadian” before “permitted client” wherever it occurs, and**
- (f) **replacing, in subsection (5), “12 month period” with “12-month period”**.

24. Subparagraph 8.19(2)(a)(i) is amended by replacing “section” with “paragraph”.

25. Section 8.20 is amended by

- (a) **replacing subsection (1) with the following:**

(1) In Alberta, British Columbia, New Brunswick and Saskatchewan, the dealer registration requirement does not apply to a person or company in respect of a trade in an exchange contract by the person or company if one of the following applies:

- (a) the trade is made through a registered dealer, if the dealer is registered in a category that permits the trade unless, in furtherance of the trade, the person or company seeking the exemption solicits or contacts directly any purchaser or prospective purchaser in relation to the trade;
- (b) the trade is made to a registered dealer who is purchasing as principal, if the dealer is registered in a category that permits the trade., **and**

(b) **repealing subsections (2) and (3).**

26. **Part 8 is amended by adding the following section:**

8.20.1 Exchange contract trades through or to a registered dealer - Alberta, British Columbia, New Brunswick and Saskatchewan

The dealer registration requirement does not apply to a registered adviser, or an advising representative or associate advising representative acting on behalf of the registered adviser, in respect of trading activities related to exchange contracts that are incidental to its providing advice to a client, if the trade is made through a dealer registered in a category that permits the trade or a dealer operating under an exemption from the dealer registration requirement..

27. **Subsection 8.21(1) is amended by deleting the definitions of “designated rating”, “designated rating organization” and “DRO affiliate”.**

28. **Subsection 8.22(3) is amended by replacing “subsection” with “paragraph”.**

29. **Part 8 is amended by adding the following section:**

8.22.1 Short-term debt

(1) In this section, “short-term debt instrument” means a negotiable promissory note or commercial paper maturing not more than one year from the date of issue.

(2) Except in Ontario, the dealer registration requirement does not apply to any of the following in respect of a trade in a short-term debt instrument with a permitted client:

- (a) a bank listed in Schedule I, II or III to the *Bank Act* (Canada);
- (b) an association to which the *Cooperative Credit Associations Act* (Canada) applies or a central cooperative credit society for which an order has been made under subsection 473 (1) of that Act;
- (c) a loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative or credit union league or federation that is authorized by a statute of Canada or of a jurisdiction in Canada to carry on business in Canada or in any jurisdiction in Canada, as the case may be;
- (d) the Business Development Bank of Canada;

(3) The exemption under subsection (2) is not available to a person or company if the short-term debt instrument is convertible or exchangeable into, or accompanied by a right to purchase, another security other than another short-term debt instrument..

30. **Part 8 is amended by adding the following section after the title of Division 2:**

8.22.2 General condition to adviser registration requirement exemptions

The exemptions in this Division are not available to a person or company if the person or company is registered in the local jurisdiction in a category of registration that permits the person or company to act as an adviser in respect of the activities for which the exemption is provided..

31. **Section 8.26 is amended by**

- (a) **deleting, in subsection (2), the definition of “Canadian permitted client”,**
- (b) **replacing subsection (3) 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 permitted client, other than a permitted client that is a person or company registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, 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.,
- (c) **replacing paragraph (4)(b) with the following:**
 - (b) the adviser is registered in a category of registration, 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, 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; , **and**
- (d) **replacing, in paragraph (4)(f), “Submission to Jurisdiction and Appointment of Agent for Service” with “Submission to jurisdiction and appointment of agent for service”.**

32. **Part 8 is amended by adding the following section:**

8.26.1 International sub-adviser

- (1) The adviser registration requirement does not apply to a sub-adviser if all of the following apply:
 - (a) the obligations and duties of the sub-adviser are set out in a written agreement with the registered adviser or registered dealer;
 - (b) the registered adviser or registered dealer has entered into a written agreement with its clients on whose behalf investment advice is or portfolio management services are to be provided, agreeing to be responsible for any loss that arises out of the failure of the sub-adviser
 - (i) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the registrant and each client of the registrant for whose benefit the advice is or portfolio management services are to be provided, or
 - (ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.
- (2) The exemption under subsection (1) is not available unless all of the following apply:
 - (a) the sub-adviser’s head office or principal place of business is in a foreign jurisdiction;
 - (b) the sub-adviser is registered in a category of registration, 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, 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 sub-adviser engages in the business of an adviser in the foreign jurisdiction in which its head office or principal place of business is located..

