

## Chapter 5

# Rules and Policies

---

---

### 5.1.1 Revised Notice of Rule National Instrument 31-101 National Registration System, and Form 31-101F1, Form 31-101F2, and National Policy 31-201 National Registration System

#### **REVISED NOTICE OF RULE NATIONAL INSTRUMENT 31-101 NATIONAL REGISTRATION SYSTEM, AND FORM 31-101F1, FORM 31-101F2, AND NATIONAL POLICY 31-201 NATIONAL REGISTRATION SYSTEM**

##### Introduction

National Instrument 31-101 *National Registration System* and National Policy 31-201 *National Registration System* are an initiative of the Canadian Securities Administrators (the **CSA** or **we**). The CSA has developed the National Registration System (the **NRS**), which may be used by investment dealers, advisers, mutual fund dealers and their sponsored individuals in connection with their application for initial registration, amendments to registration or reinstatement of registration or for the approval or review of certain sponsored individuals. The requirements and procedure under the NRS are set out in National Instrument 31-101 *National Registration System*, Form 31-101F1 *Election to use the NRS and Determination of Principal Regulator*, Form 31-101F2 *Notice of Change* (collectively, the **Instrument**) and National Policy 31-201 *National Registration System* (the **Policy**).

The Instrument has been made or is expected to be made by each member of the CSA, and will be implemented as

- a rule in each of Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island,
- a regulation in Nunavut, Québec and Saskatchewan,
- ~~an exemption~~ a blanket order in British Columbia,
- a code in the Northwest Territories, and
- a policy in all other jurisdictions represented by the CSA.

We expect the Policy will be adopted as a policy in all jurisdictions.

The NRS is being implemented pursuant to the Memorandum of Understanding for the Mutual Reliance Review System signed as of October 14, 1999 between members of the CSA (the **MOU**). We expect that all jurisdictions will confirm the inclusion of the Instrument and the Policy in the MOU.

In Ontario, the Instrument and other required materials were delivered to the Chair of Management Board of Cabinet (the **Minister**) in December. The Minister may approve or reject the Instrument or return it for further consideration. If the Minister approves the Instrument or does not take any further action, the Instrument and Policy will come into force on the date indicated below.

In Québec, a National Instrument 31-101 *National Registration System* was published as a proposed regulation in January 2004. A regulation made under the *Securities Act* (Québec) (the **QSA**) is adopted by the *Autorité des marchés financiers* and, thereafter, must be approved, with or without amendment, by the Minister of Finance while prior to coming into force. In addition, it should be noted that the *Autorité des marchés financiers* shall adopt a regulation under the ~~an Act~~ respecting the distribution of financial products and services (the **LDPSF**) in order to make the NRS applicable to “firms in group-savings-plans brokerage” and their representatives. Furthermore, the *Autorité des marchés financiers* is currently evaluating whether it should adopt one or more regulations in order to implement the NRS. Prior to coming into force, a regulation adopted by the *Autorité des marchés financiers* and must, thereafter, be approved, with or without amendment, by the government. The Instrument was published for comments under the *Securities Act* in January 2004 and will not need further publication under the QSA Act. Under the LDPSF, the Instrument must be published for a 45 day comment period prior to being submitted for governmental approval. The Instrument will come into force on the date of its publication in the *Gazette officielle du Québec* or on any later

~~date specified in the regulations. It must also be published in the Bulletin of the *Autorité des marchés financiers*, Quebec Government or the Minister of Finance.~~

In Nova Scotia, the Instrument will be delivered to the Minister for non-objection by the Governor in Council in accordance with Nova Scotia securities law after it is adopted as a rule by the Commission. If the Instrument is not objected to by the Governor in Council, it will come into force in ~~on the date indicated below~~ April 2004.

In Nunavut, a Request for Decision to Cabinet will be required to adopt the Instrument as a regulation under the *Securities Act* (Nunavut).

Provided all necessary ministerial or other governmental approvals are obtained, we expect to implement the Instrument on April 4, 2005. We will implement the Policy at the same time as the Instrument.

