

Chapter 5

Rules and Policies

5.1.1 NP 31-201 - National Registration System

NATIONAL POLICY 31-201 — NATIONAL REGISTRATION SYSTEM

PART 1 DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

(1) In this Policy,

“application form” means, for a filer, the form required under applicable securities legislation to submit an application for registration or approval;

“conduct rules” means the rules, as they apply to registered filers or non-registered individuals, contained in securities legislation of the jurisdictions in which a registered filer is registered or in which a non-registered individual is approved or reviewed, to ensure the proper conduct, namely as regards skill, care and diligence, of registered filers 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) membership with self-regulatory organizations,
- (d) necessary human resources,
- (e) supervision,
- (f) compliance officers or branch managers,
- (g) fair and honest treatment of clients,
- (h) fair allocation of investment opportunities,
- (i) prudent business practices,
- (j) record-keeping,
- (k) communications with clients,
- (l) safe-keeping of assets,
- (m) conflicts of interest,
- (n) use of advertising,
- (o) segregated and trust accounts, and
- (p) 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;

“MI 31-102” means Multilateral Instrument 31-102 National Registration Database;

“MI 33-109” means Multilateral Instrument 33-109 Registration Information;

“NI 31-101” means National Instrument 31-101 National Registration System; and

“Québec NRD Rules” means Regulation 31-102Q Respecting the National Registration Database and Regulation 33-109Q Respecting Registration Information.

- (2) In this Policy, “conduct rules” also means the rules, as they apply to mutual fund dealers and their sponsored individuals who are registered in Québec, contained in the securities legislation of Québec, with respect to liability insurance.

1.2 INTERPRETATION

- (1) Unless otherwise defined or interpreted herein or unless the context otherwise requires, terms used in this Policy that are defined or interpreted in NI 31-101 or National Instrument 14-101 Definitions have the meanings given in those national instruments.
- (2) “Fit and proper requirements”, as defined in NI 31-101, include requirements relating to
- (a) employment conflicts and multiple-category registration,
 - (b) experience and completion of recognized industry course,
 - (c) minimum capital,
 - (d) bonding or insurance, except as contemplated in subsection 1.1(2),
 - (e) participation in compensation or contingency funds,
 - (f) record-keeping systems,
 - (g) preparation of audited and unaudited financial statements, and
 - (h) jurisdiction of incorporation.
- (3) In this Policy, the terms “NRD”, “NRD format” and “NRD website” have the meanings defined in MI 31-102.
- (4) Terms and conditions attaching to a filer’s registration does not affect the filer’s eligibility to use NRS.
- (5) This Policy should be read in conjunction with NI 31-101, which sets out specific requirements and exemptions in relation to the use of 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) Under NRS, a designated securities regulatory authority or regulator, as applicable, acts as the principal regulator for all applications relating to a filer. This will enable securities regulatory authorities and regulators to develop greater familiarity with their respective filers, which will enhance the efficiency and quality of their review of applications filed under NRS.
- (3) A person or company submitting an application to become a registered firm should determine pursuant to NI 31-101 if it is eligible to use NRS. Eligible registered firms may elect to use NRS at any time. Any election by a firm filer to use NRS is binding on all eligible sponsored individuals of the firm filer submitting, or whose firm filer is submitting on their behalf, an application to a non-principal regulator.

2.2. APPLICABLE REQUIREMENTS

- (1) NI 31-101 provides exemptive relief so that firm filers who have elected to use NRS and their sponsored individuals 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. A requirement is not considered applicable if the filer's principal regulator has issued a blanket ruling or order providing for general relief from this requirement.
- (2) Filers will continue to be subject to the conduct rules applicable in each jurisdiction where they are registered.

2.3 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 exemption from its principal regulator.
- (2) If a filer requires exemptive relief from the conduct rules in connection with its application, the exemption can only be obtained from the securities regulatory authority or regulator of the jurisdiction in which the exemption is required. If an exemption is required in more than one jurisdiction, filers are encouraged to use the procedures under National Policy 12-201 Mutual Reliance Review System for Exemptive Relief Applications.

PART 3 PRINCIPAL REGULATOR

3.1 PARTICIPATING PRINCIPAL REGULATORS

As of the effective date of this Policy, the securities regulatory authorities and regulators of all jurisdictions have agreed to act as principal regulator for applications submitted under 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 NRS or, in the case of a firm filer, electing to use 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 connection.
- (4) The following are factors that should be considered by a firm filer when determining the jurisdiction with which it has the most significant connection:
 - (a) head office,
 - (b) directing mind and management,
 - (c) operational headquarters,
 - (d) business offices,
 - (e) workforce, and
 - (f) clientele.
- (5) A firm filer's jurisdiction of incorporation or its registered office, if it is not also a significant business office, are not in themselves factors that should be considered by a firm filer when determining the jurisdiction with which it has the most significant connection.
- (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 NRS. The notice should include detailed information regarding the relevant factors considered by the filer in making the determination. The principal regulator, after considering the

determination, which may include discussing the determination with other securities regulatory authorities or regulators, will respond to the filer's notice within ten business days.

