

ANNEX A

PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 31-103 *REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS*^{1, 2}

1. *National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations is amended by this Instrument.*
2. *Section 1.1 is amended by adding the following definitions:*

“Canadian custodian” means any of the following:

- (a) a bank listed in Schedule I, II or III of the *Bank Act* (Canada);
- (b) a trust company that is incorporated under the laws of Canada or a jurisdiction and licensed or registered under the laws of Canada or a jurisdiction, and that has equity, as reported in its most recent audited financial statements, of not less than \$10,000,000;
- (c) a company that is incorporated under the laws of Canada or a jurisdiction, and that is an affiliate of a bank or trust company referred to in paragraph (a) or (b), if either of the following applies:
 - (i) the company has equity, as reported in its most recent audited financial statements, of not less than \$10,000,000;
 - (ii) the bank or trust company has assumed responsibility for all of the custodial obligations of the company for the cash and securities it holds for a client or investment fund;
- (d) an investment dealer that is a member of IIROC and that is permitted under the rules of IIROC, as amended from time to time, to hold the securities and cash of a client or investment fund;

¹ The amendments referred to in ss. 7, 10, 12(a), and 12(b) of this proposed Amending Instrument are not being proposed for Alberta, New Brunswick and Québec as these amendments have already been adopted in those jurisdictions.

² The amendments have been prepared on the basis of the current law in each jurisdiction and do not reflect the adoption by Alberta, New Brunswick and Saskatchewan of local amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* that were published for comment by these jurisdictions on May 19, 2016. These local amendments are set out in CSA Multilateral Notice and Request for Comment *Proposed Amendments to Certain National, Multilateral and Local Instruments and Proposed Changes to Companion Policy 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations Related to Derivatives Regulation in Alberta, New Brunswick and Saskatchewan*. The anticipated adoption by these jurisdictions of these local amendments will necessitate further conforming changes in the final version of this Amending Instrument.

“foreign custodian” means any of the following:

- (a) an entity that
 - (i) is incorporated or organized under the laws of a country, or a political subdivision of a country, other than Canada,
 - (ii) is regulated as a banking institution or trust company by the government, or an agency of the government, of the country under the laws of which it is incorporated or organized, or a political subdivision of that country, and
 - (iii) has equity, as reported in its most recent audited financial statements, of not less than the equivalent of \$100,000,000;
- (b) an affiliate of an entity referred to in paragraph (a) or paragraphs (a), (b), or (c) of the definition of “Canadian custodian” if either of the following applies:
 - (i) the affiliate has equity, as reported in its most recent audited financial statements, of not less than the equivalent of \$100,000,000;
 - (ii) the entity referred to in paragraph (a) or paragraphs (a), (b), or (c) of the definition of “Canadian custodian” has assumed responsibility for all of the custodial obligations of the affiliate for the cash and securities the affiliate holds for a client or investment fund;

“qualified custodian” means a Canadian custodian or a foreign custodian;

3. Section 1.2 is amended by replacing it with the following:

- (1) Subject to sections 8.2, 8.26 and 14.5.1, in British Columbia, New Brunswick and Saskatchewan, unless the context otherwise requires, a reference to “securities” in this Instrument includes “exchange contracts.”
- (2) Subject to sections 8.2, 8.26 and 14.5.1, in Alberta, unless the context otherwise requires, a reference to “securities” in this Instrument includes “derivatives”..

4. Section 3.16 is amended:

(a) in subsections (1) and (1.1) by replacing “a member of IIROC” with “an investment dealer that is a member of IIROC”, and

(b) in subsections (2) and (2.1) by adding, “a mutual fund dealer that is” before “a member of the MFDA”.

5. Paragraph 7.1(2)(d) is amended:

(a) in subparagraph (i) by deleting “whether or not a prospectus was filed in respect of the distribution,”, and

(b) by replacing subparagraph (ii) with the following:

(ii) act as a dealer by trading a security, if all of the following apply:

(A) the trade is not a distribution;

(B) an exemption from the prospectus requirement would be available to the seller if the trade were a distribution;

(C) the class of security is not listed, quoted or traded on a marketplace, or.

6. Subsection 7.1(5) is repealed.

7. Section 8.2 is amended by renumbering it as subsection 8.2(1) and by deleting “Alberta,” and by adding the following subsection:

(2) Despite section 1.2, in Alberta a reference to “securities” in this Division excludes derivatives which are traded on an exchange pursuant to standardized terms determined by the exchange and cleared by a clearing agency..

8. Subsection 8.6(1) is amended:

(a) by replacing “both” with “all”,

(b) in paragraph (a) by deleting “and investment fund manager”, and

(c) by adding the following paragraph:

(a.1) the adviser or an affiliate of the adviser acts as the fund’s investment fund manager;.

9. Section 8.20 is replaced by the following:

- (1) In British Columbia, New Brunswick and Saskatchewan, the dealer registration requirement does not apply to a person or company in respect of a trade in an exchange contract by the person or company if one of the following applies:
 - (a) the trade is made through a registered dealer, if the dealer is registered in a category that permits the trade unless, in furtherance of the trade, the person or company seeking the exemption solicits or contacts directly any purchaser or prospective purchaser in relation to the trade;
 - (b) the trade is made to a registered dealer who is purchasing as principal, if the dealer is registered in a category that permits the trade.
- (1.1) In Alberta, the dealer registration requirement does not apply to a person or company in respect of a trade in a derivative on an exchange pursuant to standardized terms determined by the exchange and cleared by a clearing agency if one of the following applies:
 - (a) the trade is made through a registered dealer, if the dealer is registered in a category that permits the trade unless, in furtherance of the trade, the person or company seeking the exemption solicits or contacts directly any purchaser or prospective purchaser in relation to the trade;
 - (b) the trade is made to a registered dealer who is purchasing as principal, if the dealer is registered in a category that permits the trade..

