

## Canadian Securities Administrators Staff Notice 31-308

### Frequently asked questions regarding National Instrument 31-101 *National Registration System* and National Policy 31-201 *National Registration System*

#### **Background**

The Canadian Securities Administrators have developed the National Registration System (NRS) to improve the current registration system through a mutual reliance process. The requirements and procedures under the NRS are set out in National Instrument 31-101 *National Registration System* and National Policy 31-201 *National Registration System*. On April 4, 2005, NI 31-101 and NP 31-201 were adopted in each jurisdiction.

#### **Frequently asked questions on the NRS**

Users of the NRS should first consult NI 31-101 and NP 31-201 and the instructions to the forms for answers to their questions about the NRS. As is often the case with the introduction of a new system, even after reviewing NI 31-101 and NP 31-201, users of the NRS may find they have questions regarding application and interpretation. To assist those persons and companies that will be using the NRS, we have compiled a list of frequently asked questions (FAQs).

This list is not exhaustive, but does represent the types of inquiries we have received.

Some terms we have used in these FAQs are defined in NI 31-101, NP 31-201 or in National Instrument 14-101 *Definitions*.

We have divided the FAQs into four parts:

- A. FAQs to clarify if you are eligible to use NRS
- B. FAQs to clarify how you can start using NRS
- C. FAQs to clarify how things will work using NRS
- D. General

#### **A. FAQs to clarify if you are eligible to use NRS**

##### **A-1 Q: Are all categories of registration eligible to use NRS?**

**A:** Firms are limited to the categories of investment dealer, mutual fund dealer and unrestricted adviser (investment counsel & portfolio manager). Also note that if you are registered as an investment dealer and are registered as a futures commission merchant in Manitoba or Ontario, you may use NRS. This also applies to investment dealers registered as underwriters in British Columbia.

All registered and non-registered individual categories sponsored by those firms are eligible to use NRS.

**A-2 Q: Does NRS apply to shareholders?**

**A:** No. Shareholders are not sponsored individuals and are not able to use NRS when submitting form 33-109F4s.

Note: If a shareholder is also applying for an NRS eligible category, they may file the submission under NRS.

**A-3 Q: We are a limited market dealer in Ontario as well as a mutual fund dealer. Are the individuals that we sponsor permitted to use NRS?**

**A:** Yes. All individuals may use NRS when seeking registration or approval in Ontario in the combination of limited market dealer and mutual fund dealer. Firms cannot apply for limited market dealer registration using NRS.

**A-4 Q: If our firm is seeking registration of an associate (or junior) portfolio manager, may we use NRS for these individuals?**

**A:** Yes. If you are seeking registration as an associate or junior portfolio manager with one jurisdiction and the second jurisdiction does not have this category, the second jurisdiction may impose terms and conditions.

**A-5 Q: If a firm filer has more than one category of registration, one of which is not governed by NRS, would this firm be excluded from NRS?**

**A:** The firm could use NRS only for submissions related to the eligible category of registration. For example, a mutual fund dealer and scholarship plan dealer could only use NRS for the mutual fund dealer. Any submissions for the scholarship plan dealer would have to be made to all applicable jurisdictions. The only exclusion would be a limited market dealer (as described above) and a futures commission merchant or underwriter that is also registered as an investment dealer.

**A-6 Q: Do I have to use NRS?**

**A:** NRS is a voluntary system for firms. However, once a firm has elected to use NRS, all eligible individuals must use NRS.

**A-7 Q: Can I use NRS even if my sponsoring firm does not elect to use it?**

**A:** No.

**A-8 Q: What if the sponsoring firm is not registered in all provinces?**

**A:** The firm must first be registered in a jurisdiction before an individual can use NRS to apply for registration in that province.

**A-9 Q: Are transfers acceptable under the NRS?**

**A:** Yes, but the requirement for a termination notice before a transfer being granted does not change.

Note: The British Columbia Securities Commission will continue to process transfers before receiving a termination notice where it is the principal regulator.

**A-10 Q: Are non-resident individuals who are associated with NRS eligible registrant firm permitted to use NRS?**

**A:** Only residents of Canada can use NRS (see section 2.2 of NI 31-101).

**A-11 Q: Will an individual or firm filer be prevented from using NRS if certain terms and conditions are attached to their registration?**

**A:** Registrants with terms and conditions will be able to use NRS. Regulators can add terms and conditions as they relate to local conduct rules only (i.e. the jurisdiction where you are applying).

Note: The Autorité des marchés financiers is not permitted to impose terms and conditions.

**B. FAQs to clarify how you can start using NRS**

**B-1 Q: How do we notify regulators of our desire to use NRS? Is there a form and if so, where do I find it? Where do I send it?**

**A:** A form 31-101F1 must be filed by the firm registrant either in paper form or sent by e-mail to its principal regulator and non-principal regulators (i.e. the jurisdictions where you are applying). The firm files the form when it initially elects to use NRS. After that all applicable submissions are processed using NRS.

The 31-101F1 is at the back of the NI 31-101 and can be found on the websites of the securities commissions and the Investment Dealers Association.

