

Ontario Securities Commission

Companion Policy 32-505CP

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COMPANION POLICY 32-505CP

CONDITIONAL EXEMPTION FROM REGISTRATION FOR UNITED STATES BROKER-DEALERS AND ADVISERS SERVICING U.S. CLIENTS FROM ONTARIO

This Companion Policy sets out how we interpret or apply OSC Rule 32-505 *Conditional Exemption from Registration for United States Broker-Dealers and Advisers Servicing U.S. Clients from Ontario* (the **Rule**).

Unless defined in the Rule, terms used in the Rule and in this Companion Policy have the meaning given to them in OSC Rule 14-501 *Definitions* which includes certain terms that are defined in the *Securities Act* (Ontario) (the **Act**), the Regulation and National Instrument 14-101 *Definitions*.

Registration as an adviser or a dealer, or an exemption from such registration, is required for a firm and its representatives who act as an adviser or a dealer, as applicable, in Ontario even if the firm's clients are not resident in Ontario. The Rule provides exemptions from the relevant dealer and adviser registration requirements under the Act, subject to certain conditions. There may be additional exemptions in securities legislation. If the U.S. adviser or U.S. broker-dealer is exempt from registration, the individuals acting on its behalf are also exempt from registration.

The exemptions under the Rule are not available where trading or advising involves Ontario residents, whether directly or indirectly. In considering the availability of the exemptions under this Rule, we will look to the substance of trades or advice in reliance on this Rule. For example, a U.S. broker-dealer relying on the exemption in this Rule from the dealer registration requirement must not trade, directly *or indirectly to*, with, or on behalf of, an Ontario resident unless the U.S. broker-dealer is appropriately registered in Ontario to trade with the Ontario resident or has an available exemption, such as the exemption from the dealer registration requirement for trades with a permitted client in section 8.18 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

Where a trade is in respect of a security that is listed, quoted or traded on a Canadian marketplace, access requirements of Canadian marketplaces trading these exchange-traded securities require that the execution of the trade in this security on the Canadian marketplace must be made by the U.S. broker-dealer through an investment dealer that is registered in a jurisdiction of Canada and a member of the Investment Industry Regulatory Organization of Canada.

By relying on the exemption from the dealer or adviser registration requirement in the Rule, the U.S. broker-dealer or U.S. adviser, as applicable, will become a "market participant" as defined under subsection 1(1) of the Act. Market participants are subject to the provisions in the Act applicable to a "market participant", including those set out in Part VII (Record-Keeping and Compliance Reviews). Among other requirements, as a "market participant", the U.S. broker-dealer or U.S. adviser, as applicable, is required to comply with the record keeping and provision of information requirements in section 19 of the Act, which includes a requirement that the firm keep such books, records and other documents as are necessary for the proper recording of its business transactions and financial affairs and to deliver such records to the

Commission if required. In addition, as a "market participant" the U.S. broker-dealer or U.S. adviser, as applicable, may be subject to a compliance review under section 20 of the Act.