

6.1.7 Proposed National Policy 31-201 – National Registration System

PROPOSED NATIONAL POLICY 31-201 – NATIONAL REGISTRATION SYSTEM

**PART 1
DEFINITIONS AND INTERPRETATION**

1.1 DEFINITIONS

In this policy, unless the context otherwise requires,

“application form” means, in respect of a firm filer, the form required under applicable securities legislation for an application to become a registered firm or Form 33-109F5, as the case may be, and, in respect of an individual filer, Form 33-109F4, Form 33-109F2 or Form 33-109F5, as the case may be;

“conduct rules” means the rules, as they apply to registered individuals, non-registered individuals or registered firms, contained in securities legislation of the jurisdictions in which a registrant is registered or in which a non-registered individual is approved or reviewed (we approve in Québec so I suggest that we had review simply), with a view to ensuring the proper conduct, namely as regards skill, care and diligence, of registrants and non-registered individuals towards clients, other registrants and regulators and, without limiting the generality of the foregoing, may include rules relating to

- (a) the types of securities that may be traded or on which advice may be given,
- (b) knowledge of clients, including identity, creditworthiness, reputation, investment needs and objectives and suitability of securities transactions,
- (c) necessary human resources,
- (d) supervision,
- (e) compliance officers or branch managers,
- (f) fair and honest treatment of clients,
- (g) fair allocation of investment opportunities,
- (h) prudent business practices,
- (i) record-keeping,
- (j) communications with clients,
- (k) safe-keeping of assets,
- (l) conflicts of interest,
- (m) use of advertising,
- (n) segregated and trust accounts, and
- (o) general conduct of business activities so as to promote the best interests of clients and the integrity of the market;

“materials” means the materials identified in accordance with section 4.2

“NI 31-101” means National Instrument 31-101 Requirements under the National Registration System, as amended, supplemented or replaced from time to time;

“NP 12-201” means National Policy 12-201 Mutual Reliance Review System for Exemptive Relief Applications, as amended, supplemented or replaced from time to time;

“participating principal regulator” means the securities regulatory authorities and regulators of the jurisdictions identified in section 3.1; and

“working office” means the office of the sponsoring firm from which an individual filer primarily works or proposes to primarily work.

1.2 INTERPRETATION

- (1) Unless otherwise defined herein or unless the context otherwise requires, terms used in this policy that are defined or interpreted in NI 31-101 or NI 14-101 have the meanings defined in those instruments.
- (2) Without limiting the generality of the definition of “fit and proper requirements” contained in NI 31-101, the following are considered to be fit and proper requirements:
 - (a) employment conflicts and multiple-category registration,
 - (b) experience and completion of recognized industry courses,
 - (c) membership with self-regulatory organizations,
 - (d) minimum capital,
 - (e) bonding or insurance,
 - (f) participation in compensation or contingency funds,
 - (g) record-keeping systems,
 - (h) preparation of audited and unaudited financial statements, and
 - (i) jurisdiction of incorporation.
- (3) In this policy, the terms “NRD”, “NRD format” and “NRD website” have the meanings defined in MI 31-102.
- (4) This policy should be read in conjunction with NI 31-101, which sets out specific requirements and exemptions in relation to the use of the NRS.

PART 2 OVERVIEW AND APPLICATION

2.1 OVERVIEW

- (1) This policy describes the practical application of mutual reliance concepts set out in the MRRS MOU relating to the filing and review of registration applications and applications for approval or review of non-registered individuals.
- (2) The National Registration System may be used by a person or company submitting an application for registration or reinstatement of registration, or by a registered firm submitting an application for renewal of registration or amendment to registration, in the categories of investment dealer, mutual fund dealer or unrestricted adviser, when the application is submitted in more than one jurisdiction or in a jurisdiction of a non-principal regulator, provided that such person, company or registered firm satisfies the eligibility criteria in NI 31-101.
- (3) In accordance with NI 31-101, the National Registration System must (the use of “must” must be read with “in accordance”) be used by individuals or their sponsoring firm when submitting a registration application or an application for approval in more than one jurisdiction or in a jurisdiction of a non-principal regulator if the individual’s sponsoring firm has elected to use the NRS, provided that such individual satisfies the eligibility criteria under in NI 31-101.