10. Section 8.20.1 is amended:

(a) by renumbering it as subsection 8.20.1(1) and replacing “The dealer registration requirement” with “In British Columbia, New Brunswick and Saskatchewan, the dealer registration requirement”, and

(b) by adding the following subsection:

- (2) In Alberta, the dealer registration requirement does not apply to a registered adviser, or an advising representative or associate advising representative acting on behalf of the registered adviser, in respect of trading activities related to a trade in a derivative on an exchange pursuant to standardized terms determined by the exchange and cleared by a clearing agency that are incidental to its providing advice to a client,

if the trade is made through a dealer registered in a category that permits the trade or a dealer operating under an exemption from the dealer registration requirement..

11. Section 8.24 is amended by adding “is an investment dealer that” before “is a member of IIROC”.

12. Section 8.26 is amended:

(a) in subsection (1) by deleting “Alberta,”,

(b) by adding the following subsection:

(1.1) Despite section 1.2, in Alberta a reference to “securities” in this section excludes derivatives which are traded on an exchange pursuant to standardized terms determined by the exchange and cleared by a clearing agency., **and**

(c) by replacing subsection (3) with the following:

(3) The adviser registration requirement does not apply to a person or company in respect of its acting as an adviser to a permitted client in relation to a foreign security, other than a permitted client that is a person or company registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, if the adviser does not advise that client on securities that are not foreign securities, unless providing that advice is incidental to its providing advice on a foreign security..

13. Subsection 9.3(1) is amended:

(a) by replacing “a registered firm that is a member of IIROC” with “an investment dealer that is a member of IIROC”,

(b) by replacing paragraph (m) with the following:

(m) subsections 14.2(2) to (6) [*relationship disclosure information*];,

(c) by adding the following paragraphs:

(m.1) section 14.2.1 [*pre-trade disclosure of charges*];

(m.2) section 14.5.2 [*restriction on self-custody and qualified custodian requirement*];

(m.3) section 14.5.3 [*securities and cash held by a qualified custodian*];,

(d) in paragraph (n) by adding “and investment fund assets” after “holding client assets”,

(e) by repealing paragraphs (o) and (p),

(f) by adding the following paragraph:

(p.1) section 14.11.1 [*determining market value*];

(g) in paragraph (q) by replacing “[content and delivery of trade confirmation].” with “[content and delivery of trade confirmation];”, and

(h) by adding the following paragraphs:

(r) section 14.14 [*account statements*];

(s) section 14.14.1 [*additional statements*];

(t) section 14.14.2 [*security position cost information*];

(u) section 14.17 [*report on charges and other compensation*];

(v) section 14.18 [*investment performance report*];

(w) section 14.19 [*content of investment performance report*];

(x) section 14.20 [*delivery of report on charges and other compensation and investment performance report*].

14. Subsection 9.3(1.1) is amended by replacing “(q)” with “(x)”.

15. Subsection 9.3(2) is amended:

(a) by replacing “a registered firm is a member of IIROC” with “an investment dealer is a member of IIROC”,

(b) by replacing paragraph (i) with the following:

(i) subsections 14.2(2) to (6) [*relationship disclosure information*];

(c) by adding the following paragraphs:

(i.1) section 14.2.1 [*pre-trade disclosure of charges*];

(i.2) section 14.5.2 [*restriction on self-custody and qualified custodian requirement*];

(i.3) section 14.5.3 [*securities and cash held by a qualified custodian*];

(d) in paragraph (j) by adding “and investment fund assets” after “holding client assets”;

(e) by repealing paragraphs (k) and (l),

(f) by adding the following paragraph:

(1.1) section 14.11.1 [*determining market value*];

(g) in paragraph (m) by replacing “[content and delivery of trade confirmation].” with “[content and delivery of trade confirmation];”, and

(h) by adding the following paragraphs:

(n) section 14.17 [*report on charges and other compensation*];

(o) section 14.18 [*investment performance report*];

(p) section 14.19 [*content of investment performance report*];

(q) section 14.20 [*delivery of report on charges and other compensation and investment performance report*].

16. Subsection 9.3(2.1) is amended by replacing “(m)” with “(q)”.

17. Subsection 9.4(1) is amended:

(a) by replacing “a registered firm that is a member of the MFDA” with “a mutual fund dealer that is a member of the MFDA”,

(b) by replacing paragraph (m) with the following:

(m) subsections 14.2(2), (3) and (5.1) [*relationship disclosure information*];

(c) by adding the following paragraphs:

(m.1) section 14.2.1 [*pre-trade disclosure of charges*];

(m.2) section 14.5.2 [*restriction on self-custody and qualified custodian requirement*];

(m.3) section 14.5.3 [*securities and cash held by a qualified custodian*];

(d) in paragraph (n) by adding “and investment fund assets” after “holding client assets”,

(e) by repealing paragraphs (o) and (p),

(f) by adding the following paragraph:

(p.1) section 14.11.1 [*determining market value*];

(g) in paragraph (q) by replacing “[content and delivery of trade confirmation].” with “[content and delivery of trade confirmation];”, and

(h) by adding the following paragraphs:

(r) section 14.14 [*account statements*];

(s) section 14.14.1 [*additional statements*];

(t) section 14.14.2 [*security position cost information*];

(u) section 14.17 [*report on charges and other compensation*];

(v) section 14.18 [*investment performance report*];

(w) section 14.19 [*content of investment performance report*];

(x) section 14.20 [*delivery of report on charges and other compensation and investment performance report*].