### Substance and Purpose

The purpose of the NRS is to improve the current registration system through a mutual reliance process. Principles of mutual reliance will be applied to the analysis of registration applications or applications for approval or review of investment dealers, advisers and mutual fund dealers and their sponsored individuals in order to reduce unnecessary duplication in the analysis of applications made in multiple jurisdictions or in subsequent jurisdictions.

The Instrument sets out the eligibility requirements for firm filers and individual filers to be able to use the NRS. An eligible firm filer elects to use the NRS by submitting a Form 31-101F1. Eligible individual filers whose sponsoring firm has elected to use the NRS must use the NRS when submitting an application to a non-principal regulator.

The Instrument provides exemptive relief so that filers under the NRS only have to satisfy or comply with the fit and proper requirements, notice requirements and filing requirements applicable in their principal jurisdiction. Fit and proper requirements relate to a filer's suitability to be registered or to be approved. Filers will continue to be subject to the conduct rules applicable in each jurisdiction where they are registered. The Instrument and Policy contain further description of fit and proper requirements and of conduct rules.

The Policy sets out the procedure to be followed by filers who are submitting applications under the NRS. A filer's principal regulator is generally the securities regulatory authority or regulator of the jurisdiction where the firm filer's head office and directing mind and management is located and where the individual filer's working office is located.

Generally, when submitting an application under the NRS, filers will only file the materials required by their principal regulator. Further, filers will normally only deal with their principal regulator on their initial application and when seeking to register in additional jurisdictions. Once the principal regulator has reached a decision on the application, non-principal regulators may opt in or opt out of the NRS in connection with that application. Opting out is expected to happen on an exceptional basis.

Application for registration or approval of individual filers will be made through the National Registration Database (the **NRD**) implemented under Multilateral Instrument 31-102 *National Registration Database* and Multilateral Instrument 31-109 *Registration Information*. In order to allow efficient implementation and application of the NRS, three key changes will be made to technology underlying the NRD. These changes relate to the selection of principal regulator, opt in / opt out function and unique designation of the NRS submissions.

~~Québec anticipates adopting~~ In Québec, NRD implementation is principally governed by Regulation 31-102Q respecting National Registration Database and Regulation 31-109Q respecting Registration Information, which reflect the equivalent Multilateral Instruments, on or before the effective date of the Instrument. However, if for any reason, the technology underlying the NRD is not available in Québec as of the effective date or if the Regulations have not been adopted, the Instrument provides for transitional measures with respect to the filing of material in and outside of Québec. Those regulations came into force on January 1<sup>st</sup>, 2005.

The NRS does not apply to renewals of registrations as the CSA feels that processing renewals under current legislation through the NRS could be lengthier than the current process.

### Background

The Instrument and Policy were published for comment in January and February, 2004. The comment period expired in April, 2004.

### Summary of Written Comments Received by the CSA

During the comment period, the CSA received submissions from nine commentors on the Instrument and Policy. We have considered the comments received and thank all the commentors. The names of the nine commentors and a summary of the comments on the Instrument and Policy, together with our responses, are contained in Appendix A and Appendix B to this Notice.

After considering the comments, we have made amendments to the Instrument and Policy to improve the clarity and consistency of the Instrument and Policy. However, as these changes are not material, we are not republishing the Instrument or Policy for a further comment period.

### Summary of Changes to the Proposed Instrument and Policy

See Appendix C to this Notice for a description of the changes made to the versions of the Instrument and Policy since they were published.

### Local Amendments

We are amending or repealing elements of local securities legislation and securities directions in conjunction with implementing the NRS. The provincial and territorial securities regulatory authorities may publish, or may have published, these local changes or proposed changes separately in their local jurisdiction.