2.2 ELIGIBILITY

NI 31-101 establishes certain conditions that must be satisfied in order for firm filers or individual filers to be eligible to use the NRS. These include having a business office or residence in Canada, being registered or submitting a registration application in the jurisdiction of the filer’s principal regulator and, for firm filers, having elected to use the NRS or, for individual filers, having their sponsoring firm elect to use the NRS.

2.3 APPLICABLE REQUIREMENTS

- (1) NI 31-101 provides exemptive relief so that filers who submit applications under the NRS will only have to satisfy or comply with, as the case may be, the fit and proper requirements, notice requirements and filing requirements applicable in the jurisdiction of the filer's principal regulator.
- (2) Filers will continue to be subject to the conduct rules applicable in each jurisdiction where they are registered.

2.4 APPLICATIONS FOR EXEMPTIVE RELIEF

- (1) If a filer requires exemptive relief from the fit and proper requirements, the notice requirements or the filing requirements in connection with its application, it only needs to obtain the relief from its principal regulator.
- (2) If a filer requires exemptive relief from the conduct rules in connection with its application, the relief should be obtained from the securities regulatory authorities and regulators of all the jurisdictions in which the exemptive relief is required. If relief is required in more than one jurisdiction, filers are encouraged to use the procedures under NP 12-201.

PART 3 PRINCIPAL REGULATOR

3.1 PARTICIPATING PRINCIPAL REGULATORS

As of the effective date of this policy, the securities regulatory authorities or regulators of all jurisdictions have agreed to act as principal regulator for applications submitted under the NRS.

3.2 DETERMINATION OF PRINCIPAL REGULATOR

- (1) It is the responsibility of the filer to determine its principal regulator.
- (2) A filer submitting an application under the NRS or electing to use the NRS should determine its principal regulator in accordance with this section.
- (3) The principal regulator for a firm filer is the securities regulatory authority or regulator of the jurisdiction with which the firm filer has the most significant connecting factors.
- (4) The following are factors that should be considered by a firm filer when determining the jurisdiction with which it has significant connecting factors:
 - (a) head office;
 - (b) directing mind and management;
 - (c) operational headquarters;
 - (d) business offices;
 - (e) workforce; and
 - (f) clientele.
- (5) Jurisdiction of incorporation under the business corporations act, or similar act, of a jurisdiction or having a registered office which is not also a significant business office in a jurisdiction are not in themselves significant connecting factors to the jurisdiction.
- (6) The principal regulator for an individual filer is the securities regulatory authority or regulator of the jurisdiction in which the individual filer's working office is located.
- (7) If a filer wishes to obtain confirmation of its determination of principal regulator, it may notify that regulator of its determination before submitting an application under the NRS.

The notice should include detailed information regarding the relevant (adding "significant" may be interpreted to apply one or two criteria. Using relevant means that all criteria must be used) connecting factors of the filer in making the

determination. The principal regulator, after considering the determination, which may include discussing the determination with other participating principal regulators, will respond to the filer's notice within ten business days.

3.3 NOTICE OF CHANGE

If the significant connecting factors of a firm filer change, if the individual filer changes working office or if the jurisdiction in which the working office of an individual filer is located changes, the filer should notify its principal regulator of such change by submitting a completed Form 31-201F2.

3.4 CHANGE OF PRINCIPAL REGULATOR

(1) The participating principal regulators may change the principal regulator determined by the filer in the following circumstances:

- (a) the participating principal regulators believe that the determination of the principal regulator by the filer was not or is no longer appropriate in view of the particular relevant factors applicable to the filer;
- (b) the participating principal regulators determine that changing the principal regulator of a filer would result in greater administrative and regulatory efficiencies in connection with the filer's registration or approval.