18. Subsection 9.4(1.1) is amended by replacing “(q)” with “(x)”.

19. Subsection 9.4(2) is amended:

(a) by replacing “is a member of the MFDA” with “is a mutual fund dealer that is a member of the MFDA”,

(b) by replacing paragraph (g) with the following:

(g) subsections 14.2(2), (3) and (5.1) [*relationship disclosure information*];

(c) by adding the following paragraphs:

(g.1) section 14.2.1 [*pre-trade disclosure of charges*];

(g.2) section 14.5.2 [*restriction on self-custody and qualified custodian requirement*];

(g.3) section 14.5.3 [*securities and cash held by a qualified custodian*];

(d) in paragraph (h) by adding “and investment fund assets” after “holding client assets”;

(e) by repealing paragraphs (i) and (j),

(f) by adding the following paragraph:

(j.1) section 14.11.1 [*determining market value*];

(g) in paragraph (k) by replacing “[content and delivery of trade confirmation].” with “[content and delivery of trade confirmation];”, and

(h) by adding the following paragraphs:

(l) section 14.17 [*report on charges and other compensation*];

(m) section 14.18 [*investment performance report*];

(n) section 14.19 [*content of investment performance report*];

(o) section 14.20 [*delivery of report on charges and other compensation and investment performance report*].

20. Subsection 9.4(2.1) is amended by replacing “(k)” with “(o)”.

21. Subsection 9.4(4) is amended by adding “, except paragraph (1)(h),” after “the requirements listed in subsection (1)”.

22. Subsection 12.1(5) is amended by replacing “a registered firm that is a member of IIROC” with “an investment dealer that is a member of IIROC”.

23. Section 12.12 is amended:

(a) in subsection (2.1) by replacing “is a member of the MFDA” with “is a mutual fund dealer that is a member of the MFDA”, and

(b) by adding the following subsections:

(4) Despite paragraph (1)(b), a firm registered only in Québec and solely in the category of mutual fund dealer may deliver to the regulatory authority, no later than the 90th day after the end of its financial year, the *Monthly Report on Net Free Capital* provided in Appendix I of the *Regulation respecting the trust accounts and financial resources of*

securities firms that shows the calculation of the firm's net free capital as at the end of its financial year and as at the end of the immediately preceding financial year, if any.

- (5) Despite paragraph (2)(b), a firm registered only in Québec and solely in the category of mutual fund dealer may deliver to the regulatory authority, no later than the 30th day after the end of the first, second and third interim period of its financial year, the *Monthly Report on Net Free Capital* provided in Appendix I of the *Regulation respecting the trust accounts and financial resources of securities firms* that shows the calculation of the firm's net free capital as at the end of the interim period and as at the end of the immediately preceding interim period, if any..

24. Section 12.14 is amended:

- (a) **in subsection (4) by replacing** “a registered firm is a member of IIROC” **with** “an investment dealer is a member of IIROC”, **and**
- (b) **in subsection (5) by adding** “is a mutual fund dealer that” **before** “is a member of the MFDA”.

25. Subsection 13.17(1) is amended:

- (a) **in paragraph (f) by replacing** “[account statements].” **with** “[account statements];”, **and**

(b) by adding the following paragraphs:

- (g) section 14.14.1 [*additional statements*];
- (h) section 14.14.2 [*security position cost information*];
- (i) section 14.17 [*report on charges and other compensation*];
- (j) section 14.18 [*investment performance report*].

26. Section 14.1 is amended by replacing “section 14.1.1, section 14.6” **with** “sections 14.1.1, 14.5.1, 14.5.2, 14.5.3 and 14.6”.

27. Subsection 14.2(2) is amended by adding the following paragraphs:

- (a.1) for registered firms that hold client's assets, or direct or arrange which custodian will hold the client's assets, disclosure regarding where and the manner in which the client's assets are held, and the relevant associated risks and benefits to the client;

- (a.2) for registered firms that have access to client's assets, disclosure regarding where and the manner in which the client's assets are held, the manner in which the client's assets are accessible by the registered firm, and the relevant associated risks and benefits to the client;

28. The title of Division 3 of Part 14 is amended by adding “and investment fund assets” after “Client assets”.

29. Part 14 is amended by adding the following sections after the title of Division 3:

14.5.1 Definition of “securities” in Alberta, British Columbia, New Brunswick and Saskatchewan

- (1) Despite section 1.2, in British Columbia, New Brunswick and Saskatchewan, a reference to “securities” in this Division excludes “exchange contracts”.
- (2) Despite section 1.2, in Alberta a reference to “securities” in this Division excludes derivatives which are traded on an exchange pursuant to standardized terms determined by the exchange and cleared by a clearing agency.

14.5.2 Restriction on self-custody and qualified custodian requirement

- (1) A registered firm must not act as the custodian or sub-custodian for a client of the firm or for an investment fund in respect of the client's or investment fund's securities or cash unless the registered firm:
 - (a) is a “Canadian custodian” under paragraph (a), (b) or (d) of the definition of “Canadian custodian”, and
 - (b) has established and maintains a system of controls and supervision sufficient to manage the risks to the client or investment fund associated with the custody of the client's or investment fund's securities or cash.
- (2) A registered firm must ensure that a Canadian custodian is the custodian for a client of the firm or for an investment fund managed by the firm in respect of the client's or investment fund's securities or cash if the firm:
 - (a) directs or arranges which custodian will hold the securities or cash of the client or investment fund, or

