

GUIDANCE NOTE 2100-1
INVESTMENT IN A DEALER MEMBER – NOTIFICATION AND APPROVAL

This Guidance Note describes how to obtain Corporation approval for ownership of a Dealer Member or its holding company (other than those firms publicly owned).

Notification and Approval

The approval process for ownership of a Dealer Member or its holding company (other than those firms publicly owned) applies to:

- (i) acquisitions of 10% or more of the Dealer Member or
- (ii) 10% or more of the voting shares of the Dealer Member.

For smaller acquisitions (see immediately below), the Dealer Member must notify the Corporation by form or letter, as applicable, within 20 days before the transaction date.

Investment of less than 10% in a Dealer Member

If an investor wishes to make an investment of less than 10% in the ownership of a Dealer Member, the Dealer Member must:

- (i) notify the Corporation Secretary using an Investor Notification Form, and
- (ii) include with the form a shareholder schedule¹.

Subsequent purchases by the same investor require only a letter to the Corporation Secretary, along with the shareholder schedule, unless the purchase results in ownership of 10% or more of the Dealer Member. An application through the National Registration Database (NRD) is not required.

Investment of more than 10% in a Dealer Member

Section 2106 requires that a Dealer Member:

- (i) obtain Corporation's approval for an investment of 10% or more in another Dealer Member;
- (ii) submit an Investor Application Form, along with a shareholder schedule;
- (iii) file an Initial Registration submission *Form 33-109F4 Registration of Individuals and Review of Permitted Individuals* [LINK] through NRD, unless the individual is already registered with a Dealer Member. In the latter case, the Dealer Member must submit a *33-109F2 Change or Surrender of Individual Categories* [LINK] for approval as an Investor; and
- (iv) after the transaction is completed, submit an *Item 17 - Ownership of Securities and Derivatives Firms Change* submission through NRD.

The Dealer Member will receive approval both through NRD and the Corporation Secretary.

The Partners, Directors and Senior Officers Course (PDO) must be completed by:

¹ The shareholder schedule must show the number of shares owned (with percentages), both before and after the proposed transactions.

- (a) Any Director of a Dealer Member who directly or indirectly owns or controls a voting interest in the Dealer Member of 10% or more;
- (b) Any person other than a Director of a Dealer Member, who is actively engaged in the business of a Dealer Member and directly or indirectly owns or controls a voting interest in the Dealer Member of 10% or more.

GUIDANCE NOTE 2150-1
GUARANTEES

Rule 2150, subsection 2154(3) requires a *Dealer Member* and its *related companies* to sign the Corporation *guarantee* form. The current *guarantee* form follows.

Uniform Guarantee by Dealer Members and Related Companies

By

**Guarantee amount
as % of Regulatory
Capital**

Guarantors

To

Investment Industry Regulatory Organization of Canada on its own behalf and as trustee for Customers of the Dealer Members listed above.

Background

- (a) The Guarantors are Dealer Members of a Participating Institution and *related companies* under the Institution Rules.
- (b) The Rules require each Guarantor to guarantee each other's debts, liabilities, and obligations to their respective Customers for the amount and in the way this Guarantee describes.
- (c) The Institution agrees to hold as bare trustee* the benefit of this Guarantee for the Customers and itself and for the Participating Institution for paragraphs 12 and 13 of this Guarantee.
- (d) The amount of this Guarantee for each Guarantor is intended to be limited to reflect the direct or indirect ownership interest of a Guarantor or a Common Owner in each of the other Guarantors by applying the Guarantee Amount to the Regulatory Capital of each other Guarantor.

Definitions

Beneficiaries	the Institution and its Customers
CIPF/FCPE	Canadian Investor Protection Fund/Fonds canadien de protection des épargnants established under a May 1, 1969 Agreement and Declaration of Trust, as amended from time to time
Common Owner	the guarantor(s) and institution on the last page of this Guarantee who consent to its signing and delivery

* A trustee whose only duty is to convey the trust property to the beneficiaries.

Customer	for any Guarantor, the persons who are, or are identified as, eligible for protection by CIPF/FCPE (under its Agreement and Declaration of Trust and under any policies its Board of Governors adopts from time to time). The protection covers losses in accounts they hold as customers of the Guarantor whenever the Beneficiaries may enforce the Guaranteed Liabilities. Any Guarantor's Customers that are identified as eligible are treated as if the Board of Governors of CIPF/FCPE had exercised the discretion necessary to entitle the person to CIPF/FCPE protection. A decision by the Board of Governors of CIPF/FCPE on whether a person is eligible for CIPF/FCPE protection under this Guarantee is final and binds the parties.
Dealer Member	a Dealer Member of a Participating Institution
Guarantee Amount	the percentage of Regulatory Capital shown opposite the name of each Guarantor at the beginning of this Guarantee. The Guarantee Amount that applies to any Guarantor may be amended from time to time by agreement between the Institution and the Guarantor to reflect the direct and indirect ownership of the Guarantor or a Common Owner in each of the other Guarantors.
Guaranteed Liabilities	the obligations, debts and liabilities that the Guarantor guarantees under this Guarantee as described under the heading, Guarantee
Guarantor	each of the Dealer Members that sign and deliver this Guarantee
Institution	the Participating Institution to which this Guarantee refers
JRFQR	in relation to a Dealer Member, the Joint Regulatory Financial Questionnaire and Report (i) prescribed from time to time by the Participating Institution of which the Dealer Member is a member, and (ii) if the Dealer Member is a member of more than one Participating Institution, as prescribed by the Participating Institution having prime audit jurisdiction for the purposes of CIPF/FCPE
Participating Institution	related to a Guarantor, each of the participating institutions of CIPF/FCPE of which that Guarantor is a Dealer Member
Regulatory Capital	at any time the "capital employed" of a Guarantor decided in accordance with the JRFQR (Line 3, Statement B) and the Rules of the Participating Institution of which the Guarantor is a Dealer Member. It may be that the Regulatory Capital of a Guarantor at the time of demand under this Guarantee cannot, in the sole discretion of the Institution, be identified accurately or with confidence in a timely manner. It is then considered to be the Guarantor's capital calculated according to the (i) information in the JRFQR and (ii) financial statements most recently filed with, or available to, a Participating Institution. Any such calculation that the Institution makes, following the notes and instructions to the JRFQR and the Rules, is a final and binding decision on the Regulatory Capital of the

	Guarantor for this Guarantee.
Related Company	for a Guarantor, another Guarantor that is a related company of the first Guarantor under the Rules of the Participating Institution to which the first Guarantor belongs
Rules	the by-laws, regulations, rules, policies, and forms of a Participating Institution

Guarantee

Each Guarantor, individually (severally) with each other Guarantor, guarantees payment and discharge on demand to Beneficiaries of all the obligations, debts, and liabilities that any other Guarantor incurs, or is under, that occur related to their securities businesses. However, the Guarantor's liability under this Guarantee is limited to an amount equal to its Regulatory Capital at the time demand is made, multiplied by the Guarantee Amount that applies to the Guarantor. Each Guarantor makes this Guarantee in exchange for the eligibility of Customers for protection by CIPF/FCPE.

If the Guaranteed Liabilities:

- (i) exceed a Guarantor's liability under this Guarantee, and
- (ii) are owed to more than one Beneficiary,

the Guarantor will pay each Beneficiary a pro-rated amount, calculated by:

- (i) dividing the amount of the Guaranteed Liabilities owed to that Beneficiary by the total amount of the Guaranteed Liabilities owed to all Beneficiaries, and
- (ii) multiplying the result by the total amount payable to all Beneficiaries.

Guarantee's terms

1. Continuing guarantee

This Guarantee is a continuing guarantee of all the Guaranteed Liabilities and secures any amount owing to the Beneficiaries. A Guarantor's obligations under this Guarantee continue even if it pays the Beneficiaries part of any amount then owing to them.

2. Beneficiaries' entitlement

The Beneficiaries are entitled to payment from any Guarantor without having to pursue any other remedy available to them.

3. Starting the Guarantor's liability

Each Guarantor's liability to make a payment under this Guarantee begins when the Institution, acting on behalf of all of the Beneficiaries, demands payment in writing. Any demand or notice to a Guarantor under this Guarantee takes effect when delivered to the Guarantor's registered office in an envelope addressed to its President

4. Interest rate

A Guarantor's liability bears interest from the demand date. Obligations under this Guarantee bear interest at the rate that the Institution's principal bank uses to assess interest rates on Canadian dollar loans to its customers in Canada, plus 2% yearly.

5. Independence of this guarantee

This Guarantee is in addition to, and not a substitute for, any other guarantees or securities that the Beneficiaries may hold for the Guaranteed Liabilities. The Beneficiaries need not help a Guarantor by calling on any other guarantees, securities or assets that they may be entitled to receive or may have a claim on. No loss of, loss from, or unenforceability of any other guarantees or securities for the Guaranteed Liabilities that the Beneficiaries hold at any time limits or lessens any Guarantor's liability.