(2) If the participating principal regulators propose to change a filer's principal regulator, the principal regulator will notify the filer in writing of the proposed change and will identify the reasons for the proposed change.

3.5 EFFECT OF CHANGE OF PRINCIPAL REGULATOR

Unless otherwise consented to by the principal regulator and the redesignated principal regulator, a change of principal regulator pursuant to section 3.4 will take effect immediately. Requirements applicable to the filer will change accordingly, subject to the exemptions contained in section 3.2 of NI 31-101.

PART 4 FILING MATERIALS UNDER THE NRS

4.1 USE OF THE NRS

A firm filer uses the NRS or enables its individual filers to use the NRS by filing a completed Form 31-201F1 with its principal regulator and non-principal regulators.

4.2 MATERIALS TO BE FILED

(1) If a firm filer or an individual filer's sponsoring firm has elected to use the NRS, the filer should file all required materials in connection with its application under the securities legislation applicable in the jurisdiction of the principal regulator. Materials that would have normally been required in connection with the application under the securities legislation applicable in the jurisdictions of the non-principal regulators do not need to be filed.

(2) Materials that must be filed in NRD format through the NRD website in accordance with MI 31-102 and MI 33-109 should be filed concurrently with each of the principal regulator and the non-principal regulators with the applicable fees.

(3) Materials that cannot be filed in NRD format through the NRD website should be filed in paper format with the principal regulator only. Filers should also concurrently send in paper format to all non-principal regulators a letter describing the nature of the application and identifying the jurisdictions in which it is submitted, accompanied by copies of Form 31-201F1 and the application form, as well as the applicable fees.

4.3 SEQUENTIAL APPLICATIONS

(1) A registered firm seeking registration in one or more jurisdictions of non-principal regulators should submit its application with its principal regulator and the non-principal regulators in whose jurisdiction the firm is seeking further registration.

(2) The firm should submit a letter to its principal regulator, with a copy to the non-principal regulators in whose jurisdictions it is seeking further registration, describing the nature of the application and confirming that the information that it has submitted to its principal regulator in connection with its existing registration is accurate as at the date of the

sequential application. The registered firm is not required to submit a new application form or any other document which has been previously filed with the principal regulator and which would remain unchanged.

PART 5 REVIEW OF MATERIALS

5.1 REVIEW BY PRINCIPAL REGULATOR

- (1) The principal regulator is responsible for reviewing all the materials filed pursuant to section 4.2 in accordance with the securities legislation and securities directions applicable in its jurisdiction and with its review procedures and those set forth under this policy and the MRRS MOU, together with the benefit of comments, if any, from the non-principal regulators.
- (2) The principal regulator will be responsible for identifying and resolving all deficiencies relating to the filer's application and the submitted materials.
- (3) The principal regulator for an application made by a firm filer will coordinate the review of the application with the principal regulators of the individual filers for whom the firm filer is the sponsoring firm that have submitted concurrent applications to ensure that issues are resolved so that NRS documents are issued concurrently.

5.2 REVIEW BY NON-PRINCIPAL REGULATORS

Within five business days of the receipt of the materials, non-principal regulators will notify the principal regulator of any material information they may have with respect to the filer that was not disclosed in the materials.

PART 6 REGISTRATION

6.1 DETERMINATION BY PRINCIPAL REGULATOR

After completing its review of the filer's application, but not before the end of the period referred to in section 5.2 or not before receiving notification by each non-principal regulator that it has completed its review (this may still be useful because the review may be completed before the end of the period in 5.2), as contemplated in section 5.2, and after considering the recommendation of its staff, the principal regulator will determine whether it will grant, refuse to grant or impose terms and conditions on the registration or approval sought. (report will be included in the MOU)

6.2 SUBMISSION OF PROPOSED NRS DOCUMENT AND REPORT TO NON-PRINCIPAL REGULATORS

After making the determination referred to in section 6.1, the principal regulator will submit to all non-principal regulators the NRS document that it proposes to issue, addressing:

- (a) the completion of its review of the filer's application,
- (b) whether the filer complies with all fit and proper requirements of the securities legislation applicable in the jurisdiction of the principal regulator,
- (c) whether, in the opinion of the principal regulator, the filer is suitable for registration,
- (d) the terms and conditions, if any, that the principal regulator proposes to impose, and
- (e) the exemptive relief, if any, that the principal regulator is prepared to grant to the filer in connection with the fit and proper requirements, the filing requirements or the notice requirements.