- (b) holds or has access to the securities or cash of the client or investment fund.
- (3) Despite subsection (2), the registered firm may ensure that a foreign custodian is the custodian of the securities or cash of the client or investment fund, if a reasonable person would conclude that using the foreign custodian is more beneficial to the client or investment fund than using a Canadian custodian.
- (4) Despite subsection (2), the registered firm may ensure that a Canadian financial institution is the custodian of the cash of the client or investment fund.
- (5) For the purposes of subsections (2) and (3), the qualified custodian must be functionally independent of the registered firm unless:
 - (a) the qualified custodian is a “Canadian custodian” under paragraph (a), (b) or (d) of the definition of “Canadian custodian”, and
 - (b) the registered firm ensures that the qualified custodian has established and maintains a system of controls and supervision sufficient to manage the risks to the client or investment fund associated with the custody of the client’s or investment fund’s securities or cash.
- (6) For the purpose of subsection (4), the Canadian financial institution must be functionally independent of the registered firm.
- (7) This section does not apply to a registered firm in respect of:
 - (a) an investment fund that is subject to National Instrument 81-102 *Investment Funds*;
 - (b) an investment fund that is subject to National Instrument 41-101 *General Prospectus Requirements*;
 - (c) a security that is registered only in the name of the client or investment fund on the books of the security’s issuer, or the transfer agent of the security’s issuer;
 - (d) a security or cash of a permitted client if the permitted client:
 - (i) is not an individual or an investment fund; and

- (ii) has waived, in writing, the requirements in this section, as applicable;
- (e) customer collateral subject to custodial requirements under National Instrument 94-102 *Derivatives: Customer Clearing and Protection of Customer Collateral and Positions*;
- (f) a security that evidences a debt obligation secured by a mortgage registered or published against the title of real estate in a jurisdiction of Canada if:
 - (i) the registration or publication is in the name of the client or investment fund as mortgagee; or
 - (ii) in the case of a syndicated mortgage, the registration or publication is in the name of any of the following as mortgagee:
 - (A) a person or company that is registered or licensed under mortgage brokerage, mortgage administrators, or mortgage dealer legislation of that jurisdiction of Canada if that mortgage is held in trust for the client or investment fund, as applicable;
 - (B) each investor that is a mortgagee in respect of that mortgage.

14.5.3 Securities and cash held by a qualified custodian

A registered firm must take reasonable steps to ensure that securities and cash of a client or an investment fund that are subject to subsection 14.5.2(2), 14.5.2(3) or 14.5.2(4) are:

- (a) except as provided in paragraphs (b) and (c), held by the qualified custodian, or with respect to cash, the Canadian financial institution, using an account number or other designation in the records of the qualified custodian or the Canadian financial institution, as applicable, sufficient to show that the beneficial ownership of the securities or cash of the client or investment fund is vested in that client or investment fund;
- (b) in respect of cash held in an account in the name of the registered firm, separate and apart from the registered firm's own property, and held by the qualified custodian, or the Canadian financial

institution, in a designated trust account in trust for clients or investment funds; or

- (c) in respect of cash and securities held for the purpose of bulk trading, the cash and securities are held in the name of the registered firm in trust for clients or investment funds if the securities and cash are transferred to the applicable client's or investment fund's account held by that client's or investment fund's qualified custodian as soon as possible following the trades..

30. Section 14.6 is replaced with the following:

14.6 Holding client assets and investment fund assets in trust

- (1) If a registered firm holds client assets or investment fund assets other than securities and cash, or if a registered firm holds securities or cash of a client or an investment fund that a registered firm is permitted to hold in accordance with section 14.5.2, the registered firm must hold the assets
 - (a) separate and apart from its own property,
 - (b) in trust for the client or investment fund, and
 - (c) in the case of cash, in a designated trust account with a Canadian custodian or Canadian financial institution.
- (2) Despite subsection (1), the registered firm may ensure that a foreign custodian is the custodian for the cash of the client or investment fund if a reasonable person would conclude that using the foreign custodian is more beneficial to the client or investment fund than using a Canadian custodian or a Canadian financial institution..

31. Section 14.7 is repealed.

32. Section 14.8 is repealed.

33. Section 14.9 is repealed.

34. Subsection 14.11.1(2) is replaced with the following:

- (2) If a registered firm determines the market value of a security in accordance with subparagraph (1)(b)(iii), when it refers to the market value in a statement under section 14.14 [*account statements*], 14.14.1 [*additional statements*], 14.14.2 [*security position cost information*],

14.15 [*security holder statements*] or 14.16 [*scholarship plan dealer statements*], the registered firm must include the following notification or a notification that is substantially similar:

“There is no active market for this security so we have estimated its market value.”

35. Subsection 14.11.1(3) is replaced with the following:

- (3) If a registered firm reasonably believes that it cannot determine the market value of a security in accordance with subsection (1), the market value of the security must be reported in a statement delivered under section 14.14 [*account statements*], 14.14.1 [*additional statements*], 14.14.2 [*security position cost information*], 14.15 [*security holder statements*] or 14.16 [*scholarship plan dealer statements*] as not determinable, and the market value of the security must be excluded from the calculations in paragraphs 14.15(5)(b), 14.14.1(2)(b) and 14.14.2(5)(a)..

36. Section 14.14 is amended:

(a) in paragraph (4)(b) by replacing “sale or transfer;” with “sale, dividend or interest payment or transfer;”,

(b) in paragraph (4)(d) by adding “purchased, sold or transferred” after “securities”,

(c) by replacing paragraph (4)(f) with the following:

- (f) the total value of the transaction if it was a purchase, sale or dividend or interest payment., **and**

(d) in paragraph (5)(f) by replacing “covered” with “eligible for coverage”.

37. Section 14.14.1 is amended:

(a) by replacing 2(f) and (g) with the following:

- (f) disclosure in respect of the person or company that holds or controls each security and a description of the way it is held;
- (g) whether the securities are, or the account is, eligible for coverage under an investor protection fund approved or recognized by the securities regulatory authority; **and**

(b) by adding the following subsection:

- (2.1) Paragraph (2)(g) does not apply if the person or company referred to in paragraph (2)(f) is required under section 14.14, or an IIROC provision or MFDA provision, to deliver a statement to the client in respect of the securities or the account referred to in subsection (1)..