6. Beneficiaries' actions don't affect Guarantee's terms

The Beneficiaries may deal with any person as they see fit without limiting or lessening a Guarantor's liability. For example, they:

- (i) need not give notice to, or have the consent of, a Guarantor to grant time, renewals, extensions, indulgences, releases, or discharges to or accept compositions from any person, including a Guarantor or any other guarantor.
- (ii) may take, not take, not perfect, vary, exchange, renew, discharge, give up, realize on or otherwise deal with securities and guarantees as they see fit.
- (iii) may apply all money received from a Guarantor or others, or from securities or guarantees, to the parts of the Guaranteed Liabilities that they see fit, and change any such application in whole or in part from time to time.

7. Conditions of Guarantor's repayment

Until the Guarantor repays all the Guaranteed Liabilities in full:

- (i) All dividends, compositions, proceeds of securities, or payments received by the Beneficiaries from the Guarantor, for which the Beneficiaries are customers in relation to the Guaranteed Liabilities, are payments in gross. No other Guarantor may claim the benefit of any such payments to reduce its liability under this Guarantee.
- (ii) No Guarantor may (a) claim any reduction or counterclaim against any other Guarantor for any liability of that Guarantor to any other Guarantor (b) compete with the Beneficiaries in the bankruptcy or insolvency of a Guarantor, or (c) have any right to make claims in the Beneficiaries' names.

Any liability of a Guarantor to another Guarantor described in clause (ii) must be held as security for the performance of this Guarantee.

8. Changes to a Guarantor do not affect this Guarantee

This Guarantee will not be affected by

- (i) any change in a Guarantor's name, objects, capital structure, or constitution
- (ii) the sale of a Guarantor's business or any part of it, or
- (iii) a Guarantor's amalgamation with a corporation.

In any such event, this Guarantee continues to apply to all Guaranteed Liabilities whether incurred before or after the event. If a Guarantor amalgamates with a corporation, this Guarantee applies to the liabilities of the resulting corporation as Guaranteed Liabilities. The term "Guarantor" then includes any resulting corporation.

9. Disabilities of Guarantors

All cash balances and securities that a Guarantor receives in its dealings with the Beneficiary, and in the course of its business before the Beneficiaries have received notice of a Disability (as defined in the next sentence), form part of the Guaranteed Liabilities. A Guarantor's "Disability" means:

- (i) any lack of or limitation in its legal authority
- (ii) the Guarantor's not being a legal or suable entity, or
- (iii) any irregularity, defect, or informality under which the Guarantor receives cash balances, securities, or other property.

10. How a Guarantor ends further liability

Each Guarantor may end its ongoing liability under this Guarantee by giving 60 days' notice in writing to the Institution. The Guarantor

- (i) is liable for any Guaranteed Liabilities incurred before the 60 days' expiry even if not yet matured, but
- (ii) is not liable for any Guaranteed Liabilities incurred after that.

Even if they have received that notice, the Beneficiaries may fulfil any Guarantor's requirements based on express or implied agreements made before the 60 days expire, and this Guarantee applies to any resulting Guaranteed Liabilities.

11. Whole agreement

This Guarantee is the entire agreement among the parties, and none of them is bound by any representation or promise that is not written in this Guarantee. The Beneficiaries are not bound by any representations or promises that any Guarantor makes to any other Guarantor.

12. Institution's authority

Each Guarantor may rely on the Institution's authority to represent, and act for and on behalf of, all Beneficiaries in giving notice of default, making demand on the Guarantor, and receiving, on behalf of all Beneficiaries, any payment under this Guarantee of the Guaranteed Liabilities. Any such payment reduces the Guarantor's liability under this Guarantee to the Beneficiaries. The Institution's possession of this document is proof against any Guarantor that it was not delivered to any Beneficiary in escrow or under any agreement that it does not take effect until any condition has been complied with.

13. The effect of a Guarantor's failure to follow a Participating Institution's rules

A Guarantor's failure to comply with the Rules of a Participating Institution to which it belongs does not affect a Guarantor's obligations under this Guarantee. A Guarantor may not use that failure as a defence on the basis that the risk to the Guarantor has changed or for any other reason.

12. The Institution's role and enforcement

The Institution must hold the benefit of each Guarantor's promises in trust for the Beneficiaries according to their respective interests. Any Customer, the Institution, or a Participating Institution may enforce a Guarantor's promises directly against that Guarantor. The Institution

- (i) is under no obligation or responsibility to any Customer, Participating Institution or person claiming through any of them under this Guarantee, and
- (ii) in particular, has no obligation or responsibility to see that any promise here is fulfilled or to take any action to enforce this Guarantee.

15. Severability

The terms of any part or section of this Guarantee are independent of the terms of any other part or section.

16. Execution of one document

This Guarantee may be executed in any number of counterparts, each of which is an original and all of which together constitute one document.

17. Ontario's laws govern

This Guarantee is governed by the laws of the Province of Ontario.

18. Succession or assignment

This Guarantee benefits the Beneficiaries, each Guarantor, and their respective successors and assigns and binds each Guarantor, the Institution, and their respective successors and assigns.

This Guarantee has been executed and delivered by the Guarantors and the Institution by their authorized representatives as of , 20 .

[Guarantor's name]

By _____

Representative's name and title

By _____

Representative's name and title

[Guarantor's name]

By _____

Representative's name and title

By _____

Representative's name and title

[Name of Institution]

By: _____

Representative's name and title

By: _____

Representative's name and title

The person signing below, a shareholder or owner, directly or indirectly, of each Guarantor, acknowledges and consents to the execution and delivery of this Guarantee by the Guarantors.

_____ (Signature) Dated: _____, 20

**GUIDANCE NOTE 2150-2
SHARED PREMISES****Introduction**

This Guidance Note provides assistance to a Dealer Member that shares offices premises with a financial services entity. IIROC acknowledges that standards in this Guidance Note may not be practicable in certain business arrangements such as where there are numerous dually employed representatives or the Dealer Member provides discount brokerage services. A Dealer Member may develop different policies and procedures from this Guidance Note that achieve the same objectives; however, a Dealer Member must ensure that Corporation requirements are met.

The objective behind the standards is to ensure that clients are not confused as to which entity they are dealing with.

Dealer Members should also refer to *NI 31-103 Registration Requirements and Exemptions*, which came into force on September 28, 2009. That instrument has application to these issues.

Telephone Operations

Clients should have a clear understanding of which entity they are dealing with when they call the Dealer Member or the financial services entity. A shared receptionist is permitted. Separate directory listings for each entity are recommended.

Signage

A business, trade or style name under which all of the entities operate may be displayed in addition to the legal names. The names of each individual representative of the entities need not be displayed.

Physical Premises

Separate entrances are not necessary. It may be advisable for the respective representatives, employees or agents of the Dealer Member and the financial services entity to be situated in separate areas, if permitted by resources and infrastructure, to minimize client confusion and ensure privacy and confidentiality of records.

Confidentiality of Records

A Dealer Member must maintain controls on client records so that a financial services entity does not have access to the client's file. When hardware and software are shared, a Dealer Member should ensure that confidentiality protocols separate the Dealer Member's client files from non-Dealer Member files.

Supervision

In some jurisdictions, securities regulators may allow a trading officer to be dually employed with a Dealer Member and non-Dealer Member financial services entity, provided that Rule 2550 is complied with. Such dually employed officers may be designated a Supervisor for both entities. In other jurisdictions, different Supervisors must conduct supervision. In either situation, the Supervisor may be on-site or off-site.

A Supervisor must devote sufficient time to supervision of the branch. Specific requirements are set out in Rule 3900. In addition, Supervisors have additional responsibilities regarding confidentiality of client records, the

separation of files and operations, the issue of dually employed registrants, registrants operating within the limits of their registration, etc.

An administration officer responsible for general office oversight may be shared between the entities. The administration officer need not be registered. This does not diminish the requirement for a Supervisor to supervise business practices and monitor compliance.

Business Cards

For persons holding both a securities and insurance registration, provincial legislation differs regarding the use of double-sided or separate business cards. It is the Dealer Member's responsibility to ensure compliance with applicable securities and insurance legislation.

When registrants are dually employed by a Dealer Member and a financial services entity, IIROC recommends the registrants have double-sided business cards.

Shared Employees

Sales assistants or other employees should be assigned to either the Dealer Member or the financial services entity, rather than being shared between them. If warranted under the circumstances, certain individuals should sign confidentiality agreements.

GUIDANCE NOTE 2350-1

TRADE NAMES

This Guidance Note provides guidance on the use of trade names and describes the process for notifying the Corporation of the use of trade names.

