

## ANNEX A SUMMARY OF NOTABLE CHANGES TO THE PROPOSALS

This annex summarizes the notable changes to the Proposals. In addition to the changes summarized in this annex, the Amendments also include technical drafting changes and clarifications.

### **Outside Activities**

The Proposals provided that there would be six categories of Outside Activities that are reportable to securities regulatory authorities:

1. Activities with another registered firm
2. Activities with an entity that receives compensation from another registered firm for the Registrant's registrable activity
3. Other securities-related activities
4. Provision of financial or finance-related services
5. Positions of influence
6. Specified activities

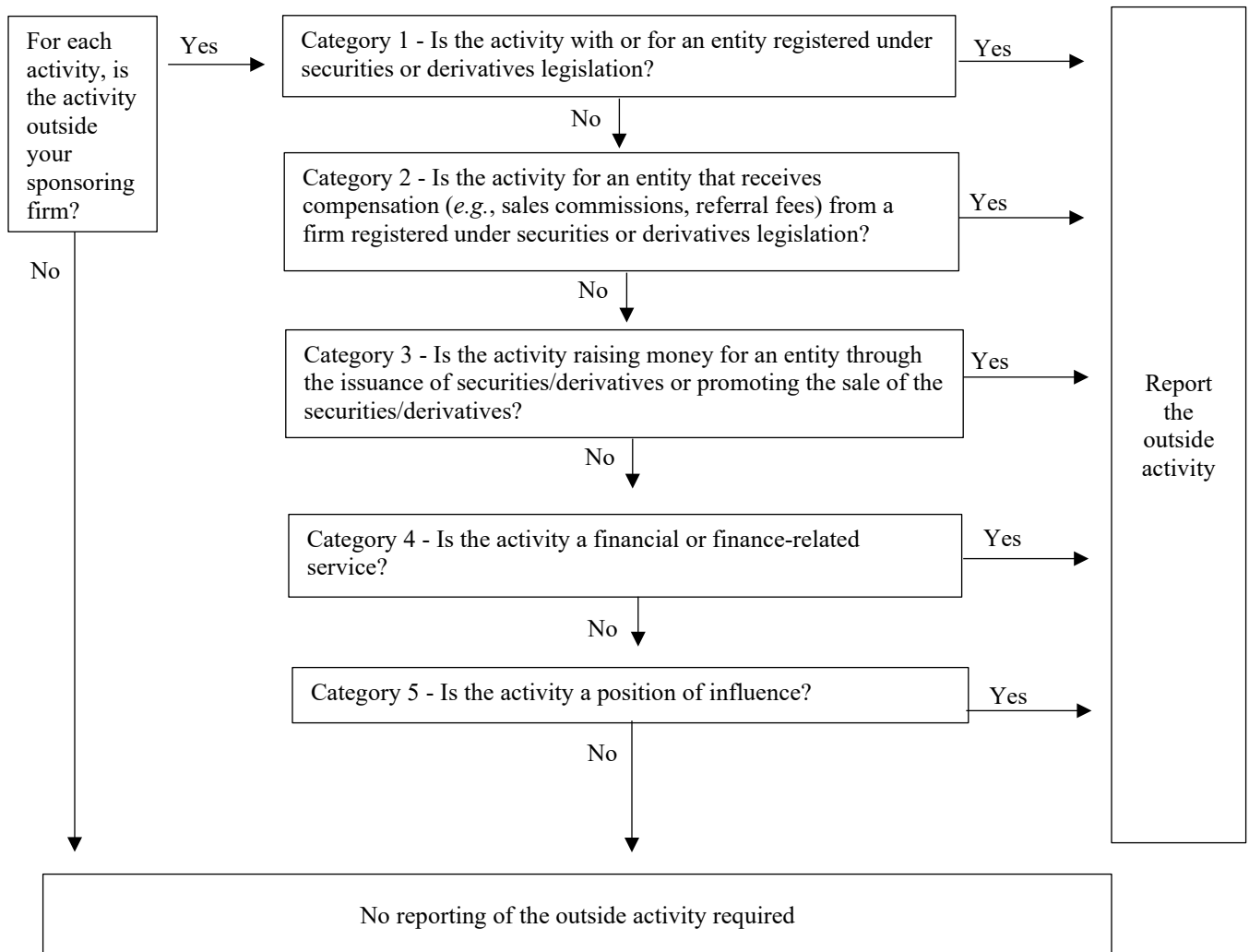
Based on comments received, we have made the following revisions:

- We have removed the requirement to report Category 6 [Specified activities] to securities regulatory authorities on the basis that Categories 1 to 5 allow the CSA to receive the information necessary to carry out its regulatory role. Although activities that fall within Category 6 are no longer reportable to securities regulatory authorities<sup>1</sup>, firms are responsible for conflicts of interest arising from all Outside Activities (even if they are not reportable to us) and for ensuring their registered individuals have sufficient time to perform the registrable activity and properly service clients, and to maintain their proficiency.

