

Notice No. 91-702

NOVA SCOTIA SECURITIES COMMISSION NOTICE

IN THE MATTER OF THE *SECURITIES ACT*,
R. S. N. S. 1989, C. 418, AS AMENDED

- AND -

PROPOSED CONSEQUENTIAL AMENDMENTS TO CERTAIN NATIONAL
INSTRUMENTS AND POLICIES RELATED TO
DERIVATIVES REGULATION IN NOVA SCOTIA

August 16, 2016

The Nova Scotia Securities Commission (the Commission) is publishing for a 30 day comment period expiring on September 15, 2016 proposed amendments (the Proposed Amendments) to:

- National Instrument 14-101 *Definitions*,
- National Instrument 21-101 *Marketplace Operation*,
- National Instrument 23-102 *Use of Client Brokerage Commissions*,
- National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*,
- National Instrument 55-104 *Insider Reporting Requirements and Exemptions*, and

proposed changes (the Proposed Changes) to:

- Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

The text of the Proposed Amendments and Proposed Changes are contained in Annexes A through F of this notice.

Substance and Purpose

The Proposed Amendments and Proposed Changes are intended to correspond to local amendments to legislation in Nova Scotia that were introduced to provide a platform for the regulation of derivatives. Similar consequential amendments are expected to be implemented in Alberta, New Brunswick and Saskatchewan.

Background

On February 17, 2016, amendments to the *Securities Act* (Nova Scotia) (the Act) were proclaimed to create a framework for derivatives regulation. Among other things, the Act was amended to add a definition of “derivative”. As a result of the amendments to the Act, certain national

instruments and policies need to be amended to make related changes and to harmonize with requirements in other Canadian jurisdictions.

Request for Comments

Please provide your comments in writing to the Commission at the following address on or before September 15, 2016:

Nova Scotia Securities Commission
Suite 400, Duke Tower 5251 Duke Street
Halifax, Nova Scotia B3J 1P3
Attention: H. Jane Anderson, Director, Policy & Market Regulation
Fax: (902) 424-4624
Email: jane.anderson@novascotia.ca

Please note that submissions will not be kept confidential. You should not include personal information in comments. It is important that you state on whose behalf you are making the submission.

Contents of Annexes

The following annexes form part of this Notice:

- Annex A – Proposed amendments to National Instrument 14-101 *Definitions*
- Annex B – Proposed amendments to National Instrument 21-101 *Marketplace Operation*
- Annex C – Proposed amendments to National Instrument 23-102 *Use of Client Brokerage Commissions*
- Annex D – Proposed amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
- Annex E – Proposed changes to Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
- Annex F – Proposed amendments to National Instrument 55-104 *Insider Reporting Requirements and Exemptions*

Questions

Any questions related to this Notice should be referred to:

H. Jane Anderson
Director, Policy & Market Regulation
Nova Scotia Securities Commission
Suite 400, Duke Tower 5251 Duke Street
Halifax, Nova Scotia B3J 1P3
Phone: (902) 424-0179
Email: jane.anderson@novascotia.ca

ANNEX A

Proposed Amendments to National Instrument 14-101 *Definitions*

1. *National Instrument 14-101 Definitions is amended by this Instrument.*

2. *Subsection 1.1(3) is amended by adding the following definition:*

“exchange contract” means, in Alberta, New Brunswick, Nova Scotia, and Saskatchewan, a derivative:

- (a) that is traded on an exchange;
- (b) that has standardized terms and conditions determined by that exchange; and
- (c) for which a clearing agency substitutes, through novation or otherwise, the credit of the clearing agency for the credit of the parties to the derivative..

3. This Instrument comes into force on [●].

ANNEX B

Proposed Amendments to National Instrument 21-101 *Marketplace Operation*

1. *National Instrument 21-101 Marketplace Operation is amended by this Instrument.*
2. *Section 1.4 is amended by adding the following subsection:*
 - (4) In Alberta, New Brunswick, Nova Scotia, and Saskatchewan, the term “security”, when used in this Instrument, includes an option that is an exchange contract..
3. This Instrument comes into force on [●].

ANNEX C

Proposed Amendments to National Instrument 23-102 *Use of Client Brokerage Commissions*

1. *National Instrument 23-102 Use of Client Brokerage Commissions is amended by this Instrument.*
2. *Section 1.2 is replaced with the following*
 - 1.2 Interpretation – Security**

For the purposes of this Instrument,

 - (a) in British Columbia, “security” includes an exchange contract;
 - (b) in Quebec, “security” includes a standardized derivative, and
 - (c) in Alberta, New Brunswick, Nova Scotia, and Saskatchewan, “security” includes a derivative..
3. This Instrument comes into force on [●].

ANNEX D

Proposed 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 1.2 is replaced with the following*
 - 1.2 **Interpretation Of “Securities” In Alberta, British Columbia, New Brunswick, Nova Scotia, And Saskatchewan**
 - (1) In British Columbia, a reference to “securities” in this Instrument includes “exchange contracts”, unless the context otherwise requires.
 - (2) In Alberta, New Brunswick, Nova Scotia, and Saskatchewan, a reference to “securities” in this Instrument includes “derivatives”, unless the context otherwise requires..
3. *Section 8.2 is amended by inserting “Nova Scotia,” before “and Saskatchewan” wherever “and Saskatchewan” occurs.*
4. *Section 8.20 is amended in subsection (1) by inserting “Nova Scotia,” before “and Saskatchewan,” wherever “and Saskatchewan” occurs.*
5. *Section 8.20.1 is replaced with the following*
 - 8.20.1 **Exchange Contract Trades Through Or To a Registered Dealer – Alberta, British Columbia, New Brunswick, Nova Scotia, and Saskatchewan**

In Alberta, British Columbia, New Brunswick, Nova Scotia, 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..
6. *Section 8.26 is amended in subsection (1) by inserting “Nova Scotia,” before “and Saskatchewan,”.*
7. This Instrument comes into force on [●].

ANNEX E

Proposed Changes to Companion Policy 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*

1. *The changes to Companion Policy 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations are set out in this Annex.*
2. *Appendix B – Terms defined in National Instrument 14-101 Definitions is changed by adding the following*
 - “exchange contract (AB, SK, NS and NB only)”.
3. These changes become effective on [●].

ANNEX F

Proposed Amendments to National Instrument 55-104 *Insider Reporting Requirements and Exemptions*

1. *National Instrument 55-104 Insider Reporting Requirements and Exemptions is amended by this Instrument.*
2. *Subsection 1.1(1) is amended in the definition of “derivative”*
 - (a) *in paragraph (a) by adding “Nova Scotia,” before “Nunavut”, and*
 - (b) *in paragraph (b) by adding “Nova Scotia,” before “Nunavut”.*
3. This Instrument comes into force on [●].