Use of Trade Name on Materials used to communicate with the public

A Dealer Member that uses a trade name on materials used to communicate with the public must include its full legal name in size at least equal to that of the trade name. Materials used to communicate with the public include:

- (i) letterhead
- (ii) business cards
- (iii) invoices
- (iv) trade confirmations
- (v) monthly statements
- (vi) websites
- (vii) research reports
- (viii) advertisements
- (ix) market letters

Reasons for the Corporation to prohibit use of a trade name

The Corporation may prohibit a Dealer Member, or an approved person, from using any trade name that is contrary to the provisions of Section 2352, is objectionable, or contrary to the public interest.

Reasons that the Corporation will prohibit use of a trade name include:

- (i) The trade name is already in use by another Dealer Member or approved person;
- (ii) The trade name suggests an affiliation with a Dealer Member or other financial institution where not such affiliation exists;
- (iii) The trade name suggests that a Dealer Member or approved person provides services that require registration or Corporation approval that the Dealer Member does not have, such as discretionary account management;
- (iv) The trade name uses terms like “guaranteed” that suggest improper representations.

Notifying the Corporations of a trade name used by a Dealer Member

A Dealer Member must notify the Corporation before using a business, trade or style name other than the Dealer Member’s legal name. A Dealer Member must send a letter to the Corporation Secretary confirming that it has registered the trade name with the appropriate government agencies in the jurisdictions where it will be used. The firm may wish to enclose copies of the search and registration documentation.

Notifying the Corporation of a trade name used by an approved person

All trade names used by an approved person and not owned by the Dealer Member must be reported to the Corporation. It is unnecessary to forward proof of registration; however, the Corporation recommends that the Dealer Member conduct the necessary due diligence and file that proof as a supporting document.

Filings made through the National Registrations Database (NRD)

NRD Item 10 (current employment) requires a separate employment entry for an individual who conducts business through the Dealer Member and through a trade name. The submissions on the trade name must answer all Item 10 questions. To avoid confusion, Dealer Members should clarify the number of hours spent with each entity, under the question: “Describe the type of business or employment and your duties”. When the approved person uses the trade name to conduct all business activities on behalf of the Dealer Member, the number of hours for Item 10 for the trade name should match the number of hours for the sponsoring Dealer Member. The description should confirm that the Dealer Member has given written consent to the use of the trade name.

Other filings

Provincial securities commissions may also require notification of trade names, which is a separate matter from Section 2352.

GUIDANCE NOTE 2400-1

PRINCIPAL AND AGENT RELATIONSHIPS

This Guidance Note provides direction on the agreements a Dealer Member must enter into to establish a principal/agency arrangement with its registered representatives. It also covers certain reporting, filing and other requirements for principal/agency arrangements.

Entering into agreements

A Dealer Member must first enter into an agreement with the Corporation before engaging agents. The agreement should be signed under seal by an authorized director or executive of the Dealer Member and sent to the Business Conduct Department of the Corporation office having jurisdiction. The contents of the agreement may not be changed.

Along with filing the completed agreement, a Dealer Member must include a covering letter describing satisfactory plans for compliance with the disclosure requirements of paragraph 4 of the agreement. In addition, the Dealer Member must file its revised New Account Application Form containing the disclosure required in paragraph 5. If the Dealer Member wishes to exhaust existing supplies of forms, it should advise how the disclosure will be made on an interim basis.

A Dealer Member must also obtain approval of its form of agency agreement. The agreement must contain all of the provisions in Section 2403 and no inconsistent provisions. The Dealer Member must file a certificate of a director or executive confirming that the agreement is in compliance with Corporation requirements.

If a Dealer Member drafts its own agency agreement, a table of concordance addressing Section 2403 should be included to assist Corporation staff in reviewing the agreement. If compliance with Corporation requirements is unclear, Corporation staff may request the Dealer Member file a legal opinion that it does comply. If a Dealer Member changes the agency agreement, re-approval from the Corporation is required, other than for changes of a strictly commercial nature.

The proposed agreement and certificate should be filed with the Business Conduct Department of the Corporation office having jurisdiction.

Requirements under the Rule

Financial Institution Bond (FIB) insurance coverage – a Dealer Member must have an “agent” rider added to its FIB insurance coverage to ensure that its agents and the employees of those agents are covered by the FIB policy to the same extent as its own employees. An FIB insurance coverage review is included in the Corporation Financial and Operations Compliance Department regular examinations.

Special reporting requirements – Dealer Members using principal/agent relationships are required to report to through COMSET any compliance issues arising from the principal/agent relationships and how they were resolved. The Corporation will be reporting to the Securities Commissions on all such compliance issues.

Compliance with tax laws – a Dealer Member must provide satisfactory evidence to the Corporation that the arrangements between it and its agents comply with applicable tax laws. The evidence may be in the form of a legal opinion or a Canada Revenue Agency ruling. The evidence should be filed with the Business Conduct Department of the Corporation office having jurisdiction.

Books and records – The requirement that the agent maintain proper books and records extends to all Dealer Member record keeping obligations. In particular, this includes the maintenance of new account documents and compliance review or approval records.

Individual registration filings – A registration application must disclose that this is an agency, not an employment relationship. This is done on the NRD by entering “Agent” as part of the disclosure in the text box for the response to:

“Describe the type of business or employment and your duties. If you are seeking registration or acceptance for which specified experience is required, provide detailed experience below (for example, level of responsibility, value of accounts under direction and research experience.).

Dealer Members are reminded that all regular registration filing requirements apply to agents, including notification of business locations or outside employment and uniform termination notices.

GUIDANCE NOTE 2550-1
REGISTRATION AND APPROVAL OF INDIVIDUALS

Part I. Registration and approval of individuals

Before an individual in a *Corporation* category carries out certain aspects of his or her job, Section 2552 requires that a *Dealer Member*:

- (i) register the individual in the appropriate registration category under the *applicable securities legislation*, and
- (ii) obtain *Corporation* approval of the individual's applicable *Corporation* category.

Part I of this Guidance Note clarifies the difference between registration and approval.

Registration

The *securities legislation* in each jurisdiction requires that any individual "in the business of trading" must be registered in the appropriate registration category under *securities legislation*. The companion policy to National Instrument 31-103 gives the following as indicators of being in the business of trading in securities:

(a) Directly or indirectly holding oneself out as being in the business of the activity

Merely holding oneself out as being willing to engage in trading or advising in securities is sufficient to be engaged in the business for the purposes of securities legislation. This is because holding out induces the client to rely on the dealer or adviser.

Engaging in practices similar to those used by registrants also reflects a business purpose. Examples include promoting securities and making disclaimers or stating by any other means that the person or company will buy or sell securities. Carrying on any of these activities at the start-up stage may be considered carrying on a business.

(b) Acting in an intermediary capacity or as a market maker

Acting in an intermediary capacity between a seller and a buyer of securities or making a market in securities constitute trading for a business purpose.

(c) Directly or indirectly carrying on the activity with repetition, regularity or continuity

Frequent transactions are a common indicator that a person is engaged in a business. We consider a person who regularly trades or advises in any manner that could produce profits to be engaged in a business. The activity does not have to be the person's sole or even primary endeavour for that person to be in the business. However, whether a person has other sources of income and how much time the person spends on the activity are also relevant factors.

(d) Being, or expecting to be, remunerated or otherwise compensated for the activity

Receiving, or expecting to receive, compensation for carrying on the activity, whether transaction or value based, reflects a business purpose. It does not matter if the person actually receives compensation or what form the compensation takes. Having the capacity or the ability to carry on the activity to produce profit is also a relevant factor.

However, carrying on an activity with no expectation of compensation may suggest that it is not for a business purpose.

(e) Directly or indirectly soliciting others in connection with the activity

Contacting others to solicit securities transactions or to offer advice reflects a business purpose. Solicitation includes contacting others by any means, including advertising that proposes buying or selling securities or participating in a securities transaction, or that offers services or advice for these purposes.

The requirement for registration includes both those who deal with customers and those who trade for a *Dealer Member's* own accounts.

A *Dealer Member* may have some employees who occasionally effect trades for operational reasons but are not in the business of trading and therefore do not require registration.

The *securities legislation* requires that potential registrants meet certain criteria regarding fitness for registration. An individual must be registered under the *securities legislation* in each jurisdiction in which they intend to conduct business.

In addition, the registrant must obtain *Corporation* approval.

Approval

The *Corporation* approves individuals to work under several *Corporation* categories. For approval, the individual must meet the *Corporation requirements*, including Rule 2600 proficiency requirements.

Once approved by the *Corporation*:

- (i) the individual's approval applies nationally. He or she does not need to apply for approval in the same category in another province.
- (ii) the individual's approval continues in that category unless he or she withdraws or the *Corporation* suspends or revokes the approval.

Role of the Corporation

In addition to approving individuals under the *Corporation requirements*, the *Corporation* handles the registration applications under delegation orders for the securities regulators. in Alberta, British Columbia, Ontario, Newfoundland & Labrador, Quebec, and Saskatchewan. The securities commissions in the other jurisdictions grant registration separately from the *Corporation's* granting of approval. However, in all cases the applications are made in a single process through the National Registration Database (NRD) system.