### Questions

Please refer your questions to any of:

Jim Wahl  
Manager, Registration & Compliance  
**Alberta Securities Commission**  
4th Floor, 300 - 5th Avenue S.W.  
Calgary, AB T2P 3C4  
Direct: (403)297-4281  
Fax: (403)297-4113  
E-mail: jim.wahl@seccom.ab.ca

Susan Toews  
Senior Legal Counsel  
Capital Market Regulations  
**British Columbia Securities Commission**  
P.O. Box 10142, Pacific Centre  
701 - West Georgia Street  
Vancouver, BC V7Y 1L2  
Direct: (604)899-6764  
Fax: (604)899-6814  
E-mail: stoews@bcsc.bc.ca

Douglas R. Brown  
General Counsel &  
Director - Legal, Enforcement & Registration  
**The Manitoba Securities Commission**  
1130 - 405 Broadway  
Winnipeg, MB R3C 3L6  
Direct: (204) 945-0605  
Fax: (204) 945-0330  
E-mail: doubrown@gov.mb.ca

Andrew Nicholson  
Director Market Regulation  
**New Brunswick Securities Commission**  
606 - 133 Prince William Street  
Saint John, NB E2L 2B5  
Direct: (506) 658-3021  
Fax: (506) 658-3059

## Rules and Policies

---

E-mail: [andrew.nicholson@nbsc-cvmb.ca](mailto:andrew.nicholson@nbsc-cvmb.ca)

Susan W. Powell  
Manager, Corporate Finance and Market Conduct  
**Securities Commission of Newfoundland and Labrador**  
Government of Newfoundland and Labrador  
2nd Floor, West Block  
Confederation Building  
P.O. Box 8700  
St. John's, NL A1B 4J6  
Direct: (709)729-4875  
Fax: (709)729-6187  
E-mail: [spowell@gov.nl.ca](mailto:spowell@gov.nl.ca)

Brian W. Murphy  
Deputy Director, Capital Markets  
**Nova Scotia Securities Commission**  
Joseph Howe Building  
2<sup>nd</sup> Floor, P.O. Box 458  
Halifax, Nova Scotia B3J 2P8  
Direct: (902) 424-4592  
Fax: (902) 424-4625  
E-mail: [murphybw@gov.ns.ca](mailto:murphybw@gov.ns.ca)

David M. Gilkes, BA, MA, CFE  
Manager, Registrant Regulation  
Capital Markets Branch  
**Ontario Securities Commission**  
18th Floor, 20 Queen Street West  
Toronto, ON M5H 3S8  
Direct: (416)593-8104  
Fax: (416)593-8240  
E-mail: [dgilkes@osc.gov.on.ca](mailto:dgilkes@osc.gov.on.ca)

Mark Gallant  
Registrar of Securities  
**PEI Securities Division**  
Office of the Attorney General  
P.O. Box 2000  
95 Rochford Street  
4<sup>th</sup> Floor, Shaw Building  
Charlottetown, PE C1A 7N8  
Direct: (902) 368-4552  
Fax: (902) 368-5283  
E-mail: [mlgallant@gov.pe.ca](mailto:mlgallant@gov.pe.ca)

Sophie Jean  
Conseillère en réglementation  
Maryse Pineault  
Directrice des pratiques de distribution  
Direction de l'encadrement de la distribution  
**Autorité des marchés financiers**  
800 square Victoria, 22<sup>e</sup> étage  
C.P. 246, tour de la Bourse  
Place de la Cité, Tour Cominar  
3<sup>e</sup> étage  
2640, boulevard Laurier  
Montréal/Sainte-Foy, QC H4Z 1G3/G1V 5C1  
Direct: (514) 940-2199 ext. 4786/418) 525-0558 ext. 4781  
Toll Free: 1-877-525-0337 ext. 4781  
Fax: (514) 864-7854/418) 525-5178  
E-mail: [sophie.jeanmaryse.pineault@lautorite.qc.ca](mailto:sophie.jeanmaryse.pineault@lautorite.qc.ca)