We have also revised Appendix C of the Companion Policy to National Instrument 33-109 *Registration Information*, which illustrates the analysis on whether an activity outside of the sponsoring firm is reportable, to reflect the removal of Category 6 and have reproduced it below.

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<sup>1</sup> Securities regulatory authorities have the discretion to request more information in these areas on a case-by-case basis. Individual Registrants will continue to be required to report the number of hours they work for their sponsoring firm.



- We have clarified the following:
  - Firms are required to identify and address material conflicts of interest arising from the Registrants' Outside Activities and these Outside Activities may not be limited to those reportable to the securities regulatory authorities.
  - An individual's activity with an affiliated entity is a reportable Outside Activity if it falls within Categories 1 to 5.
  - The description of the activities that fall within Category 4 [Provision of financial or finance-related services].
  - Volunteer activities are not reportable, unless they fall within Categories 1 to 5.

## **Positions of influence**

In the Proposals, we introduced a definition of position of influence, introduced a new rule that codifies the restriction of the client base of a registered individual who is in a position of influence over certain clients, and required the reporting of positions of influence to securities regulatory authorities as an Outside Activity.

We have maintained the definition of position of influence as published, including listing certain positions of influence. Based on our experience, these are positions with a high level of conflict, which must be reported and managed by firms. We are of the view that the listed positions will ease compliance burden on firms by providing clarity and consistent treatment.

Nevertheless, we agree that positions of influence can be a matter of judgment based on the particular facts and circumstances. Therefore, it is not an exhaustive list and guidance is provided. In light of the comments received, we have provided additional guidance on individuals who are involved in the activities of community, cultural or religious organizations, as well as on individuals who are elected officials.

The restriction on the registered individual's securities activities is required to address the conflict arising from the relationship and in our view, this is a measured regulatory approach in contrast to a ban on the activity. After considering the comments received, we have revised the language of the restriction to specify that registered firms and their Individual Registrants should not sell to or advise individuals that the registered firm *knows* the Individual Registrant is in a position of influence over or the registered firm or Individual Registrant *knows* are certain close family members of an individual that the Individual Registrant is in a position of influence over.

We continue to be of the view that positions of influence should be reported to regulators.

## **Reporting deadlines**

We published proposals to extend some reporting deadlines such that Registrants would be required to submit registration information generally either within 15 days or 30 days. However, we did not propose changes to the reporting deadlines for changes in an individual's status, such as becoming a permitted individual or ceasing to be an Individual Registrant, which are reportable within 10 days of the change in status.

Based on the feedback received that three different reporting deadlines would add complexity and increase the likelihood of errors, we changed the deadline to report becoming a permitted individual or ceasing to be an Individual Registrant to 15 days, such that there are generally two reporting deadlines – 15 days or 30 days. A longer reporting period does not raise regulatory risk when an individual ceases to have authority as an Individual Registrant and we are aware through other regulatory filings of when an individual will become a permitted individual.

As a result of this change, we have made a consequential change to extend the deadline for the registered firm to provide an Individual Registrant with a copy of Form 33-109F1 *Notice of End of Individual Registration or Permitted Individual Status (Notice of Cessation)* from 10 days to 15 days. This change is necessary to align the firm's filing deadline of the Notice of Cessation

with securities regulatory authorities. Otherwise, in certain circumstances, the registered firm would be required to provide the Individual Registrant with the Notice of Cessation before the registered firm is required to file it with securities regulatory authorities.

### **Common errors and updated certificate requirements**

The Proposals included changes to address the receipt by regulators of Registration Forms that are incomplete and/or inaccurate because

- the registration information requirement is unclear,
- despite the certification requirement, the Registrant is not carefully completing the Registration Form,
- the Registrant does not understand the registration information requirements,
- the sponsoring firm, who is required to have discussed the Registration Form with the Individual Registrant, is not providing adequate support, and/or
- the Registrant is not being forthright.

The Proposals also make changes to address areas of the Individual Registration Form that are more likely to be filled out incorrectly.