Part II. Process for abandoned or withdrawn applications

This part describes the *Corporation* process for dealing with abandoned or withdrawn applications. The *Corporation* developed this process to ensure removal of approval applications that are not pursued so that current applications are processed more quickly.

If a *Dealer Member* files a deficient approval application through *NRD*, it will receive a deficiency notice through *NRD*. The *Dealer Member* must respond to this notice within 90 days or the *Corporation* will consider the application abandoned and close the file. The *Corporation* sends the *Dealer Member* a reminder after 60 days that it will consider the file abandoned 90 days from the original deficiency notice.

The *Corporation* recognizes that a *Dealer Member* may need more than 90 days to correct some deficiencies. The *Corporation* will review these situations and approve extensions if needed. A *Dealer Member* must apply for the extension before the expiry of the 90 days.

The *Corporation* will not return abandoned applications and supporting documents to the *Dealer Member*, unless the *Dealer Member* asks for them. The *Corporation* will not refund its fees.

A *Dealer Member* that wants to withdraw an approval application must send the *Corporation* a written request signed by a *director* or *executive* of the sponsoring *Dealer Member*. The *Corporation* does not return withdrawn applications and supporting documents unless the *Dealer Member* asks. The *Corporation* refunds its fees if the *Corporation* has not started its application review by the time of the withdrawal.

Part III. Approval due diligence process

Under Section 2552, an individual must be approved by the *Corporation* in order to work in certain capacities at a *Dealer Member*. As part of the approval process, documents are exchanged between the applicant and the *Corporation*. The *Corporation* keeps documents that an *approved person* sends to it about the approval process. An *approved person* may ask for a copy of this file as this Part III describes.

Requesting an approval file

An individual may request a hard copy of his or her approval file by using the *File Copy Request Form* from the Registration Guide section of the *Corporation's* website:

http://www.IIROC.ca/Files/Registration/RegisGuide/FileCopyRequestForm_en.pdf. The *Corporation* also accepts a letter signed by the individual asking for the file. The letter must include, for identification purposes, the individual's full legal name and date of birth.

The individual may obtain the file copy at the *Corporation's* offices or specify on the request that the file be delivered directly to a *Dealer Member's* offices. If the individual chooses to pick the file up, the *Corporation* notifies him or her when the file is ready. The individual must pick up the requested file in person and provide photo identification

The *Corporation* tries to provide copies of the file within five *business days* of receiving the request. The time may be longer because of workload or if the *approved person* has been out of the industry for some time.

What is in the approval file

The *Corporation* approval file includes the following, where applicable:

- (a) All applications the individual filed, with detailed personal information and disclosure of any criminal, civil, regulatory, or financial problems;
- (b) *Corporation* Notices of Approval, containing the individual's previous *Corporation* categories, *CE program* requirements, and any terms and conditions;
- (c) Termination Notices and reasons for termination that previous employers have disclosed;
- (d) All other correspondence between the individual and the *Corporation* registration department;
- (e) Enforcement Opening and Closing letters, if the individual is, or has been, under *Corporation* investigation;
- (f) Warning Letters that *Corporation* Enforcement has issued;
- (g) *IIROC* Disciplinary Notices;
- (h) Statements of Claim involving the individual as a defendant (as originally provided by the individual);

- (i) Bankruptcy documents involving the individual (as originally provided by the individual); and
- (j) A printout of the individual's *NRD* record.

The file also includes a report from the Comset database of the number of Comset entries about the individual. The *Corporation* does not review the Comset entries, which are filings that *Dealer Members* and other sources make on Comset. The *Corporation* does not provide any further details about the Comset entries.

The *Corporation* approval file only contains *Corporation* documents previously provided to the individual or documents the individual has provided to the *Corporation* registration department. *Dealer Members* may contact other regulators directly if the individual has been registered with a non-*IIROC* firm. *Dealer Members* may use the FINRA Brokercheck service, which contains registration and licensing information on current and former FINRA-registered individuals. This information can be accessed at <http://www.finra.org/BrokerCheck> or (800) 289-9999.

Fee for file request

As of February 26, 2007, the fee for approval file requests is \$50.

Part IV. Administrative Matters

Approval letters

Approval letters the *Corporation* sends include an effective date, which may not be the date of the letter. *IIROC* made this change to alleviate any problems caused by the previous practice of backdating approval letters.

Exemption application fees (Ontario only)

Ontario is the only jurisdiction that has a fee for exemption applications. The *Corporation* grants exemptions on behalf of the OSC from the requirements of Ontario Regulation 1015, sections 127(2)(b), (d), (e), (g) and (h) (full time requirements) and Rule 31-502 (Proficiency Requirements). When filing an exemption request under these sections, a *Dealer Member* must include the application fee payable to the OSC. The amount of the fee is specified in OSC Rule 13-502. See Appendix C-3 of the rule at

http://www.osc.gov.on.ca/Regulation/Rulemaking/Current/Part1/rule_20050812_13-502_fees-cp.pdf

GUIDANCE NOTE 2550-2 OTHER BUSINESS ACTIVITIES

INTRODUCTION

This Guidance Note assists Dealer Members with the issue of non-Dealer Member related business activities by approved persons, referred to as “other business activities”. This includes activities for which direct or indirect payment is received for services. It does not include unpaid charitable, social or religious services. Any other activity must be compatible with Rule 3100 – adhere to high standards of ethical conduct and not be unbecoming or detrimental to the public interest. No approval should be given for any other business activity which might cause client confusion or reflect poorly on the Dealer Member or the industry.

Dealer Members are reminded that all securities related activities must be conducted on their books, except where IIROC expressly permits otherwise. Insurance activities that are provided through an individuals’ financial planning or other personal entity are not considered securities activities, but must be reported via NRD as a separate business activity.

Dealer Members must have policies and procedures that require all other business activities to be disclosed and approved by the appropriate supervisor. The process of approval must consider any potential client confusion or conflicts of interest. Approval should only take place where there are effective controls and qualified supervision. Dealer Members should ensure that approval provisions include a due diligence process and that appropriate records are kept.

APPROVAL CONSIDERATIONS

Dealer Members should establish appropriate approval processes which take into account the considerations below:

Duty of care to existing clients - The other business activity should not materially impair a Dealer Member’s duty of care to its existing clients. A Dealer Member should not permit other business activities which are likely to disrupt timely client access to their accounts and suitable advice (where that is part of the service offered).

Activities preventing fully-informed advice – In circumstances where fully-informed advice and unbiased counsel cannot be given due to a conflict (eg, the RR has a position with an issuer), a Dealer Member should have effective measures for confidential information containment. This activity should only be permitted where clients have clearly waived any entitlement or expectation to the RR’s advice. Dealer Members in B.C. are reminded of BC Securities Commission Rules 61(2) and MLP 34-202, S. 1.6 which prohibit a salesperson from being a director of a reporting issuer.

Use of client information – A client’s personal information may only be used for the purposes consented to by the client. This does not extend to business activities outside of the Dealer Member. Dealer Members should have appropriate training and controls to prohibit client information from being used in other business activity.

Use of the Dealer Member’s facilities – The other business activities must be clearly seen to be outside the Dealer Member. A Dealer Member should not permit the use of its premises, records, logos, trade name(s), stationery, support staff, office facilities (eg, mail, fax, email, etc.)

Robust approval process – A Dealer Member’s policies, procedures and training programs should emphasize the need and process for up-front approvals. Dealer Members may wish to include their approval or disapproval criteria in the policy and do an annual canvas of other business activities. Dealer Members’ records of approvals should include all supporting evidence including any special conditions, policies, procedures or controls that might have been imposed. Individuals should not adjudicate their own approval requests.

FILING REQUIREMENTS - NRD

Other business activities are reported under Item 10 of NRD 33-109F4, which deals with current employment information. Each other business activity must be treated as a separate item addressing all of the elements set out below. Activities which are conducted through an affiliated, related or subsidiary company of the Dealer Member must be noted, including any situations where the individual registrant conducts business through an individual trade name.

Multiple registrant employment-

In Ontario, where individuals are registered as a director, executive or shareholder of more than one registrant firm, the firm must provide notice to IIROC in its registration or renewal of registration pursuant to OSC Rule 31-501 s. 2.1 in addition to NRD Item 10 Requirements below. The notice filing must also address the requirements of IIROC.

In Alberta, where individuals are registered as a director, executive or shareholder of more than one registrant firm, the firm must provide notice to IIROC in its registration or renewal of registration pursuant to ASC Policy 3.3. The notice filing must also address the requirements of IIROC.

In BC, where individuals are registered as a trading officer of affiliated firms, the firm must provide notice to IIROC in its registration or renewal of registration. The notice filing must also address the requirements of IIROC.