## Rules and Policies

---

Gary Crowe

**Registrar of Securities**

Legal Registries Division, Department of Justice

Government of Nunavut

P.O. Box 1000, STN 570

1st Floor, Brown Building

Iqaluit, NU X0A 0H0

Direct: (867) 975-6586

Fax: (867) 975-6594

E-mail: gcrowe@gov.nu.ca

M. Richard Roberts

Manager, Corporate Affairs

**Registrar of Securities**

Corporate Affairs / Community Services

Government of Yukon

P.O. Box 2703

2134 Second Avenue

Whitehorse, YT Y1A 5H6

Direct: (867) 667-5225

Fax: (867) 393-6251

E-mail: richard.roberts@gov.yk.ca

### Instrument and Policy

The text of the Instrument and Policy follow [or can be found elsewhere on a CSA member website.](#)

~~January 7,~~February 4, 2005

**REVISED NOTICE OF RULE  
NATIONAL INSTRUMENT 31-101 NATIONAL REGISTRATION SYSTEM,  
AND FORM 31-101F1, FORM 31-101F2, AND  
NATIONAL POLICY 31-201 NATIONAL REGISTRATION SYSTEM**

**Introduction**

National Instrument 31-101 *National Registration System* and National Policy 31-201 *National Registration System* are an initiative of the Canadian Securities Administrators (the **CSA** or **we**). The CSA has developed the National Registration System (the **NRS**), which may be used by investment dealers, advisers, mutual fund dealers and their sponsored individuals in connection with their application for initial registration, amendments to registration or reinstatement of registration or for the approval or review of certain sponsored individuals. The requirements and procedure under the NRS are set out in National Instrument 31-101 *National Registration System*, Form 31-101F1 *Election to use the NRS and Determination of Principal Regulator*, Form 31-101F2 *Notice of Change* (collectively, the **Instrument**) and National Policy 31-201 *National Registration System* (the **Policy**).

The Instrument has been made or is expected to be made by each member of the CSA, and will be implemented as

- a rule in each of Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island,
- a regulation in Nunavut, Québec and Saskatchewan,
- a blanket order in British Columbia,
- a code in the Northwest Territories, and
- a policy in all other jurisdictions represented by the CSA.

We expect the Policy will be adopted as a policy in all jurisdictions.

The NRS is being implemented pursuant to the Memorandum of Understanding for the Mutual Reliance Review System signed as of October 14, 1999 between members of the CSA (the **MOU**). We expect that all jurisdictions will confirm the inclusion of the Instrument and the Policy in the MOU.

In Ontario, the Instrument and other required materials were delivered to the Chair of Management Board of Cabinet (the **Minister**) in December. The Minister may approve or reject the Instrument or return it for further consideration. If the Minister approves the Instrument or does not take any further action, the Instrument and Policy will come into force on the date indicated below.

In Québec, National Instrument 31-101 *National Registration System* was published as a proposed regulation in January 2004. A regulation made under the *Securities Act* (Québec) (the **QSA**) is adopted by the *Autorité des marchés financiers* and, thereafter, must be approved, with or without amendment, by the Minister of Finance prior to coming into force. In addition, it should be noted that the *Autorité des marchés financiers* shall adopt a regulation under the *Act respecting the distribution of financial products and services* (the **LDPSF**) in order to make the NRS applicable to “firms in group-savings-plans brokerage” and their representatives. Furthermore, the *Autorité des marchés financiers* is currently evaluating whether it should adopt one or more regulations in order to implement the NRS. Prior to coming into force, a regulation adopted by the *Autorité des marchés financiers* must be approved, with or without amendment, by the Quebec Government or the Minister of Finance.

In Nova Scotia, the Instrument will be delivered to the Minister for non-objection by the Governor in Council in accordance with Nova Scotia securities law after it is adopted as a rule by the Commission. If the Instrument is not objected to by the Governor in Council, it will come into force in April 2004.

In Nunavut, a Request for Decision to Cabinet will be required to adopt the Instrument as a regulation under the *Securities Act* (Nunavut).

Provided all necessary ministerial or other governmental approvals are obtained, we expect to implement the Instrument on April 4, 2005. We will implement the Policy at the same time as the Instrument.

