

Nova Scotia Securities Commission

**Rule 31-103 (Amendment)
Registration Requirements, Exemptions and Ongoing Registrant Obligations**

-and-

**Amendments to National Instrument 31-103
Registration Requirements, Exemptions and Ongoing Registrant Obligations**

-and-

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

WHEREAS:

1. Pursuant to section 150 of the Securities Act, R.S.N.S. 1989, chapter 418, as amended (the Act), the Nova Scotia Securities Commission (the Commission) has power to make rules subject to compliance with the requirements of the Act;
2. Pursuant to section 19 of the Act, the Commission has power to issue and publish policy statements;
3. Amending Instrument to NI 31-103 and Changes to the Companion Policy, copies of which are attached hereto and are hereinafter called the "Rule" and "Companion Policy" respectively, have been made a rule by one or more of the Canadian securities regulatory authorities; and
4. The Commission is of the opinion that the attainment of the purpose of the Act is advanced by this Instrument.

NOW THEREFORE the Commission hereby:

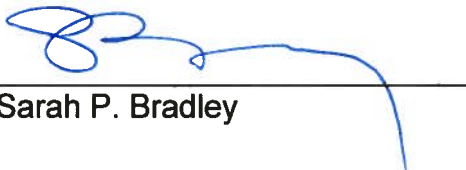
- (a) pursuant to the authority contained in section 150 of the Act and subject to compliance with the requirements of section 150A of the Act, approves the Rule and makes the same a rule of the Commission;
- (b) pursuant to the authority contained in section 19 of the Act and subject to publication in the Royal Gazette or the Commission's website, issues the Companion Policy as a policy statement of the Commission; and
- (c) declares that the rule approved and made pursuant to clause (a) and the issuance of the policy statement pursuant to clause (b) shall both take effect on **February 28, 2012**, unless the Minister disapproves the rule or returns it to

the Commission in accordance with subsection 150A(3) of the Act in which event the rule and the policy statement shall not be effective until the rule is approved by the Minister.

IN WITNESS WHEREOF this Instrument has been signed by the Chair and Vice-Chair of the Commission, being the members of the Commission prescribed by the Chair pursuant to subsection 15(3) of the Act to attend the hearing of this matter and the quorum with respect to this matter, on the 8th day of December, 2011.



H. Leslie O'Brien, Q.C.



Sarah P. Bradley

Attachments

AMENDING INSTRUMENT TO NI 31-103

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 after the definition of "IIROC"

"IIROC Provision" means a by-law, rule, regulation or policy of IIROC named in Appendix G, as amended from time to time; **and**

(b) adding the following after the definition of "MFDA"

"MFDA Provision" means a by-law, rule, regulation or policy of the MFDA named in Appendix H, as amended from time to time;

3. Section 3.16 is amended by

(a) adding the following after subsection (1):

(1.1) Subsection (1) only applies to a registered individual who is a dealing representative of a member of IIROC in respect of a requirement specified in any of paragraphs (1)(a) to (c) if the registered individual complies with the corresponding IIROC Provisions that are in effect. , **and**

(b) adding the following after subsection (2):

(2.1) Subsection (2) only applies to a registered individual who is a dealing representative of a member of the MFDA in respect of a requirement specified in paragraphs (2)(a) or (b) if the registered individual complies with the corresponding MFDA Provisions that are in effect.

4. Section 9.3 is amended by

(a) adding the following after subsection (1):

(1.1) Subsection (1) only applies to a registered firm in respect of a requirement specified in any of paragraphs (1)(a) to (q) if the registered firm complies with the corresponding IIROC Provisions that are in effect. , **and**

(b) adding the following after subsection (2):

(2.1) Subsection (2) only applies to a registered firm in respect of a requirement specified in any of paragraphs (2)(a) to (m) if the registered firm complies with the corresponding IIROC Provisions that are in effect.