In jurisdictions that permit multiple employments, a Dealer Member must file with IIROC the Dealer Member’s policies and procedures to address any potential for conflicts of interest resulting from multiple employment and ensuring that clients are aware of the details of the multiple employments and the potential conflicts.

Life insurance activities – Where an individual conducts life insurance activities through a registered life insurance provider or through the Dealer Member’s related, affiliated or subsidiary entity, this item need only be reported under NRD Item 13(3), but must include the name of the insurance firm. If the activity is conducted through another entity, with or without financial planning services, individuals must report this information under Item 10 and 13(3)(a), in addition to the guidelines in NRD Item 10 Requirements below.

NRD notice is not an approval – Acknowledgement of these notices filed through NRD are not an approval of the activity, or that all potential conflicts of interest have been addressed. IIROC may request further information.

Quebec - In Quebec, other business activity may require that a Dual Employment Exemption be obtained under Policy Statement Q-9, article 53. The applicable fee is \$250.00 payable to IIROC.

NRD ITEM 10 REQUIREMENTS

The following items under Item 10 are identified for further clarity.

Name of Business or Employer/Address of Business or Employer – self explanatory

Name and Title of Immediate Supervisor – Discuss with the applicant to determine what is applicable. In cases of a high-ranking employee, such as a CEO or Managing Partner, the individual may choose to identify a reporting structure to the Board of Directors or other governing body, whichever is most applicable.

Describe the type of business or employment and your duties – Details should be provided in full for the type of business, position with the Dealer Member and duties associated with the position. This must be provided for other business activities as well.

Indicate the number of hours per week you are devoting to this business or employment – The number of hours should be approximated on a weekly basis. The system will only accept a minimum of 1 hour. An explanation should be provided in the text box disclosing the actual number of hours worked.

Is the above business or employment with the sponsoring firm?

- (a) If the individual's employment comprises less than 30 hours per week, there must be an explanation as to why in order to determine if the individual is eligible for part time exemption provisions available under securities laws. If the individual is working more than 30 hours, but also engaged in other securities related activities, a response will be required under (b) below (due to system functionality).
- (b) If the other securities related activity is not with the sponsoring Dealer Member, the individual must disclose any potential for confusion by clients and any potential for conflicts of interest arising from the proposed activities as a registrant and the other business activities described above. If the business is listed on an exchange, this information should be included.

When involved in other business activities, the explanation should address:

- Confirmation as to whether there is potential for client confusion and conflicts of interest arising from the other business activity.
- Confirmation that the sponsoring Dealer Member has reviewed the outside business activity to ensure compliance with the Dealer Member's policies and procedures to address these situations. The name and title of the officer who performed the review must be included.
- Each description must include whether the business is listed on an exchange and whether the other business activity will result in shared premises.

GUIDANCE NOTE 2600-1 PROFICIENCY REQUIREMENTS

Rule 2600 sets out the proficiency requirements for all *Corporation* approval categories. This Guidance Note provides guidelines for the required 30- or 90- day training program, certain post-approval and examination requirements and the proficiency exemption. In particular:

- A. Parts I and II of this Guidance:
 - (i) set out guidelines for both these training programs, and
 - (ii) outline activities permitted during the training programs;
- B. Part III clarifies what work training program participants may do during the program;
- C. Part IV outlines the training program exemptions available under subsection 2604(2); and
- D. Part V explains the *Corporation's* requirement for mutual fund representatives to rewrite certain courses when transferring to a *Dealer Member*.

PART I - GUIDELINES FOR THE 30- DAY TRAINING PROGRAM

Subsection 2602(1) requires that applicants for approval as *investment representatives* complete a 30-day training program before being approved

A *Dealer Member* is responsible for:

- (i) overseeing and administering the 30-day training program,
- (ii) ensuring their applicants complete the program, and
- (iii) submitting an update on the National Registration Database confirming the applicant completed the 30-day training program.

30-day training program content

The goal of the program is to prepare new *investment representatives* for their duties at a *Dealer Member's* business, such as taking and entering orders, giving quotes, reporting on trades, correcting errors, responding to customer enquiries, and other customer service functions.

A *Dealer Member* may use the CSI *investment representative* training course but it is not mandatory. A *Dealer Member* using the CSI program must supplement it with material specific to the *Dealer Member's* business as specified in the course.

The training program should not cover material from the CSC and CPH. Instead, it should focus on the *Dealer Member's* products, policies, procedures and systems. The training should cover at least the following topics:

- (1) The *Dealer Member*
 - (a) The *Dealer Member* and its position within the industry
 - (b) Products and services offered by the *Dealer Member*
 - (c) Key relationships such as related financial institutions and introducing and carrying broker arrangements
- (2) Product knowledge
 - (a) Products offered by the *Dealer Member*

- (b) Characteristics and key information for each product
- (c) How to obtain quotes and other information on each product
- (3) Trading each product
 - (a) Types of orders
 - (b) Required information for an order
 - (c) Order entry and order marking
 - (d) Disclosure requirements
 - (e) Changing or canceling orders
 - (f) Credit and suitability assessments
 - (g) Prohibitions on advice
- (4) Transactions and operations
 - (a) Firm's operations departments and their functions
 - (b) Account types, opening, documentation, and operation
 - (c) Settlement
 - (d) Margin and credit policies
 - (e) Commission
 - (f) Transaction trail
 - (g) Client records
 - (h) Systems and technical issues
 - (i) Client communication
- (5) Compliance issues
 - (a) Business ethics
 - (b) Compliance rules, requirements, and procedures
 - (c) Compliance and credit contacts

PART II – GUIDELINES FOR THE 90-DAY TRAINING PROGRAM

Subsection 2602(1) requires that applicants for approval as a *registered representative* conducting certain types of business complete a 90-day training program before being approved.

A *Dealer Member* is responsible for:

- (i) overseeing and administering the 90-day training program;
- (ii) ensuring their applicants complete the program; and
- (iii) filing with the *Corporation* an update on the National Registration Database confirming the applicant completed the 90-day training program.

Course content

A Dealer Member may use the *CSI* 90-day training program but must supplement it with material specific to the Dealer Member's business as specified in the course.

The time and topic headings set out below are suggestions that should be tailored to the *Dealer Member's* business. By the end of each lesson, the participant should be able to complete the items listed under the lesson.

Chapter 1 General background (1 week)

1.1 Overview of the financial services and securities system

- (a) Evolution of the financial services industry and the securities industry;
- (b) Current industry issues and trends;
- (c) Institutions and organizations involved in the securities system.

1.2 Participant's position in financial services

- (a) The participant's role, registration, and proficiency requirements and those of their competitors and colleagues;
- (b) Size, activities, and profitability of the securities industry;
- (c) Position and the competitive advantages of the participant's *Member* in the industry;
- (d) Role of an investment advisor in the *Dealer Member's* organization.

1.3 Capital markets and the economy

- (a) Economic principles that affect capital markets and the economy, such as GDP growth, inflation, interest rates, unemployment, and the exchange rate;
- (b) Relationship between risk and return;
- (c) Purpose and effect of monetary and fiscal policy;
- (d) How to apply economic principles when recommending investments to clients.

Chapter 2 Product knowledge (4 weeks)

2.1 Fixed income products

- (a) Details of fixed-income products available;
- (b) Factors that influence bond prices and yields, including the term structure of interest rates, duration, immunization, and convexity;
- (c) Types of bond yields; bond prices;
- (d) Factors to consider when selecting the appropriate fixed-income product for clients;
- (e) Passive and active fixed-income portfolio.

2.2 Equities

- (a) Characteristics, risks, and advantages of equity products currently available;
- (b) Stock selection and valuation techniques and models;
- (c) Research, evaluating companies, interpreting analysts' research reports including the assumptions and valuation approach used; and
- (d) Factors to consider when selecting the appropriate equity product for clients.

2.3 Derivatives and hybrid securities

- (a) Features of derivatives;
- (b) Characteristics of the types of options and futures;

- (c) Mechanics of trading;
- (d) Option and futures strategies;
- (e) Calculating the value of an option;
- (f) Characteristics of income trusts, closed-end funds, exchange-traded funds and structured products (such as principal-protected notes);
- (g) Factors to consider when selecting the appropriate derivative or hybrid product for clients.

2.4 **Mutual funds and other managed products**

- (a) How open-end mutual funds operate and the process and calculations used to buy and sell units;
- (b) Features, fees charged, objectives, and risks of the different types of mutual funds;
- (c) Evaluation of whether a fund is suitable for a client's portfolio based on proper criteria including rate of return, fund objectives, client objectives, needs, and risk tolerance;
- (d) Characteristics and uses of hedge funds, and explain when they would be suitable in a client's portfolio.