**Substance and Purpose**

The purpose of the NRS is to improve the current registration system through a mutual reliance process. Principles of mutual reliance will be applied to the analysis of registration applications or applications for approval or review of investment dealers,

advisers and mutual fund dealers and their sponsored individuals in order to reduce unnecessary duplication in the analysis of applications made in multiple jurisdictions or in subsequent jurisdictions.

The Instrument sets out the eligibility requirements for firm filers and individual filers to be able to use the NRS. An eligible firm filer elects to use the NRS by submitting a Form 31-101F1. Eligible individual filers whose sponsoring firm has elected to use the NRS must use the NRS when submitting an application to a non-principal regulator.

The Instrument provides exemptive relief so that filers under the NRS only have to satisfy or comply with the fit and proper requirements, notice requirements and filing requirements applicable in their principal jurisdiction. Fit and proper requirements relate to a filer's suitability to be registered or to be approved. Filers will continue to be subject to the conduct rules applicable in each jurisdiction where they are registered. The Instrument and Policy contain further description of fit and proper requirements and of conduct rules.

The Policy sets out the procedure to be followed by filers who are submitting applications under the NRS. A filer's principal regulator is generally the securities regulatory authority or regulator of the jurisdiction where the firm filer's head office and directing mind and management is located and where the individual filer's working office is located.

Generally, when submitting an application under the NRS, filers will only file the materials required by their principal regulator. Further, filers will normally only deal with their principal regulator on their initial application and when seeking to register in additional jurisdictions. Once the principal regulator has reached a decision on the application, non-principal regulators may opt in or opt out of the NRS in connection with that application. Opting out is expected to happen on an exceptional basis.

Application for registration or approval of individual filers will be made through the National Registration Database (the **NRD**) implemented under Multilateral Instrument 31-102 *National Registration Database* and Multilateral Instrument 33-109 *Registration Information*. In order to allow efficient implementation and application of the NRS, three key changes will be made to technology underlying the NRD. These changes relate to the selection of principal regulator, opt in / opt out function and unique designation of the NRS submissions.

In Québec, NRD implementation is principally governed by *Regulation 31-102Q respecting National Registration Database* and *Regulation 33-109Q respecting Registration Information*. Those regulations came into force on January 1<sup>st</sup>, 2005.

The NRS does not apply to renewals of registrations as the CSA feels that processing renewals under current legislation through the NRS could be lengthier than the current process.

### **Background**

The Instrument and Policy were published for comment in January and February, 2004. The comment period expired in April, 2004.

### **Summary of Written Comments Received by the CSA**

During the comment period, the CSA received submissions from nine commentors on the Instrument and Policy. We have considered the comments received and thank all the commentors. The names of the nine commentors and a summary of the comments on the Instrument and Policy, together with our responses, are contained in Appendix A and Appendix B to this Notice.

After considering the comments, we have made amendments to the Instrument and Policy to improve the clarity and consistency of the Instrument and Policy. However, as these changes are not material, we are not republishing the Instrument or Policy for a further comment period.

### **Summary of Changes to the Proposed Instrument and Policy**

See Appendix C to this Notice for a description of the changes made to the versions of the Instrument and Policy since they were published.

### **Local Amendments**

We are amending or repealing elements of local securities legislation and securities directions in conjunction with implementing the NRS. The provincial and territorial securities regulatory authorities may publish, or may have published, these local changes or proposed changes separately in their local jurisdiction.