38. The heading in section 14.14.2 is amended by replacing “Position cost information” with “Security position cost information”.

39. Section 14.14.2 is amended:

(a) by replacing subparagraph (2) with the following:

- (2) The information delivered under subsection (1) must disclose the following:
- (a) for each security position, in the statement, opened on or after July 15, 2015, presented on an average cost per unit or share basis or an aggregate basis,
 - (i) the cost of the security position, determined as at the end of the period for which the information under subsection 14.14(5) or 14.14.1(2) is provided, or
 - (ii) if the security position was transferred from another registered firm, the information referred to in subparagraph (i) or the market value of the security position as at the date of the transfer of the security position;
 - (b) for each security position, in the statement, opened before July 15, 2015, presented on an average cost per unit or share basis or an aggregate basis,
 - (i) the cost of the security position, determined as at the end of the period for which the information under subsection 14.14(5) or 14.14.1(2) is provided, or
 - (ii) the market value of the security position on:
 - (A) December 31, 2015, or
 - (B) a date that is earlier than December 31, 2015 if it is reasonable for the registered firm to choose that

date based on the availability and accuracy of recorded historical position cost information., **and**

(b) by adding the following section:

- (2.1) If a registered firm reports one or more security positions of a client using market value under subparagraph (2)(a)(ii) or 2(b)(ii), the firm must also disclose in the statement that it is the market value of the security position as of the relevant date, not the cost of the security position, that is being disclosed..

40. Subsection 14.15(c) and section 14.16 are amended by replacing “14.14.2 [position cost information]” with “14.14.2 [security position cost information]”.

41. Subsection 14.19 is amended:

(a) by replacing paragraph (1)(e) with the following:

- (e) if the client’s account was opened before July 15, 2015, the following:
- (i) the market value of all cash and securities in the client’s account as at
 - (A) July 15, 2015, or
 - (B) a date that is earlier than July 15, 2015 if it is reasonable for the registered firm to choose that date based on the availability and accuracy of recorded historical market value information;
 - (ii) the market value of all deposits and transfers of cash and securities into the account, and the market value of all withdrawals and transfers of cash and securities out of the account, since the date in clause (i)(A) or (B);,

(b) by adding the following paragraph (1)(e.1):

- (e.1) despite paragraph (e), a registered firm that delivered an investment performance report for the period ending December 31, 2016 may include the market value information in subparagraphs (e)(i) and (ii) as at and since
- (i) January 1, 2016, or
 - (ii) a date that is earlier than January 1, 2016 if it is reasonable for the registered firm to choose that date based on the availability and accuracy of recorded historical market value information;

(c) by replacing paragraph (1)(h) with the following:

- (h) if the client's account was opened before July 15, 2015, a registered firm may include the cumulative change in the market value of the account determined using the following formula, instead of the formula in paragraph (g)

$$A - G - H + I$$

where

A = the market value of all cash and securities in the account as at the end of the 12-month period covered by the investment performance report;

G = the market value of all cash and securities in the account as at

(a) July 15, 2015, or

(b) a date that is earlier than July 15, 2015 if it is reasonable for the registered firm to choose that date based on the availability and accuracy of recorded historical market value information;

H = the market value of all deposits and transfers of cash and securities into the account since the date used for the purposes of the definition of "G"; and

I = the market value of all withdrawals and transfers of cash and securities out of the account since the date used for the purposes of the definition of "G";

(d) by adding the following paragraph (1)(h.1):

- (h.1) a registered firm that delivered an investment performance report for the period ending December 31, 2016 may include the market value information in paragraph (h) as at and since

(i) January 1, 2016, or

(ii) a date that is earlier than January 1, 2016 if it is reasonable for the registered firm to choose that date based on the availability and accuracy of recorded historical market value information;

(e) replacing paragraph (2)(e) with the following:

- (e) the period since the client's account was opened if the account has been open for more than one year before the date of the report or, if the account was opened before July 15, 2015, the period since
 - (i) July 15, 2015, or
 - (ii) a date that is earlier than July 15, 2015 if it is reasonable for the registered firm to choose that date based on the availability and accuracy of recorded annualized total percentage return information., ***and***

(f) adding the following section (3.1):

- (3.1) Despite paragraph (2)(e), a registered firm that delivered an investment performance report for the period ending December 31, 2016 may use the period since
 - (a) January 1, 2016, or
 - (b) a date that is earlier than January 1, 2016 if it is reasonable for the registered firm to choose that date based on the availability and accuracy of recorded annualized total percentage return information..

42. Form 31-103F1 Calculation of Excess Working Capital is amended by replacing Line 10 of the table with the following:

Less any deductible under the bonding or insurance policy required under Part 12 of National Instrument 31-103 <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations</i> , or the deductible under the liability insurance, for a firm registered only in Québec and solely in the category of mutual fund dealer

43. Section (2) of Schedule 1 of Form 31-103F1 is amended:

- (a) ***in paragraph (a)(i) by replacing*** “(provided such foreign government securities are currently rated Aaa or AAA by Moody’s Canada Inc. or its DRO affiliate, or Standard & Poor’s Rating Services (Canada) or its DRO affiliate, respectively)” ***with*** “(provided such foreign government securities are currently rated Aaa or AAA or the short-term ratings equivalent by a designated rating organization or its DRO affiliate)”, ***and***

(b) in subsection (d) by replacing “Investment Companies Act of 1940” with “Investment Company Act of 1940”.