6.3 DETERMINATION BY NON-PRINCIPAL REGULATORS

- (1) Each non-principal regulator will have five business days from the receipt of the report and proposed NRS document referred to in section 6.2 or subsection 6.5(4), as the case may be, to confirm to the principal regulator whether it has made the same determination as the principal regulator and therefore opts into the NRS for that application or whether it is opting out.
- (2) Non-principal regulators may, without opting out of the NRS, impose local terms and conditions to the registration or approval relating to conduct rules applicable in their jurisdiction.

- (3) If a non-principal regulator intends to impose local terms and conditions on the filer's registration or approval, it will notify the filer of such terms and conditions and, if and as provided under the securities legislation applicable in the jurisdiction of the non-principal regulator, it will provide the filer with an opportunity to be heard with respect to the proposed terms and conditions.

6.4 POTENTIAL REFUSAL OF REGISTRATION OR IMPOSITION OF TERMS AND CONDITIONS

If, based on the information before it, the principal regulator is not prepared to grant the registration or approval sought, or if it is prepared to grant the registration or approval sought with certain terms and conditions, the principal regulator will, after the period referred to in subsection 6.1 has elapsed, notify the filer.

6.5 OPPORTUNITY TO BE HEARD

- (1) If a filer has, under the securities legislation applicable in the jurisdiction of its principal regulator, the right to request the opportunity to appear and make submissions to the principal regulator as a result of a potential refusal of the registration or approval sought or as a result of the proposed terms and conditions to the registration or approval sought and if the filer exercises such right, the principal regulator will notify the non-principal regulators with whom the application was filed that the filer has made the request.
- (2) The principal regulator may provide an opportunity to be heard, either solely, jointly or concurrently with other interested non-principal regulators in accordance with applicable securities legislation.
- (3) The non-principal regulators with whom the filer's application was filed may make whatever arrangements they consider appropriate, including providing an opportunity to be heard contemporaneously with the same opportunity provided by the principal regulator, in accordance with applicable securities legislation.
- (4) After a decision has been rendered following the opportunity to be heard, the principal regulator will submit to all non-principal regulators a newly proposed NRS document and report, if required.

PART 7 OPT OUT

7.1 OPT OUT

- (1) A non-principal regulator electing to opt out of the NRS on any particular application will notify the filer, the principal regulator and other non-principal regulators within the time period prescribed by subsection 6.3(1) and will briefly indicate the reasons for opting out.
- (2) A decision by a non-principal regulator to opt out of the NRS is not a decision on the merits of the application.
- (3) A filer will deal directly with any non-principal regulator that has opted out of the NRS to resolve outstanding issues.

7.2 OPT BACK IN

If the filer and the non-principal regulator are able to resolve their outstanding issues before the principal regulator issues the final NRS document, the non-principal regulator may opt back into the NRS by notifying the principal regulator, all other non-principal regulators and the filer.

PART 8 NRS DOCUMENT

8.1 CONDITIONS FOR ISSUANCE OF NRS DOCUMENT

The principal regulator will issue an NRS document for an application submitted under the NRS if,

- (a) all non-principal regulators have indicated whether they are opting in or out of the NRS with respect to the application,
- (b) the principal regulator has determined that acceptable materials have been filed,
- (c) the principal regulator has reviewed the materials submitted,

- (d) where the registration or approval sought by the filer is to be granted, the principal regulator has determined that the requirements contained in the securities legislation applicable in the jurisdiction of the principal regulator to grant the registration or approval, with or without terms and conditions, have been satisfied, or where the registration or approval sought by the filer is to be refused, the principal regulator has determined that the requirements contained in the securities legislation applicable in the jurisdiction of the principal regulator to grant the registration or approval have not been satisfied, and
- (e) where the registration or approval sought by an individual filer is to be granted, the individual filer's sponsoring firm is registered in all jurisdictions in which the individual filer is to be registered or approved.

