

Chapter 6

Request for Comments

6.1.1 Proposed Amendment to OSC Rule 31-502 – Proficiency Requirements For Registrants

REQUEST FOR COMMENTS

PROPOSED AMENDMENT TO RULE 31-502 – PROFICIENCY REQUIREMENTS FOR REGISTRANTS

Introduction

The Commission is proposing an amendment to Rule 31-502 – *Proficiency Requirements for Registrants*.

Substance and Purpose of Proposed Amendment

The proposed amendment would remove limits on the number of “restricted representatives” an investment dealer may employ. Restricted representatives have their registration restricted to the sale of mutual funds as a condition of their eligibility for a temporary exemption from the proficiency requirements that are otherwise applicable to investment dealer salespersons. The amendment is proposed because these limits are no longer needed.

The amendment would be as follows: “Rule 31-502 – *Proficiency Requirements for Registrants* is amended by deleting paragraph 2.1(3)(c) and adjusting the punctuation of subsection 2.1(3) accordingly”.

Summary of the Proposed Amendment

Section 2.1 of Rule 31-502 prescribes proficiency requirements for salespersons of investment dealers (it also refers to brokers and securities dealers, but these are no longer used as categories of registration). Subsection 2.1(3) provides a temporary exemption from the usual proficiency requirements, allowing investment dealer salespersons newly-hired from mutual fund dealers to have their registration restricted to the sale of mutual funds for a period of 270 days so that they may have an opportunity to complete the courses required for unrestricted registration.

The provision that the proposed amendment would delete, paragraph 2.1(3)(c), limits the number of such restricted representatives that an investment dealer may employ in Ontario at any given time.

The limitation reflects former concerns of the Canadian Securities Administrators that unlimited access to the restricted representative exemption might threaten the viability of the Mutual Fund Dealers Association of Canada,¹ which was in the process of organizing at the time when subsection 2.1(3) was added to the Rule. This does not appear to be a concern at this time. There is no other reason to retain the limitation in paragraph (c) .

Authority for Proposed Amendments

The following provisions of the *Securities Act* provide the Commission with authority to make the Rules and as such, to amend them: Paragraph 143(1)1 authorizes the Commission to make rules prescribing requirements in respect of applications for registration and the renewal, amendment, expiration or surrender of registration. Paragraph 143(1)2 authorizes the Commission to make rules prescribing the conditions of registration or other requirements for registrants or any category or sub-category of registrant.

Alternatives Considered

The Commission considered maintaining the limitation in paragraph 2.1(3)(c), but prefers to avoid unnecessary restrictions on the availability of exemptions under the Rule or the Act generally.

Unpublished Materials

In proposing this amendment, the Commission has not relied on any significant unpublished study, report, decision or other written materials.

¹ Discussed in the Notice of Proposed Changes to Proposed Rule 31-502 dated September 17, 1999.

Anticipated Costs and Benefits

The Commission believes that the proposed amendment would remove an out-dated restriction on investment dealers' access to a useful exemption for certain newly-hired registrants. There will be no new costs resulting from the amendment if it is adopted.

Regulations Revoked or Amended

The proposed amendment does not require any regulations to be revoked or amended other than as described above.

Comments

Interested parties are invited to make written submissions with respect to the proposed amendments. Submissions received by May 31, 2006 will be considered.

Submissions should be sent to:

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
jstevenson@osc.gov.on.ca

If you are not sending your comments by e-mail, please send us two copies of your letter, together with a diskette containing your comments (in MS Word format). As the *Securities Act* requires that a summary of the written comments received during the comment period be published, confidentiality of submissions cannot be maintained.

Questions may be referred to:

Christopher Jepson
Senior Legal Counsel
Ontario Securities Commission
(416) 593-2379
cjepson@osc.gov.on.ca

Dated: February 24, 2006.

AMENDMENT TO RULE 31-502

PROFICIENCY REQUIREMENTS FOR REGISTRANTS

PART 1 AMENDMENT TO RULE 31-502

1.1 Amendment – Rule 31-502 – *Proficiency Requirements for Registrants* is amended by deleting paragraph 2.1(3)(c) and adjusting the punctuation of subsection 2.1(3) accordingly.

PART 2 EFFECTIVE DATE

2.1 Effective Date – This Amendment comes in to force on ...