44. The chart in Appendix G is repealed and the following substituted:

NI 31-103 Provision	IIROC Provision
section 12.1 [<i>capital requirements</i>]	1. Dealer Member Rule 17.1; and 2. Form 1
section 12.2 [<i>subordination agreement</i>]	1. Dealer Member Rule 5.2; and 2. Dealer Member Rule 5.2A
section 12.3 [<i>insurance – dealer</i>]	1. Dealer Member Rule 17.5 2. Dealer Member Rule 400.2 [<i>Financial Institution Bond</i>]; 3. Dealer Member Rule 400.4 [<i>Amounts Required</i>]; and 4. Dealer Member Rule 400.5 [<i>Provisos with respect to Dealer Member Rules 400.2, 400.3 and 400.4</i>]
section 12.6 [<i>global bonding or insurance</i>]	1. Dealer Member Rule 400.7 [<i>Global Financial Institution Bonds</i>]
section 12.7 [<i>notifying the regulator of a change, claim or cancellation</i>]	1. Dealer Member Rule 17.6; 2. Dealer Member Rule 400.3 [<i>Notice of Termination</i>]; and 3. Dealer Member Rule 400.3B [<i>Termination or Cancellation</i>]
section 12.10 [<i>annual financial statements</i>]	1. Dealer Member Rule 16.2 [<i>Dealer Member Filing Requirements</i>]; and 2. Form 1
section 12.11 [<i>interim financial information</i>]	1. Dealer Member Rule 16.2 [<i>Dealer Member Filing Requirements</i>]; and 2. Form 1
section 12.12 [<i>delivering financial information – dealer</i>]	1. Dealer Member Rule 16.2 [<i>Dealer Member Filing Requirements</i>]
subsection 13.2(3) [<i>know your client</i>]	1. Dealer Member Rule 1300.1(a)-(n) [<i>Identity and Creditworthiness</i>]; 2. Dealer Member Rule 1300.2; 3. Dealer Member Rule 2500, Part II [<i>Opening New Accounts</i>]; 4. Dealer Member Rule 2700, Part II [<i>New Account Documentation and Approval</i>]; and 5. Form 2 <i>New Client Application Form</i>
section 13.3 [<i>suitability</i>]	1. Dealer Member Rule 1300.1(o) [<i>Business Conduct</i>]; 2. Dealer Member Rule 1300.1(p) [<i>Suitability determination required when accepting order</i>]; 3. Dealer Member Rule 1300.1(q) [<i>Suitability determination required when recommendation provided</i>];

NI 31-103 Provision	IIROC Provision
	<ol style="list-style-type: none"> 4. Dealer Member Rule 1300.1(r) [<i>Suitability determination required for account positions held when certain events occur</i>]; 5. Dealer Member Rule 1300.1(s) [<i>Suitability of investments in client accounts</i>]; 6. Dealer Member Rule 1300.1(t) – (v) [<i>Exemptions from the suitability assessment requirements</i>] 7. Dealer Member Rule 1300.1(w) [<i>Corporation approval</i>] 8. Dealer Member Rule 2700, Part I [<i>Customer Suitability</i>]; and 9. Dealer Member Rule 3200 [<i>Minimum requirements for Dealer Members seeking approval under Rule 1300.1(t) to offer an order-execution only service</i>]
section 13.12 [<i>restriction on lending to clients</i>]	<ol style="list-style-type: none"> 1. Dealer Member Rule 17.11; and 2. Dealer Member Rule 100 [<i>Margin Requirements</i>]
section 13.13 [<i>disclosure when recommending the use of borrowed money</i>]	<ol style="list-style-type: none"> 1. Dealer Member Rule 29.26
section 13.15 [<i>handling complaints</i>]	<ol style="list-style-type: none"> 1. Dealer Member Rule 2500, Part VIII [<i>Client Complaints</i>]; and 2. Dealer Member Rule 2500B [<i>Client Complaint Handling</i>]
subsection 14.2(2) [<i>relationship disclosure information</i>]	<ol style="list-style-type: none"> 1. Dealer Member Rule 3500.5 [<i>Content of relationship disclosure</i>]
subsection 14.2(3) [<i>relationship disclosure information</i>]	<ol style="list-style-type: none"> 1. Dealer Member Rule 3500.4 [<i>Format of relationship disclosure</i>]
subsection 14.2(4) [<i>relationship disclosure information</i>]	<ol style="list-style-type: none"> 1. Dealer Member Rule 3500.1 [<i>Objective of relationship disclosure requirements</i>]
subsection 14.2(5.1) [<i>relationship disclosure information</i>]	<ol style="list-style-type: none"> 1. Dealer Member Rule 29.8
subsection 14.2(6) [<i>relationship disclosure information</i>]	<ol style="list-style-type: none"> 1. Dealer Member Rule 3500.1 [<i>Objective of relationship disclosure requirements</i>]
section 14.2.1 [<i>pre-trade disclosure of charges</i>]	<ol style="list-style-type: none"> 1. Dealer Member Rule 29.9
section 14.5.2 [<i>restriction on self-custody and qualified custodian requirement</i>]	<ol style="list-style-type: none"> 1. Dealer Member Rule 17.2A [<i>Establishment and maintenance of adequate internal controls in accordance with Dealer Member Rule 2600</i>]; 2. Dealer Member Rules 17.3, 17.3A, 17.3B and 2000 [<i>Segregation Requirements</i>]; 3. Dealer Member Rule 2600 – Internal Control Policy