3.3 CHANGE OF PRINCIPAL REGULATOR

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

3.4 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 3.3 will take effect immediately. Requirements applicable to the filer will change accordingly, subject to the temporary exemption contained in section 3.2 of NI 31-101 for the benefit of registered filers.

PART 4 FILING MATERIALS UNDER NRS

4.1 USE OF NRS

A firm filer uses NRS or enables its individual filers to use NRS by filing a completed Form 31-101F1 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 NRS, the filer or the non-registered individual's sponsoring firm should file all required materials in connection with the application under the securities legislation applicable in the jurisdiction of the filer's 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. Firm filers should also concurrently send in paper format to each non-principal regulator a signed copy of Form 31-101F1 and a copy of the application form, as well as the applicable fees. Supporting materials for an application are not required to be sent to the firm filer's non-principal regulators.

4.3 SEQUENTIAL APPLICATIONS

- (1) A registered firm seeking further 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 registered firm is seeking further registration.
- (2) The registered 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. In accordance with section 2.3 of NI 31-101, the registered firm must submit a new completed Form 31-101F1 which includes the further jurisdictions in which it is seeking registration.

**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 sections 4.2 and 4.3 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 addressing all deficiencies relating to the filer's application and the submitted materials.

5.2 COORDINATION

The principal regulator for an application made by a firm filer will coordinate the review of the application with the principal regulators of the firm filer's sponsored individuals that have submitted concurrent applications to ensure that issues are resolved so that NRS documents are issued concurrently.

**PART 6
REGISTRATION**

6.1 DETERMINATION BY PRINCIPAL REGULATOR

After completing its review of the filer's application, the principal regulator will determine whether it will grant, refuse to grant or impose terms and conditions on the registration or approval sought.

6.2 SUBMISSION OF PROPOSED NRS DOCUMENT 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 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 NRS for that application or whether it is opting out. A confirmation from the regulators in the Northwest Territories, Nunavut and the Yukon Territory is not required if they are opting in.
- (2) Non-principal regulators may, without opting out of 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 6.3(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 before or otherwise 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 an opportunity provided by the principal regulator, in accordance with applicable securities legislation.
- (4) After a decision has been rendered following the hearing, the principal regulator will submit to all non-principal regulators a newly proposed NRS document, if required.

6.6 RENEWALS

- (1) In certain jurisdictions, securities legislation provides that registration will expire after a certain period of time, while in other jurisdictions, securities legislation provides that registration is permanent unless revoked by the local securities regulatory authority or regulator. Renewal requirements apply to registered filers using NRS, however the exemption from the fit and proper requirements of the local jurisdiction of non-principal regulators continues in effect.
- (2) Due to the different requirements among the jurisdictions in respect of renewal filings and fees, it is not possible to process renewals through the single channel of the principal regulator in the same manner as with other NRS applications. Applicable filings must be submitted directly to a securities regulatory authority or regulator whose securities legislation imposes a renewal requirement on a registered filer and applicable renewal payments must be made through NRD.

PART 7 OPT OUT

7.1 OPT OUT

- (1) A non-principal regulator electing to opt out of 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 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 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 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 NRS if

- (a) all non-principal regulators, other than the regulators in the Northwest Territories, Nunavut and the Yukon Territory, have indicated whether they are opting in or out of 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, are 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 are not 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 not opted out of NRS for the application.
- (2) The NRS document will evidence any terms and conditions imposed by a principal regulator or a non-principal regulator, as well as any exemption 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 TRANSITION

9.1 REGISTRATIONS OR APPROVALS OF INDIVIDUAL FILERS IN QUÉBEC

Québec has adopted the Québec NRD Rules, which correspond to MI 31-102 and MI 33-109, and has made NRD available for registrations or approvals of individual filers in Québec. However, because of transitional measures provided in the Québec NRD Rules, individual filers whose principal regulator is a securities regulatory authority in Québec and who are not yet required pursuant to the Québec NRD Rules to file materials in NRD format through the NRD website, in addition to complying with the requirements of securities legislation in Québec, must comply with the requirements of MI 31-102 and MI 33-109, in order to ensure the integrity of NRD.