5. Section 9.4 is amended by

(a) adding the following after subsection (1):

(1.1) Subsection (1) only applies to a registered firm in respect of a requirement specified in any of paragraphs (1)(a) to (q) if the registered firm complies with the corresponding MFDA Provisions that are in effect. , **and**

(b) adding the following after subsection (2):

(2.1) Subsection (2) only applies to a registered firm in respect of a requirement specified in any of paragraphs (2)(a) to (k) if the registered firm complies with the corresponding MFDA Provisions that are in effect.

6. The Instrument is amended by adding the following appendices after Appendix F:

APPENDIX G - EXEMPTIONS FROM CERTAIN REQUIREMENTS FOR IIROC MEMBERS

(Section 9.3 [exemptions from certain requirements for IIROC members])

NI 31-103 Provision	IIROC Provision
section 12.1 [<i>capital requirements</i>]	1. Dealer Member Rule 17.1; and 2. Form 1 <i>Joint Regulatory Financial Questionnaire and Report</i> - Part I, Statement B, “Notes and Instructions”
section 12.2 [<i>notifying the regulator of a subordination agreement</i>]	1. Dealer Member Rule 5.2; and 2. Dealer Member Rule 5.2A
section 12.3 [<i>insurance – dealer</i>]	1. Dealer Member Rule 400.2 [<i>Financial Institution Bond</i>]; 2. Dealer Member Rule 400.4 [<i>Amounts Required</i>]; and 3. Dealer Member Rule 400.5 [<i>Provisos with respect to Dealer Member Rules 400.2, 400.3 and 400.4</i>]
section 12.6 [<i>global bonding or insurance</i>]	1. Dealer Member Rule 400.7 [<i>Global Financial Institution Bonds</i>]
section 12.7 [<i>notifying the regulator of a change, claim or cancellation</i>]	1. Dealer Member Rule 17.6; 2. Dealer Member Rule 400.3 [<i>Notice of Termination</i>]; and 3. Dealer Member Rule 400.3B [<i>Termination or</i>

	<i>Cancellation]</i>
section 12.10 <i>[annual financial statements]</i>	<ol style="list-style-type: none"> 1. Dealer Member Rule 16.2 <i>[Dealer Member Filing Requirements]</i>; and 2. Form 1 <i>Joint Regulatory Financial Questionnaire and Report</i>
section 12.11 <i>[interim financial information]</i>	<ol style="list-style-type: none"> 1. Dealer Member Rule 16.2 <i>[Dealer Member Filing Requirements]</i>; and 2. Form 1 <i>Joint Regulatory Financial Questionnaire and Report</i>
section 12.12 <i>[delivering financial information – dealer]</i>	<ol style="list-style-type: none"> 1. Dealer Member Rule 16.2 <i>[Dealer Member Filing Requirements]</i>
subsection 13.2(3) <i>[know your client]</i>	<ol style="list-style-type: none"> 1. Dealer Member Rule 1300.1(a)-(n) <i>[Identity and Creditworthiness]</i>; 2. Dealer Member Rule 1300.2; 3. Dealer Member Rule 2500, Section II <i>[Opening New Accounts]</i>; and 4. Form 2 <i>New Client Application Form</i>
section 13.3 <i>[suitability]</i>	<ol style="list-style-type: none"> 1. Dealer Member Rule 1300.1(o) <i>[Business Conduct]</i>; 2. Dealer Member Rule 1300.1(p) <i>[Suitability Generally]</i>; 3. Dealer Member Rule 1300.1(q) <i>[Suitability Determination Required When Recommendation Provided]</i>; 4. Dealer Member Rule 1300.1(r) and Dealer Member Rule 1300.1(s) <i>[Suitability Determination Not Required]</i>; 5. Dealer Member Rule 1300.1(t) <i>[Corporation Approval]</i>; 6. Dealer Member Rule 2700, Section I <i>[Customer Suitability]</i>; and 7. Dealer Member Rule 3200 <i>[Minimum Requirements for Dealer Members Seeking Approval Under Rule 1300.1(t) for Suitability Relief for Trades not Recommended by the Member]</i>
section 13.12 <i>[restriction on lending to clients]</i>	<ol style="list-style-type: none"> 1. Dealer Member Rule 100 <i>[Margin Requirements]</i>
section 13.13 <i>[disclosure when recommending the use of borrowed money]</i>	<ol style="list-style-type: none"> 1. Dealer Member Rule 29.26
section 13.15 <i>[handling complaints]</i>	<ol style="list-style-type: none"> 1. Dealer Member Rule 2500B <i>[Client Complaint Handling]</i>; and 2. Dealer Member Rule 2500, Section VIII <i>[Client Complaints]</i>
subsection 14.2(2) <i>[relationship disclosure information]</i>	<ol style="list-style-type: none"> 1. Dealer Member Rules of IIROC that set out the requirements for relationship disclosure information similar to those contained in IIROC's Client

