

For Immediate Release

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Canadian Securities Regulators Seek Comment on Proposed Changes to Registration Rules for Dealers, Advisers and Investment Fund Managers

Montréal – The Canadian Securities Administrators (CSA) are seeking public comment on proposals to amend the regulatory framework for firms and individuals who deal in securities, provide investment advice or manage investment funds. The regulatory framework for registrants is contained in National Instrument (NI) 31-103 *Registration Requirements and Exemptions* and related instruments (the National Registration Rules).

The National Registration Rules came into force on September 28, 2009 and introduced a registration regime that is harmonized, streamlined and modernized. The proposed amendments are the result of the CSA's monitoring of the implementation of the National Registration Rules, including the CSA's continuing dialogue with stakeholders and its member jurisdictions' practical experience of working with the new registration framework. The CSA planned for early publication of amendments to address questions and practical issues during the initial implementation of the new regime.

“Investors will benefit from the proposed amendments to the registration regime, which includes enhanced requirements for consumer disclosure and handling investor complaints. The proposals also aim to improve the day-to-day operation of the National Registration Rules for both industry and regulators, and thereby will further enhance the efficiency of the new harmonized registration regime,” said Jean St-Gelais, Chair of the CSA and President and Chief Executive Officer of the Autorité des marchés financiers (Québec).

The proposed amendments are intended to make the National Registration Rules clearer and the on-going requirements more targeted, to the benefit of registrants and the investors they serve.

The main areas that would be affected are:

- proficiency requirements;
- Know-Your-Product requirement;
- international dealer and international adviser exemptions;
- compliance systems;
- conflicts of interest;
- referral arrangements;
- guidance on handling investor complaints and dispute resolution service; and
- account activity reporting.

The attached backgrounder provides a more detailed description of the proposed changes to NI 31-103. Copies of the proposed amendments and additional background information are available on the websites of CSA members. The comment period is open until September 30, 2010.

The CSA, the council of the securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

- 30 -

For more information:

Theresa Ebden
Ontario Securities Commission
416-593-8307

Sylvain Théberge
Autorité des marchés financiers
514-940-2176

Mark Dickey
Alberta Securities Commission
403-297-4481

Brenda Lea Brown
British Columbia Securities Commission
604-899-6554

Ainsley Cunningham
Manitoba Securities Commission
204-945-4733

Wendy Connors-Beckett
New Brunswick Securities Commission
506-643-7745

Natalie MacLellan
Nova Scotia Securities Commission
902-424-8586

Barbara Shourounis
Saskatchewan Financial Services Commission
306-787-5842

Janice Callbeck
PEI Securities Office
Office of the Attorney General
902-368-6288

Doug Connolly
Financial Services Regulation Div.
Newfoundland and Labrador
709-729-2594

Fred Pretorius
Yukon Securities Registry
867-667-5225

Louis Arki
Nunavut Securities Office
867-975-6587

Donn MacDougall
Northwest Territories
Securities Office
867-920-8984

Backgrounder: Summary of Proposed Changes to National Instrument 31-103 *Registration Requirements and Exemptions*

The National Registration Rules introduced on September 28, 2009 have higher proficiency standards for some registrants, and enhanced rules for consumer disclosure, referral arrangements, handling investor complaints, and disclosing and addressing conflicts of interest. They also introduced a registration requirement for investment fund managers, exempt market dealers and senior officers responsible for compliance. The National Registration Rules recognize that the registration regime must accommodate a wide variety of business models, scales of operation, clients and products. The amendments proposed by the CSA include proposals to

- make various minor drafting changes to NI 31-103 and clarifications to the guidance in Companion Policy 31-103 *CP Registration Requirements and Exemptions* (the Companion Policy) in order to give better effect to the original intent and to codify staff administrative practice that is in keeping with this original intent
- give effect to omnibus / blanket relief orders described in CSA Staff Notice 31-315 *Omnibus / blanket orders exempting registrants from certain provisions of NI 31-103 Registration Requirements and Exemptions*; most of these relief orders address issues relating to the transition from the old registration regime to the new regime introduced with NI 31-103
- incorporate into Companion Policy 31-103 *Registration Requirements and Exemptions* (Companion Policy) some of the guidance which we published on December 18, 2009 and February 5, 2010 as *Frequently Asked Questions* (FAQ); these FAQs are available on the websites of most of the CSA members
- add an obligation for registered representatives to understand the structure and features of each security they recommend
- propose guidance in the Companion Policy which would guide registrants in meeting the requirement to document complaints and to fairly and effectively respond to them
- amend the requirement to the obligation of the registered firm to ensure independent resolution or mediation services in cases where the complaint relates to a trading or advising activity, a breach of client confidentiality, theft, fraud, misappropriation or forgery, misrepresentation, an undisclosed or prohibited conflict of interest or personal financial dealings with a client
- add obligations for investment fund managers to deliver trade confirmations and account statements to investors who deal directly with them, rather than through a dealer
- address the impact of the coming introduction of International Financial Reporting Standards (IFRS) on the valuation of securities for purposes of NI 31-103
- remove certain non harmonized provisions with respect to the mutual fund dealer category
- grant additional exemptions to members of self regulatory organizations (SROs) where the SRO rules adequately cover the same regulatory risks, and
- extend certain exemptions to circumstances that are consistent with the original policy intent of NI 31-103.