2.5 **Proprietary products and accounts**

- (a) Features and characteristics of *Dealer Member*-specific products and accounts, including proprietary-structured products, wrap accounts, managed accounts, and fee-based accounts;
- (b) Other *Dealer Member* services offered to the client, such as access to research on the internet or financial planning tools;
- (c) Comparison of the *Dealer Member's* proprietary products to other industry proprietary products available.

Chapter 3 **Portfolio planning (3 weeks)**

3.1 **Basic financial planning**

- (a) Necessary information about a client's financial situation;
- (b) Calculating net worth cash flow statements;
- (c) Evaluating the client's requirements and savings needed for insurance and post-secondary education;
- (d) Developing a financial plan, making appropriate investment recommendations, and recognizing when to seek expert advice.

3.2 **Tax and retirement planning**

- (a) Ways that investment income can be taxed; calculating the after-tax income from the different types of investments;
- (b) Tax-reduction strategies;
- (c) Sources of retirement income available to a client, including RRSPs, company plans, and government plans; and
- (d) Evaluating a client's retirement needs and savings required to make up any shortfall.

3.3 **Portfolio theory and asset allocation**

- (a) The portfolio management process including the role diversification plays in an overall portfolio strategy;

- (b) Basic features of the efficient frontier and the Capital Asset Pricing Model (CAPM);
- (c) Market efficiency theories and asset allocation techniques;
- (d) Developing an investment policy statement for a client applying the concepts of market efficiency, portfolio management, and international investing, while taking the client's objectives, risks, and constraints into account; and
- (e) Measures of risk and their use in performance measurement.

3.4 Firm specific planning programs and services

- (a) Features and characteristics of the *Member*-specific financial planning tools and services offered;
- (b) Comparison of proprietary planning products and services to other industry proprietary tools and services available.

Chapter 4 Operations and administration (2 weeks)

4.1 Accounts and client records

- (a) Types of accounts available to a client;
- (b) Account-opening procedure, the information needed and why it is needed;
- (c) The know-your-client obligation;
- (d) Client documents and documentation procedures including purpose, timing requirements, filing and updating;
- (e) Trading authorizations;
- (f) Account-transfer procedures.

4.2 Transaction and settlement procedures

- (a) Role of clearing corporations and depository services;
- (b) Clearing-services processes and rules about CDS and over-the-counter trade settlements;
- (c) Trade-processing flow order entry procedures;
- (d) Trading reports generated and how to use them to process trades accurately and fix errors.

4.3 Margin and credit policies

- (a) Regulatory minimum and *Dealer Member*-specific cash and margin account rules;
- (b) Calculating margin requirements for client accounts.

4.4 Commissions, compensation and fees

- (a) Compensation available to the registered representative;
- (b) Calculation of compensation earned on all products, services and accounts;
- (c) Other *Dealer Member* fees charged to the client.

4.5 Member structure

- (a) The *Dealer Member's* structure;
- (b) Departments such as underwriting, trading, research, portfolio management, operations, treasury or finance, accounting, credit, compliance, and administration;
- (c) Internal procedures and resources for obtaining assistance.

4.6 Systems and technology

- (a) Order entry, execution-and-confirmation process and documents;
- (b) Systems resources and software available for working with the client such as programs to help choose suitable instruments, create financial plans, propose asset allocation or record client notes;
- (c) Client-contact software;
- (d) Use and risks of the internet; information to the client on the internet.

Chapter 5 Communication training (2 weeks)**5.1 Client communication**

- (a) Rules and guidelines about external communication including print and internet-marketing materials; and
- (b) Rules for using business titles, professional associations, and memberships on business cards and marketing materials.

5.2 Prospecting and marketing

- (a) Prospecting, including cold calling, client referrals, direct mail;
- (b) Do not call restrictions;
- (c) Conducting persuasive prospecting calls that result in new appointments; and
- (d) Target or niche markets for prospecting;
- (e) Developing an effective marketing plans.

5.3 Selling/communication skills

- (a) Effective written and oral presentations to clients
- (b) Promotional seminars;
- (c) Uncovering the investment needs and objectives of a client through advanced questioning skills and techniques and observed client behaviour;
- (d) Presenting investment solutions in an influential manner;
- (e) Securing the client's commitment to recommended investment solutions.

5.4 Relationship management and practice management

- (a) Elements of a successful business plan;
- (b) Developing a personal business plan for the practice;
- (c) Building effective rapport with different types of customer personalities;
- (d) Effectively manage a team in the practice.

Chapter 6 Standards of conduct and practice**6.1 Code of ethics and standards of conduct**

- (a) Importance of ethics in the securities industry;
- (b) Use of the Standards of Conduct and the Code of Ethics to guide the participant's behaviour as an investment advisor, both with clients and colleagues;
- (c) Consequences of not dealing ethically with clients.

6.2 Compliance rules and regulations

- (a) Structure, principles and rules of Canadian securities industry regulation;
- (b) Regulatory penalties for breaking securities industry rules;
- (c) Role of the *Self Regulatory Organizations*, the provincial regulators, *Canadian Investor Protection Fund (CIPF)*, and limits of *CIPF* coverage; and
- (d) Takeover bid process and relevant takeover legislation, including insider and issuer bids.

6.3 Compliance procedures

- (a) The *Dealer Member's* policies; and
- (b) The *Dealer Member's* procedures to meet all compliance obligations.

6.4 Know-your-client rule and choosing suitable investments

- (a) Importance of the know-your-client rule and suitability in dealing with clients;
- (b) The role suitability plays in the investment advisor-client relationship; and
- (c) Knowledge of investment product attributes.

6.5 New and pending legislation and regulation

- (a) Impact of new and pending legislation and regulation.

6.6 Broker liability, complaint processes, and penalties

- (a) An investment advisor's contractual, civil, and fiduciary obligations to a client;
- (b) Issues with clients that could lead to potential liability and the potential costs involved;
- (c) Action to avoid liability;
- (d) Client complaint procedures; and
- (e) Recourse available to clients, including arbitration, ombuds services and litigation.

PART III – GUIDELINES FOR CONDUCT DURING THE 30- OR 90-DAY TRAINING PROGRAM

Clauses 2602(1)(xii) and (xvii) require that applicants for approval in certain *registered representative* and *investment representative* categories finish a training program before they are approved. The training period is 90 days for those applying as *registered representatives* and 30 days for those applying as *investment representatives*. During the programs, the *Dealer Member* must employ the applicant full time.

Individuals in the training program are not approved. They cannot

- (i) have contact with clients or prospective clients to get, take, or solicit orders for trades in *securities*, or advise on them, or
- (ii) receive commission splits as part of their compensation.

Permitted activities

Participants in the 30- or 90-day training program may:

- (1) obtain information from existing or prospective clients on behalf of a *registered representative*, give quotes and answer clients' questions about their accounts that are not related to the specific investments and do not involve giving investment advice.

- (2) contact the public, including sending out introduction letters, inviting the public to firm seminars, and forwarding non-securities specific information;
- (3) create and research lists of potential clients for future follow-up work;
- (4) if they are approved to sell mutual funds, deal with their existing mutual fund clients to purchase and sell mutual funds only. They cannot solicit or take on any new clients during the 90-day training program, nor can they transact non-mutual fund securities for their existing mutual fund clients.

Prohibited activities

Participants in either the 30- or 90-day training program cannot act in furtherance of a trade. In particular, they cannot:

- (1) provide written or oral recommendations, opinions, or advice about securities, as defined in *securities legislation*;
- (2) open client accounts;
- (3) complete know-your-client information on a *NAAF*, other than to complete the biographical information at the beginning of a *NAAF* on behalf of a *registered representative*;
- (4) distribute, under their own names, research reports containing security-specific comments, recommendations or opinions to clients or prospective clients. They can, on behalf of one or more registered persons, distribute literature, including research reports, if the *Dealer Member*, the supervising branch manager, or both approve the literature for distribution; or
- (5) solicit orders, or accept or process any orders, including unsolicited orders.

PART IV - EXEMPTIONS FROM 30- OR 90-DAY TRAINING PROGRAM

Clauses 2604(2)(iv) and (v) exempt an applicant for approval from the 30- or 90-day training program if the applicant requests approval within three years of being registered:

- (i) with a *Dealer Member*, securities dealer, or investment dealer;
- (ii) by a recognized foreign regulatory authority or *recognized foreign*; or
- (iii) as an investment advisor by a Canadian securities regulatory authority;

in a capacity allowing trading of, and advising in, *securities for retail clients*.

Approval in another type of category does not qualify an individual for the exemption. For example, an individual previously registered in a restricted category, such as *registered representative* dealing with *institutional clients*, applying to be a *registered representative* dealing with *retail clients* is not exempt from the 90-day training program.

Similarly, an individual registered as an *investment representative* in the past three years would be exempt from re-taking the 30-day training program when applying in the same category, but not from completing the 90-day training program if the individual requests approval as a *registered representative*.