33. **Part 8 is amended by adding the following section after the title of Division 3:**

8.26.2 General condition to investment fund manager registration requirement exemptions

The exemptions in this Division are not available to a person or company if the person or company is registered in the local jurisdiction as an investment fund manager..

34. **Section 8.28 is replaced with the following:**

8.28 Capital accumulation plan

(1) In this section

“capital accumulation plan” means a tax assisted investment or savings plan, including a defined contribution registered pension plan, a group registered retirement savings plan, a group registered education savings plan, or a deferred profit-sharing plan, that permits a plan member to make investment decisions among two or more investment options offered within the plan, and in Québec and Manitoba, includes a simplified pension plan;

“plan member” means a person that has assets in a capital accumulation plan;

“plan sponsor” means an employer, trustee, trade union or association or a combination of them that establishes a capital accumulation plan, and includes a plan service provider to the extent that the plan sponsor has delegated its responsibilities to the plan service provider; and

“plan service provider” means a person that provides services to a plan sponsor to design, establish, or operate a capital accumulation plan.

(2) The investment fund manager registration requirement does not apply to a plan sponsor or their plan service provider in respect of activities related to a capital accumulation plan..

35. **Paragraph 8.30(d) is amended by replacing** “Parts 13 [*dealing with clients – individuals and firms*] and 14 [*handling client accounts – firms*]” **with** “Parts 13 *Dealing with clients – individuals and firms* and 14 *Handling client accounts – firms*”.

36. **Section 9.1 is amended by replacing** “Dealer Member” **with** “dealer member”.

37. **Paragraphs 9.3(1)(b) and 9.4(1)(b) are amended by deleting** “notifying the regulator of a”.

38. **Paragraph 10.1(1)(k) is amended by deleting** “to be paid by a registrant”.

39. **Subsection 11.3(2) is amended by replacing** “[*registration requirements – individuals*]” **with** “*Registration requirements – individuals*”.

40. **Section 11.9 is amended by**

(a) **replacing subsection (1) with the following:**

(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) for the first time, direct or indirect ownership, beneficial or otherwise, of 10% or more of the voting securities or other securities convertible into voting securities of

(i) a firm registered in any jurisdiction of Canada or any foreign jurisdiction, or

(ii) a person or company of which a firm registered in any jurisdiction of Canada or any foreign jurisdiction is a subsidiary;

(b) all or a substantial part of the assets of a firm registered in any jurisdiction of Canada or any foreign jurisdiction.,

(b) **repealing subsection (3), and**

(c) **replacing subsections (4), (5) and (6) with the following:**

(4) Except in Ontario and British Columbia, if, within 30 days of the receipt of a notice under subsection (1), the regulator or, in Québec, the securities regulatory authority notifies the registrant making the acquisition that the regulator or, in Québec, 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 receipt of a notice under subparagraph (1)(a)(i) or paragraph (1)(b), 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 under subsection (1) may request an opportunity to be heard on the matter by the regulator or, in Québec, the securities regulatory authority objecting to the acquisition..

41. Section 11.10 is amended by

(a) replacing subsection (1) with the following:

(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, for the first time, direct or indirect ownership, beneficial or otherwise, of 10% or more of the voting securities or other securities convertible into voting securities of any of the following:

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

(b) replacing paragraph (2)(c) with the following:

(c) include all facts that to the best of the registered firm's knowledge after reasonable inquiry regarding the acquisition are 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.,

(c) repealing subsection (3), and

(d) replacing subsections (5), (6) and (7) with the following:

(5) Except in British Columbia and Ontario, if, within 30 days of the 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, in Québec, 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 receipt of a notice under paragraph (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 by the regulator or, in Québec, the securities regulatory authority objecting to the acquisition..