	<p>Relationship Model proposal, published for comment on January 7, 2011;</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>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.</p> </div> <ol style="list-style-type: none"> 2. Dealer Member Rule 29.8; 3. Dealer Member Rule 200.1(c); 4. Dealer Member Rule 200.1(h); 5. Dealer Member Rule 1300.1(p) <i>[Suitability Generally]</i>; 6. Dealer Member Rule 1300.1(q) <i>[Suitability Determination Required When Recommendation Provided]</i>; 7. Dealer Member Rule 1300.2; and 8. Dealer Member Rule 2500B, Part 4 <i>[Complaint procedures / standards]</i>
section 14.6 <i>[holding client assets in trust]</i>	1. Dealer Member Rule 17.3
section 14.8 <i>[securities subject to a safekeeping agreement]</i>	<ol style="list-style-type: none"> 1. Dealer Member Rule 17.2A 2. Dealer Member Rule 2600 – Internal Control Policy Statement 5 <i>[Safekeeping of Clients' Securities]</i>
section 14.9 <i>[securities not subject to a safekeeping agreement]</i>	<ol style="list-style-type: none"> 1. Dealer Member Rule 17.3; 2. Dealer Member Rule 17.3A; and 3. Dealer Member Rule 200.1(c)
section 14.12 <i>[content and delivery of trade confirmation]</i>	1. Dealer Member Rule 200.1(h)

APPENDIX H - EXEMPTIONS FROM CERTAIN REQUIREMENTS FOR MFDA MEMBERS

(Section 9.4 *[exemptions from certain requirements for MFDA members]*)

NI 31-103 Provision	MFDA Provision
section 12.1 <i>[capital requirements]</i>	<ol style="list-style-type: none"> 1. Rule 3.1.1 <i>[Minimum Levels]</i>; 2. Rule 3.1.2 <i>[Notice]</i>; 3. Rule 3.2.2 <i>[Member Capital]</i> ; 4. Form 1 <i>MFDA Financial Questionnaire and Report</i>; and 5. Policy No. 4 <i>[Internal Control Policy Statements – Policy Statement 2: Capital Adequacy]</i>
section 12.2 <i>[notifying the</i>	1. Form 1 <i>MFDA Financial Questionnaire and Report</i> ,