NI 31-103 Provision	IIROC Provision
	Statement 4 [<i>Segregation of Clients' Securities</i>]; 4. Dealer Member Rule 2600 – Internal Control Policy Statement 5 [<i>Safekeeping of Clients' Securities</i>]; 5. Dealer Member Rule 2600 – Internal Control Policy Statement 6 [<i>Safeguarding of Securities and Cash</i>]; and 6. Definition of “acceptable securities locations”, General Notes and Definitions to Form 1
section 14.5.3 [<i>securities and cash held by a qualified custodian</i>]	1. Dealer Member Rule 200 [<i>Minimum Records</i>]
section 14.6 [<i>holding client assets and investment fund assets in trust</i>]	1. Dealer Member Rule 17.3
section 14.11.1 [<i>determining market value</i>]	1. Dealer Member Rule 200.1(c); and 2. Definition (g) of the General Notes and Definitions to Form 1
<i>section 14.12</i> [<i>content and delivery of trade confirmation</i>]	1. Dealer Member Rule 200.2(I) [<i>Trade confirmations</i>]
section 14.14 [<i>account statements</i>]	1. Dealer Member Rule 200.2(d) [<i>Client account statements</i>]; and 2. “Guide to Interpretation of Rule 200.2”, Item (d)
section 14.14.1 [<i>additional statements</i>]	1. Dealer Member Rule 200.2(e) [<i>Report on client positions held outside of the Dealer Member</i>]; 2. Dealer Member Rule 200.4 [<i>Timing of sending documents to clients</i>]; and 3. “Guide to Interpretation of Rule 200.2”, Item (e)
section 14.14.2 [<i>security position cost information</i>]	1. Dealer Member Rule 200.1(a); 2. Dealer Member Rule 200.1(b); 3. Dealer Member Rule 200.1(e); 4. Dealer Member Rule 200.2(d)(ii)(F) and (H); and 5. Dealer Member Rule 200.2(e)(ii)(C) and (E)
section 14.17 [<i>report on charges and other compensation</i>]	1. Dealer Member Rule 200.2(g) [<i>Fee/ charge report</i>]; and 2. “Guide to Interpretation of Rule 200.2”, Item (g)
section 14.18 [<i>investment performance report</i>]	1. Dealer Member Rule 200.2(f) [<i>Performance report</i>]; and 2. “Guide to Interpretation of Rule 200.2”, Item (f)
section 14.19 [<i>content of investment performance report</i>]	1. Dealer Member Rule 200.2(f) [<i>Performance report</i>]; and 2. “Guide to Interpretation of Rule 200.2”, Item (f)
section 14.20 [<i>delivery of report on charges and other compensation and investment performance</i>]	1. Dealer Member Rule 200.4

NI 31-103 Provision	IIROC Provision
report]	

45. The chart in Appendix H is repealed and the following substituted:

NI 31-103 Provision	MFDA Provision
section 12.1 [<i>capital requirements</i>]	<ol style="list-style-type: none"> 1. Rule 3.1.1 [<i>Minimum Levels</i>]; 2. Rule 3.1.2 [<i>Notice</i>]; 3. Rule 3.2.2 [<i>Member Capital</i>]; 4. Form 1; and 5. Policy No. 4 [<i>Internal Control Policy Statements – Policy Statement 2: Capital Adequacy</i>]
section 12.2 [<i>subordination agreement</i>]	<ol style="list-style-type: none"> 1. Form 1, Statement F [<i>Statement of Changes in Subordinated Loans</i>]; and 2. Membership Application Package – Schedule I (Subordinated Loan Agreement)
section 12.3 [<i>insurance – dealer</i>]	<ol style="list-style-type: none"> 1. Rule 4.1 [<i>Financial Institution Bond</i>]; 2. Rule 4.4 [<i>Amounts Required</i>]; 3. Rule 4.5 [<i>Provisos</i>]; 4. Rule 4.6 [<i>Qualified Carriers</i>]; and 5. Policy No. 4 [<i>Internal Control Policy Statements – Policy Statement 3: Insurance</i>]
section 12.6 [<i>global bonding or insurance</i>]	<ol style="list-style-type: none"> 1. Rule 4.7 [<i>Global Financial Institution Bonds</i>]
section 12.7 [<i>notifying the regulator of a change, claim or cancellation</i>]	<ol style="list-style-type: none"> 1. Rule 4.2 [<i>Notice of Termination</i>]; and 2. Rule 4.3 [<i>Termination or Cancellation</i>]
section 12.10 [<i>annual financial statements</i>]	<ol style="list-style-type: none"> 1. Rule 3.5.1 [<i>Monthly and Annual</i>]; 2. Rule 3.5.2 [<i>Combined Financial Statements</i>]; and 3. Form 1
section 12.11 [<i>interim financial information</i>]	<ol style="list-style-type: none"> 1. Rule 3.5.1 [<i>Monthly and Annual</i>]; 2. Rule 3.5.2 [<i>Combined Financial Statements</i>]; and 3. Form 1
section 12.12 [<i>delivering financial information – dealer</i>]	<ol style="list-style-type: none"> 1. Rule 3.5.1 [<i>Monthly and Annual</i>]
section 13.3 [<i>suitability</i>]	<ol style="list-style-type: none"> 1. Rule 2.2.1 [<i>“Know-Your-Client”</i>]; and 2. Policy No. 2 [<i>Minimum Standards for Account Supervision</i>]