The e-mail addresses for all regulators are as follows:

Alberta	nrs@seccom.ab.ca
British Columbia	registration@bcsc.bc.ca
Manitoba	securities@gov.mb.ca
New Brunswick	nrs@nbsc-cvmnb.ca
Newfoundland & Labrador	skmurphy@gov.nl.ca
Nova Scotia	nrs@gov.ns.ca
Ontario	registration@osc.gov.on.ca
Prince Edward Island	mlgallant@gov.pe.ca
Québec	inscription@lautorite.qc.ca
Saskatchewan	dmurrison@sfsc.gov.sk.ca
Northwest Territories	ann_burry@gov.nt.ca
Nunavut	svangenne@gov.nu.ca
Yukon Territory	corporateaffairs@gov.yk.ca

Note: IDA Member firms should send a copy of the form 31-101F1, to the IDA at [registration@ida.ca](mailto:registration@ida.ca)

**B-2 Q: How do I determine my principal regulator?**

**A:** For firms, section 3.2(4) of NP 31-201 lists factors a firm should consider when selecting its principal regulator. The appropriate principal regulator will normally be the jurisdiction in which the firm's head office is located. If the firm selects a different jurisdiction as its principal regulator, the regulators will seek further information from the firm to substantiate the firm's decision. Unless there are compelling reasons for the firm's principal regulator to be in a different jurisdiction, a firm can expect the regulators to exercise their discretion as described in section 3.3 of NP 31-201 to designate the jurisdiction in which the firm's head office is located as the firm's principal jurisdiction. We note that this is consistent with the selection of an issuer's principal regulator under National Policy 43-201 *Mutual Reliance Review System for Prospectuses and Annual Information Forms*. We also note that consideration may be given to redrafting section 3.2 of NP 31-201 to add clarification.

For individuals, the principal regulator is determined by the location of your working office.

We encourage firms and individuals to consult with regulators and the securities regulatory authorities if they have any questions about their appropriate principal regulator.

**B-3 Q: Do I only apply to my principal regulator?**

**A:** For a firm filer, copies of the completed form 31-101F1, the form 3 (form 1 in Manitoba) and registration fee payment are sent to all the regulators where it is applying. The supporting information and responses to deficiencies are only provided to the principal regulator.

Individual filers will use National Registration Database, which will automatically route the submission to the selected principal and the selected non-principal regulators.

**C. FAQs to clarify how things will work using NRS**

**C-1 Q: If a firm has elected to use NRD and the individual applicant is NRS eligible, which types of submissions may be filed under NRS?**

Initial Registration

Transfer of Registration

Reactivation of Registration

Registration in an Additional Jurisdiction

Additional Sponsoring Firm

Change of Individual Categories

Apply for an Exemption – NRD will not prompt an authorized firm representative to conform to NRS requirements for exemption applications. However, a tip has been added to NRD to advise AFRs to file the exemption submission with the principal regulator.

**C-2 Q: How will the regulator know I'm using NRS? Do I need to tell them each time I make a submission over NRD?**

**A:** Once a firm has elected to use NRS the change is noted in NRD. All multi-jurisdictional submissions for individuals must be made through NRS. You must indicate with each application that the submission is made under NRS. If you make a submission through NRD and do not advise the regulators it is being submitted under NRS, the submission will need to be withdrawn.

**C-3 Q: If I use NRS, am I forced to register in all jurisdictions?**

**A:** No, only the jurisdictions you select.

**C-4 Q: Is it possible for one jurisdiction to opt out of a recommendation made by the principal regulator?**

**A:** Yes. When a non-principal regulator opts out of the recommendation the submission is withdrawn from that jurisdiction.

**C-5 Q: Is it possible to withdraw my application from one jurisdiction when using NRS?**

**A:** Yes. A non-principal regulator can withdraw anytime prior to the principal regulator approving, denying or withdrawing. If the principal regulator withdraws, the submission is withdrawn everywhere.

**C-6 Q: Will we automatically be granted registration in other jurisdictions if we are granted registration by our principal regulator?**

**A:** No, NRS is based on mutual reliance which means each non-principal regulator still makes its own decision to register based on recommendation by the principal regulator. When you receive approval of your registration from your principal regulator, this approval is applied to all jurisdictions where you applied (and they opted in to the principal regulator's recommendation).

**C-7 Q: Do we still have to pay fees to each jurisdiction?**

**A:** Yes.

**C-8 Q: Does my firm still have to file a renewal application in Ontario in by December 1 of each year?**

**A:** Yes, renewals are not processed using NRS.

**C-9 Q: What happens if I change my working office to another province?**

**A:** If as result of the move, your working office changes to a different jurisdiction, your principal regulator will change. You will have a period of six months to meet the fit and proper requirements of the new principal regulator.

Note: if you are an individual with an IDA member firm, you will be required to complete the post-licensing requirements within 30 months.

If the principal regulator for a firm changes, a form 31-101F2 must be submitted to its new principal regulator and its non-principal regulators (including the former principal regulator). The form 31-102F2 may be found on the websites of the securities commissions.

- C-10 **Q: Will I receive a letter outside of NRD from each jurisdiction confirming my registration in each province?**

**A:** Most jurisdictions rely on NRD for showing approval. Quebec will send out certificates (after registration when it is a non-principal regulator). Ontario will send e-mail confirmations to the sponsoring firm only whether it is acting as principal or a non-principal regulator (after registration when it is a non-principal regulator). The IDA will continue to send an e-mail confirmation to firms as well as a letter to individuals.

- C-11 **Q: Will we still require the liability insurance in Quebec if it is the non-principal regulator?**

**A:** Yes, if your firm is registered as a mutual fund dealer.

- C-12 **Q: Will I be required to send our financial institutional bond and our financial statements to the non-principal regulators?**

**A:** No. These will only be sent to your principal regulator.

**D. General**

- D-1 **Q: Are all jurisdictions participating in NRS?**

**A:** Yes. The IDA is also participating in NRS.

- D-2 **Q: What is the normal service standard when using NRS?**

**A:** The period to conduct the initial review by the principal regulator will not change. However, once the principal regulator has made its recommendation, the non-principal regulators will have five days to opt in.

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