8.2 EFFECT AND SUBSTANCE OF NRS DOCUMENT

- (1) The NRS document evidences that a decision on the filer's application has been made by the principal regulator and the non-principal regulators that have opted into the NRS for the application.
- (2) The NRS document will evidence the various terms and conditions, if any, imposed by the principal regulator and any non-principal regulator, as well as the relief from the fit and proper requirements, the notice requirements and the filing requirements granted by the principal regulator.

8.3 EFFECTIVE DATE OF NRS DOCUMENT

The decisions made by the principal regulator and the non-principal regulators with respect to a filer's application will have the same effective date as the NRS document.

8.4 LOCAL DECISION

Despite the issuance of the NRS document, certain non-principal regulators may concurrently issue their own decision documents in connection with a filer's application. It is not necessary for a filer to obtain a copy of any local decision document before commencing registrable activities.

PART 9 RENEWALS OF REGISTRATION

9.1 PARTICULARS WITH RESPECT TO RENEWALS OF REGISTRATION

- (1) In certain jurisdictions, the securities legislation provides that a registration will expire after a certain period of time, while in other jurisdictions, the securities legislation provides that a registration is permanent unless revoked by the applicable securities regulatory authority or regulator, as the case may be. Registrations granted under the NRS are subject to the renewal requirements of the principal jurisdiction's securities legislation (we don't have renewals and no decision yet to change on that).
- (2) A filer that has elected to use the NRS should submit its application for renewal of registration with its principal regulator even if the securities legislation applicable in the jurisdiction of the principal regulator does not require the filing of such an application.

PART 10 TRANSITION

10.1 REGISTRATIONS OR APPROVALS OF INDIVIDUAL FILERS IN QUÉBEC

Although Québec anticipates adopting MI 31-102 and MI 33-109, as of the effective date of this policy, the NRD will not be available for registrations or approvals of individual filers in Québec. Consequently, until such time as the NRD is available in Québec:

- (a) all materials which have to be filed in NRD format in jurisdictions other than Québec shall be filed in paper format in Québec, and

individual filers whose principal regulator is a securities regulatory authority in Québec, in addition to complying with the requirements of securities legislation in Québec, will comply with the requirements of MI 33-109 and MI 31-102, in order to ensure the integrity of the NRD.

FORM 31-201F1

ELECTION TO USE NRS AND
DETERMINATION OF PRINCIPAL REGULATOR

This document applies to firms, salesperson being eligible if firm has elected

General Instructions

1. This form is to be used by every firm filer in connection with its election to use and to have its individual filers use the NRS for an application submitted in more than one jurisdiction or in a jurisdiction of a non-principal regulator.
2. This form should be filed in paper format with the firm filer's principal regulator when submitted in connection with an application, with a copy to each non-principal regulator of the filer.
3. If this form is not submitted with a firm filer's application, it should be submitted with the filer's principal regulator and non-principal regulators by e-mail at the following addresses: ● [or through NRD]

1. Identification of Filer

NRD # (if applicable): _____

Firm Name: _____

2. Identification of Regulators

The undersigned firm is submitting an application or is registered in the following jurisdictions:

a) Jurisdiction of Principal Regulator: _____

b) Jurisdiction of Non-Principal Regulators: _____

3. Reasons for Designation of Principal Regulator

- Head Office
- Directing Mind and Management
- Operational Headquarters
- Business Offices
- Workforce
- Clientele
- Other (explain)

Notice of Collection and Use of Personal Information

The personal information required under this form is collected on behalf of and used by the securities regulatory authorities set out below for the administration and enforcement of certain provisions of the securities legislation in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Yukon Territory, and Nunavut.

