Chapter 1

Notices / News Releases

1.1.1 CSA Staff Notice 31-341 – Omnibus/Blanket Orders Exempting Registrants from Certain CRM2 Provisions of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations



CSA Staff Notice 31-341

Omnibus/Blanket Orders Exempting Registrants from Certain CRM2 Provisions of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations

May 21, 2015

Introduction

All members of the Canadian Securities Administrators (the **CSA** or "we") have issued parallel orders providing relief from certain provisions of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) related to the Client Relationship Model Phase 2 amendments to NI 31-103 which come into effect in stages in 2015 and 2016 (the **2015/2016 CRM2 Amendments**).

Background

The Investment Industry Regulatory Organization of Canada (**IIROC**) and the Mutual Fund Dealers Association of Canada (**MFDA**) (together, these self-regulatory organizations are referred to as the **SROs**) have adopted amendments to their respective member rules that are materially harmonized with the 2015/2016 CRM2 Amendments.

Some registered firms have indicated they may experience difficulty implementing the 2015/2016 CRM2 Amendments or corresponding SRO provisions by their effective dates.

Certain technical issues have also been identified relating to the delivery of information prescribed in the 2015/2016 CRM2 Amendments or corresponding SRO provisions.

Summary of Relief

To address these matters, CSA members (except the Autorité des marchés financiers with respect to relief specific to MFDA member firms) have issued parallel orders to the following effect:

- Non-SRO members: More time to implement certain provisions; additional relief addressing technical issues. For non-SRO members, conditional relief from specified 2015/2016 CRM2 Amendments to the following effect:
 - The new requirements relating to market value, position cost, account statements, additional statements, scholarship plan dealer statements and security holder statements that come into effect on July 15, 2015 may be met starting with statements delivered for the period ending December 31, 2015, instead of the period that includes July 15, 2015.
 - Where a firm uses market value instead of position cost as contemplated in the position cost information provisions,
 - o for security positions transferred from another registered firm, it may meet the requirement to disclose in the statement that the market value, not the cost of the security position, is being disclosed without having to specify that it is the market value as of the transfer date;

o for existing accounts, it may use a date as at December 31, 2015 or a date earlier than December 31, 2015 chosen by the firm that is the same for all "similar clients" of the firm holding the security, rather than for all clients of the firm holding the security;

"similar clients" for purposes of the order means any of the following:

- (a) clients whose accounts or security positions were transferred together,
- clients on the same reporting system if a registered firm has more than one reporting system,
- (c) other clients whose accounts or security positions would appear to a reasonable person to be similar in a way that relates to the recording or calculation of market value or position cost.
- The requirement to identify securities that may be covered under an investor protection fund in their
 additional statements does not have to be met (we plan to publish a proposal to amend this
 requirement at a later date). IIROC's existing investor protection fund disclosure requirements remain
 in effect. The MFDA has introduced equivalent requirements that will come into effect as of
 December 31, 2015.
- The requirements that investment performance reports must include market value information as at and since July 15, 2015 may be met instead,
 - where the firm has decided to report on a calendar year basis (i.e., its first reports will cover the period January 1, 2016 to December 31, 2016), by including market value information as at and since January 1, 2016 (the firm is not required to provide the information for any earlier period), or a date earlier than January 1, 2016 chosen by the firm that is the same for all similar clients;
 - where the firm has decided not to report on a calendar year basis (e.g., its first reports will cover the period from July 15, 2016 to July 14, 2017), by including market value information as at and since July 15, 2015 or a date earlier than July 15, 2015 chosen by the firm that is the same for all similar clients.
- The requirements that investment performance reports must include annualized total percentage return information since inception or for the period since July 15, 2015 may be met as follows,
 - where the firm has decided to report on a calendar year basis, by providing the information for the 12-month period ending December 31, 2016 (the firm is not required to provide the information for any earlier period or in any subsequent performance reports that cover the 12-month periods ending December 31, 2017 and each calendar year thereafter);
 - where the firm has decided not to report on a calendar year basis, by providing the information:
 - (A) for the period since the account was opened, if the account has been opened for at least a year before the date of the report, or
 - (B) for the period since July 15, 2015 or an earlier date chosen by the firm that is the same for all "similar clients", if the account was opened before July 15, 2015 (the firm is not required to conclude that it believes information since inception is not available; it should have a reasonable basis for its choice of date).
- SRO Members: Member rules instead of 2015/2016 CRM2 Amendments. For SRO members, relief from the 2015/2016 CRM2 Amendments, if they comply with the corresponding SRO provisions applicable to them instead.

Note that an SRO member seeking discretionary relief from any provisions other than those relating to investment fund manager or scholarship plan dealer activities should apply only to their SRO – there is no need to also apply to the CSA for relief from the corresponding provision in NI 31-103.

The CSA members plan to publish proposals to amend NI 31-103 to revise certain of the 2015/2016 CRM2 Amendments permanently. The SROs plan to make housekeeping amendments to conform their member rules with certain of the relief described in paragraph 1 of this Notice.

Relief Order

The order will take effect on July 15, 2015.

For the specific provisions of the relief summarized above, see the applicable orders available on websites of CSA members including here:

www.lautorite.qc.ca
www.albertasecurities.com
www.bcsc.bc.ca
www.msc.gov.mb.ca
www.gov.ns.ca/nssc
www.nbsc-cvmnb.ca
www.osc.gov.on.ca/en/Dealers_omnibus-orders.htm
www.fcaa.gov.sk.ca

Questions

Please refer your questions to any of the following:

Christopher Jepson Senior Legal Counsel Compliance and Registrant Regulation Ontario Securities Commission 416-593-2379 cjepson@osc.gov.on.ca

Gérard Chagnon
Analyste expert en réglementation
Direction de l'encadrement des intermédiaire
Autorité des marchés financiers
418-525-0337, ext 4815 and
1-877-525-0337
gerard.chagnon@lautorite.qc.ca

Vida Lisa Mehin Senior Legal Counsel Capital Markets Regulation British Columbia Securities Commission 604-899-6596 and 1-800-373-6393 vmehin@bcsc.bc.ca

Navdeep Gill Manager, Registration Alberta Securities Commission 403-355-9043 navdeep.gill@asc.ca

Liz Kutarna
Deputy Director, Capital Markets
Securities Division
Financial and Consumer Affairs Authority of Saskatchewan
306-787-5871
liz.kutarna@gov.sk.ca

Brian W. Murphy
Deputy Director, Capital Markets
Nova Scotia Securities Commission
902-424-4592
murphybw@gov.ns.ca

Jason Alcorn Legal Counsel, Securities Financial and Consumer Services Commission (NB) 506-643-7857 jason.alcorn@fcnb.ca

Katharine Tummon
Director
Office of the Superintendent of Securities, P.E.I.
902-368-4542
kptummon@gov.pe.ca

Craig Whalen
Manager of Licensing, Registration and Compliance
Office of the Superintendent of Securities
Government of Newfoundland and Labrador
709-729-5661
cwhalen@gov.nl.ca

Gary MacDougall Superintendent of Securities Department of Justice Government of the Northwest Territories 867-873-7490 gary macdougall@gov.nt.ca

Chris Besko Director, General Counsel The Manitoba Securities Commission 204-945-2561 and 1-800-655-5244 (Toll Free (Manitoba only)) chris.besko@gov.mb.ca Rhonda Horte Deputy Superintendent Office of the Yukon Superintendent of Securities 867-667-5466 rhonda.horte@gov.yk.ca

Shamus Armstrong
Acting Director, Legal Registries
Department of Justice, Government of Nunavut
867-975-6598
sarmstrong@gov.nu.ca