NI 31-103 Provision	MFDA Provision
section 13.12 [<i>restriction on lending to clients</i>]	<ol style="list-style-type: none"> 1. Rule 3.2.1 [<i>Client Lending and Margin</i>]; and 2. Rule 3.2.3 [<i>Advancing Mutual Fund Redemption Proceeds</i>]
section 13.13 [<i>disclosure when recommending the use of borrowed money</i>]	<ol style="list-style-type: none"> 1. Rule 2.6 [<i>Borrowing for Securities Purchases</i>]
section 13.15 [<i>handling complaints</i>]	<ol style="list-style-type: none"> 1. Rule 2.11 [<i>Complaints</i>] 2. Policy No. 3 [<i>Complaint Handling, Supervisory Investigations and Internal Discipline</i>]; and 3. Policy No. 6 [<i>Information Reporting Requirements</i>]
subsection 14.2(2), (3) and (5.1) [<i>relationship disclosure information</i>]	<ol style="list-style-type: none"> 1. Rule 2.2.5 [<i>Relationship Disclosure</i>] 2. Rule 2.4.3 [<i>Operating Charges</i>]
section 14.2.1 [<i>pre-trade disclosure of charges</i>]	<ol style="list-style-type: none"> 1. Rule 2.4.4 [<i>Transaction Fees or Charges</i>]
section 14.5.2 [<i>restriction on self-custody and qualified custodian requirement</i>]	<ol style="list-style-type: none"> 1. Rule 3.3.1 [<i>General</i>]; 2. Rule 3.3.2 [<i>Cash</i>]; 3. Rule 3.3.3 [<i>Securities</i>]; and 4. Policy No. 4 [<i>Internal Control Policy Statements – Policy Statement 4: Cash and Securities, and Policy Statement 5: Segregation of Clients’ Securities</i>]
section 14.5.3 [<i>securities and cash held by a qualified custodian</i>]	<ol style="list-style-type: none"> 1. Policy No. 4 [<i>Internal Control Policy Statements – Policy Statement 4: Cash and Securities, and Policy Statement 5: Segregation of Clients’ Securities</i>]
section 14.6 [<i>holding client assets and investment fund assets in trust</i>]	<ol style="list-style-type: none"> 1. Rule 3.3.1 [<i>General</i>]; 2. Rule 3.3.2 [<i>Cash</i>]; 3. Rule 3.3.3 [<i>Securities</i>]; and 4. Policy No. 4 [<i>Internal Control Policy Statements – Policy Statement 4: Cash and Securities, and Policy Statement 5: Segregation of Clients’ Securities</i>]
section 14.11.1 [<i>determining market value</i>]	<ol style="list-style-type: none"> 1. Rule 5.3(1)(f) [<i>definition of “market value”</i>]; and 2. Definitions to Form 1 [<i>definition of “market value” of a security</i>]
section 14.12 [<i>content and delivery of trade confirmation</i>]	<ol style="list-style-type: none"> 1. Rule 5.4.1 [<i>Delivery of Confirmations</i>]; 2. Rule 5.4.2 [<i>Automatic Plans</i>]; and 3. Rule 5.4.3 [<i>Content</i>]
section 14.14 [<i>account statements</i>]	<ol style="list-style-type: none"> 1. Rule 5.3.1 [<i>Delivery of Account Statement</i>]; and 2. Rule 5.3.2 [<i>Content of Account Statement</i>]
section 14.14.1 [<i>additional</i>]	<ol style="list-style-type: none"> 1. Rule 5.3.1 [<i>Delivery of Account Statement</i>]; and

NI 31-103 Provision	MFDA Provision
<i>statements]</i>	2. Rule 5.3.2 [<i>Content of Account Statement</i>]
section 14.14.2 [<i>security position cost information</i>]	1. Rule 5.3(1)(a) [<i>definition of “book cost”</i>]; 2. Rule 5.3(1)(c) [<i>definition of “cost”</i>]; and 3. Rule 5.3.2(c) [<i>Content of Account Statement – Market Value and Cost Reporting</i>]
section 14.17 [<i>report on charges and other compensation</i>]	1. Rule 5.3.3 [<i>Report on Charges and Other Compensation</i>]
section 14.18 [<i>investment performance report</i>]	1. Rule 5.3.4 [<i>Performance Report</i>]; and 2. Policy No. 7 <i>Performance Reporting</i>
section 14.19 [<i>content of investment performance report</i>]	1. Rule 5.3.4 [<i>Performance Report</i>]; and 2. Policy No. 7 <i>Performance Reporting</i>
section 14.20 [<i>delivery of report on charges and other compensation and investment performance report</i>]	1. Rule 5.3.5 [<i>Delivery of Report on Charges and Other Compensation and Performance Report</i>]

46. (1) Subject to subsection (2), this Instrument comes into force on ●.
- (2) The provisions of this Instrument listed in column 1 of the following table come into force on the date set out in column 2 of the table:

Column 1 – Provisions of this Instrument	Column 2 – Date on which these provisions come into force
Provision 2	[6 months after the implementation date]
Provision 13(c) relating to paragraphs 9.3(1)(m.2) and (m.3)	[6 months after the implementation date]
Provisions 13(d) and 13(e)	[6 months after the implementation date]
Provision 15(c) relating to paragraphs 9.3(2)(i.2) and (i.3)	[6 months after the implementation date]
Provisions 15(d) and 15(e)	[6 months after the implementation date]
Provision 17(c) relating to paragraphs 9.4(1)(m.2) and (m.3)	[6 months after the implementation date]
Provisions 17(d) and 17(e)	[6 months after the implementation date]
Provision 19(c) relating to paragraphs 9.4(2)(g.2) and (g.3)	[6 months after the implementation date]
Provisions 19(d) and 19(e)	[6 months after the implementation date]
Provision 27	[6 months after the implementation date]
Provision 29	[6 months after the implementation date]
Provision 30	[6 months after the implementation date]

Provision 31	[6 months after the implementation date]
Provision 32	[6 months after the implementation date]
Provision 33	[6 months after the implementation date]
Provision 44 relating to sections 14.5.2, 14.5.3, 14.6, 14.8 and 14.9.	[6 months after the implementation date]
Provision 45 relating to sections 14.5.2, 14.5.3, 14.6, 14.8 and 14.9.	[6 months after the implementation date]