<i>regulator of a subordination agreement]</i>	Statement F [<i>Statement of Changes in Subordinated Loans</i>]; and 2. Membership Application Package – Schedule I (Subordinated Loan Agreement)
<i>section 12.3 [insurance – dealer]</i>	1. Rule 4.1 [<i>Financial Institution Bond</i>]; 2. Rule 4.4 [<i>Amounts Required</i>]; 3. Rule 4.5 [<i>Provisos</i>]; and 4. Policy No. 4 [<i>Internal Control Policy Statements – Policy Statement 3: Insurance</i>]
<i>section 12.6 [global bonding or insurance]</i>	1. Rule 4.7 [<i>Global Financial Institution Bonds</i>]
<i>section 12.7 [notifying the regulator of a change, claim or cancellation]</i>	1. Rule 4.2 [<i>Notice of Termination</i>]; and 2. Rule 4.3 [<i>Termination or Cancellation</i>]
<i>section 12.10 [annual financial statements]</i>	1. Rule 3.5.1 [<i>Monthly and Annual</i>]; 2. Rule 3.5.2 [<i>Combined Financial Statements</i>]; and 3. Form 1 MFDA <i>Financial Questionnaire and Report</i>
<i>section 12.11 [interim financial information]</i>	1. Rule 3.5.1 [<i>Monthly and Annual</i>]; 2. Rule 3.5.2 [<i>Combined Financial Statements</i>]; and 3. Form 1 MFDA <i>Financial Questionnaire and Report</i>
<i>section 12.12 [delivering financial information – dealer]</i>	1. Rule 3.5.1 [<i>Monthly and Annual</i>]
<i>section 13.3 [suitability]</i>	1. Rule 2.2.1 [<i>“Know-Your-Client”</i>]; and 2. Policy No. 2 [<i>Minimum Standards for Account Supervision</i>]
<i>section 13.12 [restriction on lending to clients]</i>	1. Rule 3.2.1 [<i>Client Lending and Margin</i>]; and 2. Rule 3.2.3 [<i>Advancing Mutual Fund Redemption Proceeds</i>]
<i>section 13.13 [disclosure when recommending the use of borrowed money]</i>	1. Rule 2.6 [<i>Borrowing for Securities Purchases</i>]
<i>section 13.15 [handling complaints]</i>	1. Rule 2.11 [<i>Complaints</i>] 2. Policy No. 3 [<i>Complaint Handling, Supervisory Investigations and Internal Discipline</i>]; and 3. Policy No. 6 [<i>Information Reporting Requirements</i>]
<i>subsection 14.2(2) [relationship disclosure information]</i>	1. Rule 2.2.5 [<i>Relationship Disclosure</i>]
<i>section 14.6 [holding client assets in trust]</i>	1. Rule 3.3.1 [<i>General</i>]; 2. Rule 3.3.2 [<i>Cash</i>]; and 3. Policy No. 4 [<i>Internal Control Policy Statements – Policy Statement 4: Cash and Securities, and Policy Statement 5: Segregation of Clients’ Securities</i>]
<i>section 14.8 [securities subject to a safekeeping agreement]</i>	1. Rule 3.3.3 [<i>Securities</i>]; and 2. Policy No. 4 [<i>Internal Control Policy Statements – Policy Statement 4: Cash and Securities, and Policy</i>

	<i>Statement 5: Segregation of Clients' Securities]</i>
section 14.9 <i>[securities not subject to a safekeeping agreement]</i>	1. Rule 3.3.3 <i>[Securities]</i>
section 14.12 <i>[content and delivery of trade confirmation]</i>	1. Rule 5.4.1 <i>[Delivery of Confirmations]</i> ; 2. Rule 5.4.2 <i>[Automatic Payment Plans]</i> ; and 3. Rule 5.4.3 <i>[Content]</i>

7. This Instrument comes into force on February 28, 2012.

Changes to the Companion Policy

- 1. *Changes to Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations are set out in this Annex.***
- 2. *Section 3.16 is changed by adding the following as its fourth paragraph:***

We expect registered individuals who are dealing representatives of IIROC or MFDA members to comply with the by-laws, rules, regulations and policies of IIROC or the MFDA, as applicable (SRO provisions). These individuals cannot rely on the exemptions in section 3.16 unless they are complying with the corresponding SRO provisions specified in NI 31-103. We regard compliance with IIROC or MFDA procedures, interpretations, notices, bulletins and practices as relevant to compliance with the applicable SRO provisions.

For these purposes, an individual that has an exemption from an SRO provision and complies with the terms of that exemption would be considered to have complied with that SRO provision.

- 3. *Part 9 is changed by adding the following as a fifth paragraph:***

We expect registered firms that are members of IIROC or the MFDA to comply with the by-laws, rules, regulations and policies of IIROC or the MFDA, as applicable (SRO provisions). These firms cannot rely on the exemptions in Part 9 unless they are complying with the corresponding SRO provisions specified in NI 31-103. We regard compliance with IIROC or MFDA procedures, interpretations, notices, bulletins and practices as relevant to compliance with the applicable SRO provisions.

For these purposes, a firm that has an exemption from an SRO provision and complies with the terms of that exemption would be considered to have complied with that SRO provision.

- 4. These changes become effective on February 28, 2012.**