Request for Comments

By submitting this information you consent to the collection by the securities regulatory authority of the personal information provided above, police records, records from other government or non-governmental regulatory authorities or self-regulatory organizations, credit records and employment records about you as may be necessary for the securities regulatory authority to complete its review of your continued fitness for registration, if applicable, in accordance with the legal authority of the securities regulatory authority for the duration of the period which you remain registered or approved by the securities regulatory authority. The sources the securities regulatory authority may contact include government and private bodies or agencies, individuals, corporations and other organizations.

If you have any questions about the collection and use of this information, you may contact the securities regulatory authority in any jurisdiction in which the required information is filed, at the address or telephone number provided in Schedule "A".

WARNING: It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Certification

I, the undersigned, certify that I understand the requirements and the Warning in this notice and that all statements of fact provided in this notice are true.

Date

Signature of authorized officer or partner

Firm Name**Schedule "A" — Notice of Collection and Use of Personal Information****Contact Information***Alberta*

Alberta Securities Commission,
4th Floor, 300 B 5th Avenue S.W.
Calgary, AB T2P 3C4
Attention: Information Officer
Telephone: (403) 297-6454

British Columbia

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
Attention: Freedom of Information Officer
Telephone: (604) 899-6500 or (800) 373-6393 (in BC)

Manitoba

The Manitoba Securities Commission
1130-405 Broadway
Winnipeg, MB R3C 3L6
Attention: Director — Legal
Telephone: (204) 945-4508

New Brunswick

Securities Administration Branch
PO Box 5001
606, 133 Prince William Street
Saint John, NB E2L 4Y9
Attention: Deputy Administrator, Capital Markets
Telephone: (506) 658-3021

Request for Comments

Newfoundland and Labrador

Securities Commission of Newfoundland and Labrador
P.O. Box 8700, 2nd Floor, West Block
Confederation Building
St. John's, NF A1B 4J6
Attention: Director of Securities
Tel: (709) 729-4189

Nova Scotia

Nova Scotia Securities Commission
2nd Floor, Joseph Howe Building
1690 Hollis Street
P.O. Box 458
Halifax, NS B3J 3J9
Attention: FOI Officer
Telephone: (902) 424-7768

Northwest Territories

Government of the Northwest Territories
P.O. Box 1320
Yellowknife, NWT X1A 2L9
Attention: Deputy Registrar of Securities
Telephone: (867) 920-8984

Nunavut

Legal Registries Division
Department of Justice
Government of Nunavut
P.O. Box 1000 Station 570
Iqaluit, NU X0A 0H0
Attention: Deputy Registrar of Securities
Telephone: (867) 975-6190

Ontario

Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Attention: FOI Coordinator
Telephone: (416) 593-8314

Prince Edward Island

Securities Registry
Office of the Attorney General B Consumer, Corporate and Insurance Services Division
P.O. Box 2000
Charlottetown, PE C1A 7N8
Attention: Deputy Registrar of Securities
Telephone: (902) 368-4569

Québec

Commission des valeurs mobilières du Québec
Stock Exchange Tower
P.O. Box 246, 22nd Floor
800 Victoria Square
Montréal, PQ H4Z 1G3
Attention: Responsable de l'accès à l'information
Telephone: (514) 940-2150 or
(800) 361-5072 (in Québec)

Request for Comments

Saskatchewan

Saskatchewan Securities Commission
800 B1920 Broad Street
Regina, SK S4P 3V7
Attention: Director
Telephone: (306) 787-5842

Yukon

Department of Community Services Yukon
P.O. Box 2703
Whitehorse, YU Y1A 2C6
Attention: Registrar of Securities
Telephone: (867) 667-5225

FORM 31-201F2

NOTICE OF CHANGE OF FACTORS IN CONNECTION WITH THE DETERMINATION OF PRINCIPAL REGULATOR

[NTD: To be completed]