42. Section 12.2 is replaced with the following:

12.2 Subordination agreement

(1) If a registered firm has entered into a subordination agreement in the form set out in Appendix B, it may exclude the amount of non-current related party debt subordinated under that agreement from the calculation of its excess working capital on Form 31-103F1 *Calculation of Excess Working Capital*.

(2) The registered firm must deliver an executed copy of the subordination agreement referred to subsection (1) to the regulator or, in Québec, the securities regulatory authority on the earliest of the following dates:

- (a) 10 days after the date on which the subordination agreement is executed;
 - (b) the date on which the amount of the subordinated debt is excluded from the registered firm's non-current related party debt as calculated on Form 31-103F1 *Calculation of Excess Working Capital*.
- (3) The registered firm must notify the regulator or, in Québec, the securities regulatory authority 10 days before it
- (a) repays the loan or any part of the loan, or
 - (b) terminates the agreement..

43. **Section 12.6 is amended by replacing “may” with “must” wherever it occurs.**

44. **Subsection 12.12(3) is replaced with the following:**

- (3) Subsection (2) does not apply to an exempt market dealer unless it is also registered in another category, other than the portfolio manager or restricted portfolio manager category..

45. **Section 12.14 is amended by**

(a) **replacing paragraph (1)(c) with the following:**

- (c) a completed Form 31-103F4 *Net Asset Value Adjustments* if any net asset value adjustment has been made in respect of an investment fund managed by the investment fund manager during the financial year.,

(b) **replacing paragraph (2)(c) with the following:**

- (c) a completed Form 31-103F4 *Net Asset Value Adjustments* if any net asset value adjustment has been made in respect of an investment fund managed by the investment fund manager during the interim period., **and**

(c) **repealing subsection (3).**

46. **Paragraph 13.2(2)(c) is amended by adding “[suitability]” after “section 13.3”.**

47. **Subsection 13.10(1) is amended by replacing “subsection 13.8(c)” with “paragraph 13.8(c)”.**

48. **Subsection 13.16(1) is amended by adding “a” before “trading” in paragraph (a) of the definition of “complaint”.**

49. **Part 13 is amended by adding the following division:**

Division 6 *Registered sub-advisers*

13.17 Exemption from certain requirements for registered sub-advisers

- (1) A registered sub-adviser is exempt from the following requirements in respect of its activities as a sub-adviser:
- (a) section 13.4 [*identifying and responding to conflicts of interest*];
 - (b) division 3 [*referral arrangements*] of Part 13;
 - (c) division 5 [*complaints*] of Part 13;
 - (d) section 14.3 [*disclosure to clients about the fair allocation of investment opportunities*];
 - (e) section 14.5 [*notice to clients by non-resident registrants*];
 - (f) section 14.14 [*account statements*].

- (2) The exemption under subsection (1) is not available unless all of the following apply:
- (a) the obligations and duties of the registered sub-adviser are set out in a written agreement with the sub-adviser's registered adviser or registered dealer;
 - (b) the registered adviser or registered dealer has entered into a written agreement with its clients on whose behalf investment advice is or portfolio management services are to be provided agreeing to be responsible for any loss that arises out of the failure of the registered sub-adviser
 - (i) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the registrant and each client of the registrant for whose benefit the advice is or portfolio management services are to be provided, or
 - (ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances..