## Questions

Please refer your questions to any of:

Jim Wahl  
Manager, Registration & Compliance  
**Alberta Securities Commission**  
4th Floor, 300 - 5th Avenue S.W.  
Calgary, AB T2P 3C4  
Direct: (403)297-4281  
Fax: (403)297-4113  
E-mail: jim.wahl@seccom.ab.ca

Susan Toews  
Senior Legal Counsel  
Capital Market Regulations  
**British Columbia Securities Commission**  
P.O. Box 10142, Pacific Centre  
701 - West Georgia Street  
Vancouver, BC V7Y 1L2  
Direct: (604)899-6764  
Fax: (604)899-6814  
E-mail: stoews@bcsc.bc.ca

Douglas R. Brown  
General Counsel &  
Director - Legal, Enforcement & Registration  
**The Manitoba Securities Commission**  
1130 - 405 Broadway  
Winnipeg, MB R3C 3L6  
Direct: (204) 945-0605  
Fax: (204) 945-0330  
E-mail: doubrown@gov.mb.ca

Andrew Nicholson  
Director Market Regulation  
**New Brunswick Securities Commission**  
606 - 133 Prince William Street  
Saint John, NB E2L 2B5  
Direct: (506) 658-3021  
Fax: (506) 658-3059  
E-mail: andrew.nicholson@nbsc-cvmb.ca

Susan W. Powell  
Manager, Corporate Finance and Market Conduct  
**Securities Commission of Newfoundland and Labrador**  
Government of Newfoundland and Labrador  
2nd Floor, West Block  
Confederation Building  
P.O. Box 8700  
St. John's, NL A1B 4J6  
Direct: (709)729-4875  
Fax: (709)729-6187  
E-mail: spowell@gov.nl.ca

Brian W. Murphy  
Deputy Director, Capital Markets  
**Nova Scotia Securities Commission**  
Joseph Howe Building  
2<sup>nd</sup> Floor, P.O. Box 458  
Halifax, Nova Scotia B3J 2P8  
Direct: (902) 424-4592  
Fax: (902) 424-4625

## Rules and Policies

---

E-mail: [murphybw@gov.ns.ca](mailto:murphybw@gov.ns.ca)

David M. Gilkes, BA, MA, CFE  
Manager, Registrant Regulation  
Capital Markets Branch  
**Ontario Securities Commission**  
18th Floor, 20 Queen Street West  
Toronto, ON M5H 3S8  
Direct: (416)593-8104  
Fax: (416)593-8240  
E-mail: [dgilkes@osc.gov.on.ca](mailto:dgilkes@osc.gov.on.ca)

Mark Gallant  
Registrar of Securities  
**PEI Securities Division**  
Office of the Attorney General  
P.O. Box 2000  
95 Rochford Street  
4<sup>th</sup> Floor, Shaw Building  
Charlottetown, PE C1A 7N8  
Direct: (902) 368-4552  
Fax: (902) 368-5283  
E-mail: [mlgallant@gov.pe.ca](mailto:mlgallant@gov.pe.ca)

Maryse Pineault  
Directrice des pratiques de distribution  
Direction de l'encadrement de la distribution  
**Autorité des marchés financiers**  
Place de la Cité, Tour Cominar  
3e étage  
2640, boulevard Laurier  
Sainte-Foy, QC G1V 5C1  
Direct: (418) 525-0558 ext. 4781  
Toll Free: 1-877-525-0337 ext. 4781  
Fax: (418) 525-5178  
E-mail: [maryse.pineault@lautorite.qc.ca](mailto:maryse.pineault@lautorite.qc.ca)

Gary Crowe  
**Registrar of Securities**  
Legal Registries Division, Department of Justice  
Government of Nunavut  
P.O. Box 1000, STN 570  
1st Floor, Brown Building  
Iqaluit, NU X0A 0H0  
Direct: (867) 975-6586  
Fax: (867) 975-6594  
E-mail: [gcrowe@gov.nu.ca](mailto:gcrowe@gov.nu.ca)

M. Richard Roberts  
Manager, Corporate Affairs  
**Registrar of Securities**  
Corporate Affairs / Community Services  
Government of Yukon  
P.O. Box 2703  
2134 Second Avenue  
Whitehorse, YT Y1A 5H6  
Direct: (867) 667-5225  
Fax: (867) 393-6251  
E-mail: [richard.roberts@gov.yk.ca](mailto:richard.roberts@gov.yk.ca)

**Instrument and Policy**

The text of the Instrument and Policy follow or can be found elsewhere on a CSA member website.

February 4, 2005