

1.1.9 OSC Staff Notice 31-711 Ontario Securities Commission Rule 31-502 – Proficiency Requirements for Registrants and Ontario Securities Commission Rule 31-505 – Conditions of Registration

**ONTARIO SECURITIES COMMISSION STAFF
NOTICE 31-711**

**ONTARIO SECURITIES COMMISSION RULE 31-502 –
PROFICIENCY REQUIREMENTS FOR REGISTRANTS
AND ONTARIO SECURITIES COMMISSION RULE 31-
505 – CONDITIONS OF REGISTRATION**

Background

On November 5, 2003, amendments to Rule 31-502 - *Proficiency Requirements for Registrants* and Rule 31-505 - *Conditions of Registration* (the “Rule”) came into force. The Rule amendments implemented several changes to the compliance and governance structures of dealers and advisers.

Clarification

In respect of advisers registered under the Securities Act (Ontario), the Rule introduced two new categories of compliance personnel: the Ultimately Responsible Person (the “URP”) and the Chief Compliance Officer (the “CCO”). Registered advisers must designate qualified individuals and advise the Ontario Securities Commission (the “Commission”) of those individuals by January 31, 2004. Staff of the Commission has received several inquiries regarding these new designations. By clarifying the intent and implementation of the Rule, this notice should reduce the number of enquiries.

Who may be an URP?

The URP must be an executive officer who is a member of the senior management of the adviser and satisfies the criteria set out in paragraph 1.3(2)(b) of the Rule. It is expected that an URP’s non-compliance duties would require the officer to be in regular contact with the board of directors of the adviser. Reference should be made to paragraph 1.3(2)(f) of the Rule which requires the URP to have the right to directly access the board of directors or partnership. If this right is not truly enforceable, then the officer should not be designated as the URP by the adviser.

Who are registered partners and registered officers?

The terms “registered partner” and “registered officer” are not defined in the Rule and are not intended to exclude non-advising executive officers that would be categorized as “non-registered individuals” in National Instrument 33-109 and would have been approved as non-advising officers of the adviser by the Commission. Accordingly, non-advising executive officers may be designated as URPs if they satisfy the criteria outlined in paragraph 1.3(2)(b) of the Rule. If an URP also satisfies the compliance related proficiency requirements for a CCO,

which are prescribed at subsection 3.1(2) of Commission Rule 31-502, then that individual may also be designated as the CCO for that adviser.

Who may not be an URP?

Officers holding the title of vice-president cannot be designated as the URP unless they truly serve a function which is similar to the president, chief executive officer, chief financial officer, secretary, general counsel, or general manager. An officer cannot be considered to be holding an office which is analogous to an enumerated position, if officers with that enumerated title exist within the registrant. For example, a “vice-president, finance” cannot be considered to be analogous to a chief financial officer and designated as an URP for an adviser if that adviser already has a chief financial officer.

For further information, contact:

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