An applicant requesting approval as an *investment representative* or *registered representative* dealing with *retail clients* is not exempt from the 30- or 90-day training program if he or she:

- (i) completed the training program at another *Dealer Member* but did not become approved; or
- (ii) completed part of the training at another *Dealer Member*.

An applicant may apply to the *District Council* for a discretionary exemption under Rule 2600, subsection 2603(2). To get the exemption, the applicant must show equivalent experience, training, or education.

PART V - EXAMINATION REQUIREMENTS FOR TRANSFERS FROM MUTUAL FUND DEALERS TO DEALER MEMBERS

Part V of this Guidance Note clarifies the requirements for a mutual fund representative to rewrite certain courses when transferring to a *Dealer Member* and applying for full registration.

An applicant registered for mutual funds for more than three years before transferring to a *Dealer Member* is required to re-write both the CSC and the CPH.

The applicant is exempt from re-writing those courses if the applicant has been a voluntary *CE participant*.

GUIDANCE NOTE 2650-1 CONTINUING EDUCATION REQUIREMENTS

Part I of this Guidance Note provides detailed guidance to help *Dealer Members* create an acceptable *CE program* for their *CE participants*. Part II provides guidance on voluntary participation in the *CE program*.

PART I - GUIDELINES FOR THE CONTINUING EDUCATION PROGRAM

Section 2653 requires that *CE participants* meet the *Corporation's CE program* requirements in each cycle. Rule 2650 outlines the mandatory components of the *CE program*.

This part of Guidance Note 2650-1 gives guidelines to help a *Dealer Member* create an acceptable *CE program*, including guidance on course content, length and how a *Dealer Member* can comply with Rule 2650.

Please consider these guidelines in the context of what is appropriate to the *CE participant*, his or her position and responsibilities, and the needs of the *Dealer Member*. A *Dealer Member* can best accomplish this by making one person responsible for defining the training needs and finding appropriate programs to meet them. If appropriate, a *Dealer Member* may delegate some responsibility for approving a *CE participant's* program to the *CE participant's* supervisor.

The compliance requirement

General

The compliance requirement can be met by taking one course or a combination of shorter courses or seminars: internal, external or a combination of the two. Compliance courses should meet the following guidelines:

- (1) Courses should relate to the *CE participant's* regulated functions. For example, compliance courses completed by *supervisors* should reflect their supervisory responsibilities.
- (2) A *Dealer Member* may credit towards compliance requirements all or some of the time that a *CE participant* spends on
 - (i) a *Corporation* committee or council, or
 - (ii) teaching a financial course,
 if the *Dealer Member* considers the issues dealt with as relevant.
- (3) There is no requirement that courses be selected from the *Corporation's* accredited courses except for those being used in Voluntary Participation. A *Dealer Member* can accept an accredited course for the number of hours for which it is accredited without further review provided that it is relevant *CE* for the *approved person*. A *Dealer Member* must conduct sufficient due diligence to ensure that non-accredited courses meet the criteria for *CE* courses in Sections 2605 and 2606.
- (4) A *Dealer Member* may credit towards compliance requirements *CE* credits earned through courses and seminars at a *CE participant's* previous *Dealer Member* during the current cycle but not reported to the *Corporation* on receipt of a verification issued by the *CE participant's* former *Dealer Member*.

Course content

Clause 2654(1)(iii) establishes four general topics for *Dealer* compliance courses. Some examples of relevant issues in the four-topic areas are:

- (1) how securities administrators and *SROs* regulate industry participants;

- (2) regulatory developments that affect firm management;
- (3) disclosure of information to clients;
- (4) registration and continuing education;
- (5) operations and firm capital;
- (6) sales and trading conduct – general;
- (7) sales and trading conduct – institutional;
- (8) current developments in debt market regulation;
- (9) suitability and new products;
- (10) corporate finance – new rules;
- (11) corporate finance – proposed new rules;
- (12) ethical issues and case studies;
- (13) anti-money laundering laws and regulations and the *Dealer Member's* implementation of these laws and regulations;
- (14) privacy; and
- (15) screening for suitable clients.

These examples are for *approved persons* dealing with both *retail* and *institutional clients* and may change over time. The importance of certain topics may vary depending on a *Dealer Member's* business and the *CE participant's* responsibilities.

Delivery guidelines

A *Dealer Member* can tailor an internal compliance course to meet its needs, including deciding how to review the topics. However, the course must meet the minimum 12-hour requirement for each three-year cycle.

A *Dealer Member* may decide how to deliver a compliance course. For example, a *Dealer Member* may:

- (1) hold an eight-hour in-house compliance seminar, with four hours of preparatory reading and study. In the first part of the seminar, *CE participants* could review topics 1-4. They could then use the information to discuss case studies during the rest of the seminar; or
- (2) offer the compliance course over three years, requiring *CE participants* to attend a four- hour seminar every year. Each seminar must cover at least one of the topic areas in depth.

Clause 2654(1)(iv) allows a *Dealer Member* to decide what *CE participants* must do to complete the course. A *Dealer Member* may require *CE participants* to:

- (1) pass a firm-developed examination;
- (2) pass an external examination;
- (3) attend and participate in a seminar; or
- (4) a combination of the above.

The professional development requirement

A *Dealer Member* may decide how to best meet its *CE participants'* professional development program needs by offering an internal course, using an external course provider, or a combination of these.

General guidelines

The professional development course, whether internal or external, should meet the following guidelines:

- (1) The professional development course should be relevant to the securities industry and financial advisors, management-oriented, or designed to improve client service.
- (2) The course should reflect the industry's commitment to high quality client service, advice, and professionalism.
- (3) Each *CE participant's* courses should reflect that person's skill requirement or be based on the *Dealer Member's* products and market strategies.
- (4) The course content should be educational and non-promotional. For example, corporate events held solely to introduce or promote new products or services, networking events or motivational speakers do not qualify. Some parts of an issuer's product-branded or product-specific presentations will qualify for professional development credit if presented as part of a larger educational course or presentation. A *Dealer Member* may grant:
 - (i) full credit for the general education part of the course for a product category for the number of hours it takes, and
 - (ii) half of the issuer-specific portion as credit towards the professional development course.
- (5) The program should have defined learning objectives. The course provider must be professional and able to certify completion. Alternatively, a *Dealer Member* may assume responsibility to certify course completion.
- (6) A *Dealer Member* may credit towards professional development requirements all or some of the time that a *CE participant* spends teaching a relevant course, if the *Dealer Member* considers that the issues dealt with are relevant.
- (7) A *Dealer Member* may accept towards professional development requirements *CE* credits earned during the current cycle (but not reported to the *Corporation*) through courses and seminars at a *CE participant's* previous firm. A *Dealer Member* may accept a verification of completion from the *CE participant's* former *Dealer Member*.

Course content

Generally, the professional development courses should either review product groups, services and investment and financial strategies that the *CE participant* may offer to clients, or develop the *CE participant's* managerial skills. The courses and materials should cover the following:

- (1) product category features that should be communicated to a client;
- (2) approaches to product valuation and risk factors;
- (3) strategies for investing in a product category, including when it is suitable for the client's objectives;
- (4) the suitability of leveraging for a particular product category or investment strategy;
- (5) the features and costs of a *Dealer Member*-offered service;
- (6) the regulatory, tax, and other features of a product category or service that might affect its suitability;
- (7) methods of evaluating competing products, services, and investment strategies;
- (8) the suitability of a product category, service, or strategy for clients with different financial, risk and knowledge profiles;

- (9) developing managerial skills to help managers meet strategic and operational objectives;
- (10) developing communication skills to improve client service and assessments of client service;
- (11) developing practice management skills to provide tools to improve client service;
- (12) discussing technology used to enhance client service and advice; and
- (13) screening for suitable clients – the quantitative and the qualitative.

There are several types of external courses that would fit the guidelines for a *CE participant's* course. Courses and seminars offered by *CSI*, for example, are acceptable, as are the *Corporation*-accredited courses. Additional licensing courses, such as derivatives courses, may be credited to the professional development requirement. However, a *CE participant* may not use the Professional Financial Planning Course the Investment Management Techniques Course or the Wealth Management Essentials Course if the course was used to satisfy the requirement of Rule 2600.

Relevant courses offered or endorsed by professional financial services associations that have licensing and continuing education requirements, such as CIMA, CFP, CFA, IQPF, CLU, and insurance-licensing and *CSI* designations may also be acceptable, as would relevant courses at established post-secondary institutions.

Delivery guidelines

A *Dealer Member* may design its professional development program to meet its needs and may decide how the topics are reviewed, as long as the 30-hour requirement is met. In designing the program, a *Dealer Member* should consider the most appropriate learning tools to meet its requirements. If appropriate, a *Dealer Member* may use:

- (1) discussions offered by internal or external providers;
- (2) electronic or on-line material; or
- (3) seminars and discussions offered by internal or external providers.