After considering the comments received and the results of the test conducted, we have made the following revisions:

- As criminal disclosures are reported in a different section of the Individual Registration Form, we have decided not to amend Item 12.3 of the Individual Registration Form. Individual Registrants will continue to be required to report resignations or terminations when at the time of resignation or termination, there was an allegation that the Individual Registrant committed fraud or the wrongful taking of property, including theft.
- We have removed the requirement in Item 12 of the Individual Registration Form to report resignations and terminations following allegations that the Individual Registrant violated, or failed to appropriately supervise compliance with, the rules or bylaws or standards of conduct of an industry association.
- We have further revised the language in Item 16 of the Individual Registration Form to clarify that Individual Registrants are required to report bankruptcies no matter how long ago the bankruptcy occurred.
- We have added instructions to Item 13.3 of the Individual Registration Form to make clear that only registration and licences that involve dealing with the public are to be disclosed.
- We have amended section 2.3 of NI 33-109 to clarify when an Individual Registrant's NRD record is up-to-date so that a Reinstatement Form may be used and have provided guidance in Annex C to this Notice relating to when Individual Registrants should review and respond to items in NRD that read "there is no response to this question".
- Where education and course information are to be reported, we have further clarified that

only those required for the registration categories or IIROC approval should be disclosed.

- We have clarified that reporting securities experience applies to certain supervisors and have included instructions for applicants seeking registration as advising representatives limited to client relationship management.

Additionally, we have revised the language of some of the certifications to reflect the CSA's practice of separately obtaining consent to enter a business location that is a personal residence at the time of a compliance review.

### **Regulatory burden of certain reporting requirements**

In the Proposals, to address concerns that some specific registration information requirements may create a disproportionate reporting burden relative to their original purpose, we proposed changes to:

- Reduce the requirement for reporting changes in percentage ownership on an ownership chart to when the percentage ownership exceeds or falls below 10%, 20% or 50%;
- Provide a mechanism for a registered firm to delegate to another registered firm the requirement to notify the regulator of changes in certain registration information;
- Remove the requirement to report a change in the expiry date of a registered firm's insurance policy where the insurance policy has not lapsed and there have been no other changes to the insurance policy;
- Provide additional guidance on changes in litigation to be reported; and
- Remove the requirement that the Firm Registration Form be witnessed.

We continue to believe these changes will reduce the burden on Registrants, without impacting regulators' ability to oversee Registrants. However, based on the comments received, we have clarified certain aspects of these changes, including:

- In relation to delegating reporting to an authorized affiliate, we have clarified that the certificate of the delegation is only required to be filed once, unless there is a change to the authorized affiliate and in that case, an updated certificate should be filed.
- We have made a consequential amendment to section 12.7 of NI 31-103 that a change in the expiry date of a registered firm's insurance policy does not need to be reported where the insurance policy has not lapsed and there has been no other changes to the insurance policy.
- We have revised the guidance on reporting status updates to litigation to provide more details.

### **Collecting information on professional titles**

The Proposals introduced a new requirement for Individual Registrants to report to regulators the titles they use.

We acknowledge the comments received suggesting alternative ways for regulators to collect this information, but have maintained the information requirement for Individual Registrants to report their titles. This information implements the CSA's oversight for the new section 13.18 of NI 31-103 introduced as part of the Client Focused Reforms that prohibits Registrants from holding out their services in any manner that could reasonably be expected to deceive or mislead any person as to:

- their proficiency, experience or qualifications;
- the nature of the person's relationship or potential relationship with the Registrant; or
- the products or services provided or that might be provided.

However, we have clarified that Individual Registrants are to provide the business titles and professional designations that they use or will use once registered, and to keep this information up-to-date.

## **Transition**

In the Proposals, we proposed the following transition plan:

- The proposed amendments would come into force at the end of 2021 (i.e., December 31, 2021).
- For the proposed amendments relating to positions of influence, firms be allowed a six-month transition period from when the proposed amendments come into force (i.e., June 30, 2022).
- Where, after this date, there is a change to registration information that was previously reported, the individual would review and update any other information.

We have simplified the transition plan in light of the comments received. Subject to Ministerial approvals being obtained, the Amendments (including the Amendments to NI 31-103 relating to positions of influence) will now come into force on June 6, 2022.

We acknowledge the comments received regarding the existing regulatory changes Registrants are implementing and the difficulties commenters raised with the year-end implementation. Additionally, we are of the view that a single date to implement the Amendments is simple and avoids potential confusion and error. The timeframe for the implementation of the Amendments for positions of influence remains the same as set out in the Proposals.

We have also clarified in the Amendments and have provided guidance in Annex C relating to registration information in NRD, specifically, where NRD states "there is no response to this question". All Individual Registrants are required to update their information in NRD where it states "there is no response to this question" by the earlier of (i) the date the Individual Registrant

reports a change to their registration information after June 6, 2022 and (ii) June 6, 2023.