50. Part 14 is amended by

- (a) **amending section 14.1.1, as that section is scheduled to come into force on July 15, 2016, by replacing "An investment fund manager" with "A registered investment fund manager",**
- (b) **amending paragraph 14.7(1)(c) by adding "the" before "Canadian Investor Protection Fund",**
- (c) **amending subparagraph 14.11.1(1)(b)(iii), as that subparagraph is scheduled to come into force on July 15, 2015, by replacing "subparagraphs" with "subparagraph",**
- (d) **amending subsection 14.12(6) by replacing "Section 14.12(5)" with "Subsection 14.12(5)" and by adding "[investment fund trades by adviser to managed account]" after "section 8.6",**
- (e) **amending subsection 14.14 (2.1) by replacing "section" with "paragraph",**
- (f) **amending subsections 14.14(4) and 14.14(5), as these subsections are scheduled to come into force on July 15, 2015, by replacing "subsections" with "subsection",**
- (g) **amending subsection 14.14.2(3), as that subsection is scheduled to come into force on July 15, 2015, by adding "[definitions of terms used throughout this Instrument]" after "definition of "book cost" in section 1.1",**
- (h) **amending subsection 14.18(4), as that subsection is scheduled to come into force on July 15, 2016, by replacing "subsections 14.14(5)" with "subsection 14.14(5)",**
- (i) **amending subsection 14.19(1), as that subsection is scheduled to come into force on July 15, 2016, by replacing "subsections" with "subsection", and**
- (j) **amending subsection 14.19(3), as that subsection is scheduled to come into force on July 15, 2016, by replacing "paragraphs" with "paragraph".**

51. Subsection 15.1(1) is amended by deleting " , in Québec, ".

52. Section 16.10 is replaced with the following:

16.10 Proficiency for dealing and advising representatives

If an individual is registered in a jurisdiction of Canada as a dealing or advising representative in a category referred to in a section of Division 2 [education and experience requirements] of Part 3 on the day this Instrument comes into force, that section does not apply to the individual so long as the individual remains registered in the category..

53. **Form 31-103F1 Calculation of Excess Working Capital is amended by**

- (a) **replacing Line 5 of the table with the following:**

Add 100% of non-current related party debt unless the firm and the lender have executed a subordination agreement in the form set out in Appendix B of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and the firm has delivered a copy of the agreement to the regulator or, in Québec, the securities regulatory authority. See section 12.2 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

- (b) **replacing in Line 10 of the table** “National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations*” **with** “National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*”,

- (c) **replacing the introduction to the notes, below the table, with the following:**

Notes:

Form 31-103F1 *Calculation of Excess Working Capital* 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.

- (d) **replacing the notes to Lines 5, 8 and 9 with the following:**

Line 5. Related-party debt – Refer to the CICA Handbook for the definition of “related party” for publicly accountable enterprises. The firm is required to deliver a copy of the executed subordination agreement to the regulator or, in Québec, the securities regulatory authority on the earlier of a) 10 days after the date the agreement is executed or b) the date an amount subordinated by the agreement is excluded from its calculation of excess working capital on Form 31-103F1 *Calculation of Excess Working Capital*. **The firm must notify the regulator or, in Québec, the securities regulatory authority, 10 days before it repays the loan (in whole or in part), or terminates the subordination agreement.** See section 12.2 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

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) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* applies.

Line 9. Market Risk – The amount on this line must be calculated according to the instructions set out in Schedule 1 to Form 31-103F1 *Calculation of Excess Working Capital*. A schedule supporting the calculation of any amounts included in Line 9 as market risk should be provided to the regulator or, in Québec, the securities regulatory authority in conjunction with the submission of Form 31-103F1 *Calculation of Excess Working Capital*.

- (e) **in the last line of the notes to Line 12, replacing “this form” with “Form 31-103 Calculation of Excess Working Capital”;**

- (f) **adding, immediately before paragraph (e) of Schedule 1 of Form 31-103 Calculation of Excess Working Capital, the following:**

Securities of mutual funds qualified by prospectus for sale in the United States of America: 5% of the net asset value per security if the fund is registered as an investment company under the *Investment Companies Act of 1940*, as amended from time to time, and complies with Rule 2a-7 thereof.,

- (g) **by replacing paragraph (l) of clause (ii) of paragraph (e) of Schedule 1 of Form 31-103 Calculation of Excess Working Capital with the following:**

- (l) SIX Swiss Exchange,

- (h) **by deleting, in paragraph (b) of clause (i) of paragraph (f) of Schedule 1 of Form 31-103 Calculation of Excess Working Capital**, “of the loan or the rates set by Canadian financial institutions or Schedule III banks, whichever is greater”, **and**
- (i) **by deleting, in paragraph (b) of clause (ii) of paragraph (f) of Schedule 1 of Form 31-103 Calculation of Excess Working Capital**, “of the loan or the rates set by Canadian financial institutions or Schedule III banks, whichever is greater”.