If possible, course materials should use cases and other applications to develop a *CE participant's* problem-solving and decision-making skills. Training strategies should focus on product knowledge, regulatory knowledge, business development skills, managerial skills and client communication skills.

Some *Dealer Members* have developed programs beyond the basic requirements to develop additional skills for a particular position. These courses would generally meet the continuing education guidelines if they do not promote products or provide product incentives.

Suggested process to establish courses that meet the continuing education requirements

To establish a training course that meets these guidelines, a *Dealer Member* should:

- (1) identify its training needs, including knowledge and skills that would have a positive impact on the *Dealer Member*;
- (2) identify the course objectives;
- (3) identify the evaluation method to be used, such as course work, case study or examination;
- (4) decide how to measure successful completion;
- (5) decide whether the course should be internal or external, find professional internal or external experts to provide the course, and decide which courses best meet the *Dealer Member's* needs; and
- (6) evaluate whether the course meets its objectives.

PART II - VOLUNTARY PARTICIPATION IN THE CE PROGRAM

Course accreditation

A *Dealer Member* may not decide which courses are eligible for voluntary participation. Voluntary *CE participants* must choose only the *Corporation* accredited courses. The *Corporation* uses the following guidelines to approve courses to qualify for voluntary *CE participation*:

The courses must:

- (1) build on or refresh CSC or CPH material;
- (2) meet the time requirements (at least 12 hours for compliance courses and 30 hours for professional development courses);
- (3) include a learning evaluation process such as an exam or case study; and
- (4) provide proof from the course provider that the *CE participant passed*.

A course provider, or a *Dealer Member*, who believes that one or more of its courses meet these criteria and wants a course or courses considered for voluntary *CE participation* may apply for CECAP accreditation. Go to www.cecapi.ca for applications and details on the accreditation process

Examples

Below are examples of how the voluntary *CE program* participation has helped, or could have helped, individuals avoid rewriting the CSC or the CPH:

Example 1: John S completed the CSC and CPH on April 14, 2003. John would have had to rewrite the CSC and the CPH after April 14, 2005. John could have extended the validity of his CSC and CPH under *IIROC requirements* to December 31, 2009 by becoming a voluntary *CE participant* in Cycle 3 (1/Jan/2006 to 31/Dec/2008).

Example 2: Jane D was approved as a *registered representative* until July 19, 2002. If Jane did not become re-approved with an *IIROC Member* by July 19, 2005, she would have had to re-write the CSC and CPH. Jane could have extended the validity of the CSC and CPH to December 31, 2006 by becoming a voluntarily *CE participant* in Cycle 2 (1/Jan/2003 to 31/Dec/2005).

Example 3: Jack W completed the CSC and CPH on October 25, 1997 and had never been approved. Jack took two additional the *Corporation*-accredited courses in 2001 that qualified for voluntary *CE program* participation. As a result, the *Corporation* considered Jack as a voluntary *CE participant* in Cycle 1, and he did not have to rewrite the CSC and CPH until December 31, 2003. If Jack had been a voluntary *CE participant* in Cycle 2, his CSC and CPH would have remained valid until December 31, 2006.

Example 4: Betty R was approved as a *registered representative* until March 4, 1997. Betty did not take any courses during Cycle 1 (1/Jan/2000 to 31/Dec/2002), but took two courses that qualified for voluntary *CE participation* in Cycle 2. As Betty did not continuously participate in the *CE program* since her termination, she must rewrite both the CPH and the CSC.

GUIDANCE NOTE 2700-1
NRD Filings and NRD Fees

This guidance note contains additional information about Dealer Member filings and NRD fees.

NRD FILINGS

Foreign business location with an approved person

For foreign business locations that have an approved person dealing with Canadian clients, a Dealer Member should record the individual's working location on NRD under 'Contact Information' under Item 9 – Location of Employment. A Dealer Member does not need to make a paper filing. The Dealer Member must have a Corporation-approved supervisor for the approved person's Canadian activity.

Requirements for filing exemption requests

A Dealer Member must submit any proficiency exemption requests for an individual through NRD at the time of that individual's approval application. However, a Dealer Member cannot process, through NRD, exemption requests for individuals that are not recorded on NRD or not yet sponsored by the applying Dealer Member. In such cases, a Dealer Member may submit the exemption request by filing a letter signed by a director or executive of the Dealer Member.

The Dealer Member must, when filing in paper, show that the applicant's academic or employment background gives the applicant equivalent proficiency. This is the same as in the NRD "Apply for an Exemption Submission" process. To show equivalency, the Dealer Member must provide, with the application:

- (1) a statement of the basis for the exemption. For example, if the submission is based on the applicant's employment experience, the Dealer Member must state the relevance of that experience and how it allowed the applicant to keep up to date with the course content;
- (2) proof that the applicant completed any courses he or she is relying on for equivalency;
- (3) the applicant's full legal name, birth date, and residential address; and
- (4) cheques for the exemption fee.

While an applicant's resumé may be helpful, it does not replace the above information.

A Dealer Member must send the exemption request letter to the appropriate Corporation registration office for review. The Corporation office will forward the application to the District Council registration subcommittee for review.

If the Corporation grants the exemption, the Dealer Member must file the application for approval through NRD within 90 days of the exemption date.

Filing of notices of change under Rule 2703: Temporary Hardship Exemption

The paper form for submitting a notice of change to the information in Form 33-109F4 is Form 33-109F5.

NRD FEES**Annual NRD user fee**

Section 2705 requires a Dealer Member to pay an annual user fee for using the NRD. This fee is:

- (1) \$75 (plus GST) for each registered and non-registered individual in one jurisdiction, and
- (2) \$50 (plus GST) for each additional jurisdiction (capped at \$250 plus GST) required for that individual.

This fee is due on December 31 for the next year and is automatically withdrawn from a Dealer Member's NRD account.

Annual regulatory fee

As well, the NRD calculates a Dealer Member's annual fee for each province and territory in which a Dealer Member carries on business. This fee is also due December 31 and is automatically withdrawn from the Dealer Member's NRD account.

Annual Fee Summary process

Every year on December 1, the NRD generates a preliminary Annual Fee Summary. The summary sets out the number of the Dealer Member's individuals and locations recorded on NRD for which annual regulatory registration fees are due and if applicable, the participation fee amount due in Ontario. The summary also includes a calculation of the Dealer Member's annual NRD user fee and the total amount that NRD withdraws from the Dealer Member's NRD account on December 31 if the Dealer Member's registered and permitted individuals stay the same.

The summary is only available on NRD. To view the summary, a Dealer Member must log in to NRD and select "Annual Fee Summary" under the "Firm Information" tab. The summary, created once a year, does not reflect changes made in December.

Avoiding unnecessary fees

A Dealer Member should review the summary and submit any necessary changes before the December 31 fee payment. For example, a Dealer Member should terminate an individual that is not continuing with the Dealer Member after December 31 or cancel an individual's registration in a jurisdiction if he or she no longer requires registration.

A Dealer Member has more control over the annual fee process by using the Annual Fee Exclusion/Reversal form. A Dealer Member files this form with each relevant jurisdiction to exclude from the annual fee calculation individuals who will be surrendering registration or terminating employment by December 31. The Corporation encourages Dealer Members to use this form to avoid unnecessary fees.

The registration status of individuals excluded from the annual fee calculation will be automatically changed to Suspended (Annual Fee Exclusion) on December 31. A Dealer Member must ensure that the Annual Fee Exclusion submissions have no errors since they cannot be changed after the fees are calculated. If an error occurs the form must be filed again prior to December 31 to reverse the action.

In addition to filing the Annual Fee Exclusion, a Dealer Member must file

- (1) Form 33-109F1, Notice of Employment Termination, [LINK:osc.gov.on.ca/forms/registration/form33-109F1], or
- (2) Form 33-109F2, Surrender of Individual Categories, [LINK: osc.gov.on.ca/forms/registration/from 33-109F2]

through NRD for each approved person who has changed categories or employment status.

NI 33-109 requires a Dealer Member to submit any change to an individual's registration information to the regulator within five business days of that change. The Annual Fee Exclusion filing does not replace the appropriate regulatory filings.

Final Annual Fee Summary and withdrawal

At approximately 5:00 p.m. E.S.T. on December 31, NRD will generate a Final Annual Fee Summary, summarizing the individuals and locations for which a renewal fee has been charged and the amount debited from a Member's NRD account. View the Final Annual Fee Summary by selecting "Annual Fee Summary" under the "Firm Information" tab.

A Member can also generate an Annual Fee Detailed Report from the report function on NRD to accurately reconcile the final fee. This report gives a detailed account of all individual, location, firm category and participation fees for the Preliminary or Final Annual Fee Summary.

Dealer Members must file all submissions, including the Annual Fee Exclusion/Reversal submission, before the annual fee withdrawal on December 31. More information is on the NRD website (<http://www.nrd-info.ca>).