54. **Form 31-103F2 Submission to Jurisdiction and Appointment of Agent for Service is amended by replacing in Line 6.** “National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations*” **with** “National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*”.

55. **The following form is added:**

FORM 31-103F4 NET ASSET VALUE ADJUSTMENTS

(Section 12.14 [delivering financial information – investment fund manager])

This is to notify the regulator or, in Québec, the securities regulatory authority, of a net asset value (NAV) adjustment made in respect of an investment fund managed by the investment fund manager in accordance with paragraph 12.14(1)(c) or paragraph 12.14(2)(c). All of the information requested should be provided on a fund by fund basis. Please attach a schedule if necessary.

1. Name of the investment fund manager:
2. Name of each of the investment funds for which a NAV adjustment occurred:
3. Date(s) the NAV error occurred:
4. Date the NAV error was discovered:
5. Date of the NAV adjustment:
6. Original total NAV on the date the NAV error first occurred:
7. Original NAV per unit on each date(s) the NAV error occurred:
8. Revised NAV per unit on each date(s) the NAV error occurred:
9. NAV error as percentage (%) of the original NAV on each date(s) the NAV error occurred:
10. Total dollar amount of the NAV adjustment:
11. Effect (if any) of the NAV adjustment per unit or share:
12. Total amount reimbursed to security holders, or any corrections made to purchase and redemption transactions affecting the security holders of each investment fund affected, if any:
13. Date of the NAV reimbursement or correction to security holder transactions, if any:
14. Total amount reimbursed to investment fund, if any:
15. Date of the reimbursement to investment fund, if any:
16. Description of the cause of the NAV error:
17. Was the NAV error discovered by the investment fund manager?
Yes No
18. If No, who discovered the NAV error?

19. Was the NAV adjustment a result of a material error under the investment fund manager's policies and procedures?
Yes No
20. Have the investment fund manager's policies and procedures been changed following the NAV adjustment?
Yes No
21. If Yes, describe the changes:
22. If No, explain why not:
23. Has the NAV adjustment been communicated to security holders of each of the investment funds affected?
Yes No
24. If Yes, describe the communications:

Notes:

Line 2. NAV adjustment – Refers to the correction made to make the investment fund's NAV accurate.

Line 3. NAV error – Refers to the error discovered on the Original NAV. Please refer to Section 12.14 of *Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations* for guidance on NAV error and causes of NAV errors.

Line 3. Date(s) the NAV error occurred – Means the date of the NAV error first occurred and the subsequent dates of the NAV error.

Line 8. Revised NAV per unit – Refers to the NAV per unit calculated after taking into account the NAV error.

Line 9. NAV error as a percentage (%) of the original NAV – Refers to the following calculation:

$$(\text{Revised NAV} / \text{Original NAV}) - 1 \times 100$$

56. **APPENDIX B is amended, in paragraph (b) of section 2, by adding “,” after “in respect to the Loan”.**
57. **APPENDIX G is amended by**
- (a) **deleting, under the caption “NI 31-103 Provision” with regard to “section 12.2”, “notifying the regulator of a”,**
- (b) **deleting, under the caption “IIROC Provision” with regard to “subsection 14.2(2) [relationship disclosure information], the following:**
- IIROC has not yet assigned a number to the relationship disclosure dealer member rule in its Client Relationship Model proposal. We will refer to the dealer member rule number when IIROC has assigned one.
- , and**
- (c) **adding “9. Dealer Member Rule 3500 [Relationship Disclosure]” at the end of the list of IIROC Provisions.**
58. **APPENDIX H is amended by deleting, under the caption “NI 31-103 Provision” with regard to “section 12.2”, “notifying the regulator of a”.**

Coming into force

59. (1) Subject to subsection (2), this Instrument comes into force on January 11, 2015.
- (2) Paragraph 16(c) and section 29 of this Instrument come into force on July 11, 2015.