

**Notice of Amendments to**

**NATIONAL INSTRUMENT 31-103**  
**REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS,**

**COMPANION POLICY 31-103CP REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT**  
**OBLIGATIONS,**

**NATIONAL INSTRUMENT 33-109 REGISTRATION INFORMATION,**

**and**

**COMPANION POLICY 33-109CP REGISTRATION INFORMATION**

July 27, 2017

### **Introduction**

We, the Canadian Securities Administrators (CSA), are adopting amendments (the Amendments) to the current regulatory framework for dealers, advisers and investment fund managers.

The instruments affected by the Amendments are as follows:

- National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103 or the Rule), including Form 31-103F1 *Calculation of Excess Working Capital* (Form 31-103F1),
- Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (31-103CP or the Companion Policy),
- National Instrument 33-109 *Registration Information* (NI 33-109) including its forms, and
- Companion Policy 33-109CP *Registration Information* (33-109CP).

We refer to NI 31-103, 31-103CP, NI 33-109, and 33-109CP as the “Instrument”.

The Amendments have been, or are expected to be, adopted by each member of the CSA. In some jurisdictions, ministerial approvals are required for the implementation of the Amendments. If all necessary ministerial approvals are obtained, the Amendments, other than the Custody Amendments described below, come into force on December 4, 2017. The Custody Amendments come into force six months later, on June 4, 2018. Further detail can be found in Annex D of this Notice.

### **Substance and purpose**

The Amendments range from technical adjustments to more substantive matters. We have organized the Amendments into four tranches, specifically “Custody Amendments”, “Exempt Market Dealer Amendments”, “Client Relationship Model Phase 2 Amendments” and “Housekeeping Amendments”. The purpose of the Amendments is to promote stronger investor protection, to clarify certain regulatory requirements and to enhance certain market efficiencies.

The Amendments:

- enhance custody requirements applicable to registered firms that are not members of the Investment Industry Regulatory Organization of Canada (IIROC) or the Mutual Fund Dealers Association of Canada (MFDA) (collectively, Non-SRO Firms). IIROC member firms and MFDA member firms will comply with the custodial regimes of IIROC or the MFDA. The Custody Amendments:
  - address potential intermediary risks when Non-SRO Firms are involved in the custody of client assets,
  - enhance the protection of client assets, and
  - codify existing custodial best practices of Non-SRO Firms,
- clarify the activities that may be conducted under the exempt market dealer (EMD) category of registration in respect of trades in prospectus-qualified securities,

- make permanent certain temporary relief granted by the CSA in May 2015 relating to the requirements for client reporting (the CRM2 Requirements) and also add guidance to 31-103CP regarding the CRM2 Requirements, and
- incorporate other changes to the Instrument of a minor housekeeping nature.

## Background

We published proposed amendments for comment on July 7, 2016 (the July 2016 Proposal). We made changes to certain of the amendments proposed in the July 2016 Proposal, several of which are described in our responses to the comments. We also made other changes to the Instrument. As these changes are not material, we are not publishing the Amendments for another comment period.

You can find a description of the key changes we made to the Instrument in Annex A of this Notice.

Future proposals to revise the Custody Amendments (including the terminology and the exemptions) may follow as a consequence of the CSA's ongoing policy work in respect of both the modernization of investment fund product regulation under National Instrument 81-102 *Investment Funds* (NI 81-102) and derivatives.

## Summary of written comments received by the CSA

We received 21 comment letters on the July 2016 Proposal, and we thank everyone who submitted comments. A summary of the comments, together with our responses, is in Annex B and the names of the commenters are in Annex C of this Notice.

Copies of the comment letters were posted on the following websites:

[www.osc.gov.on.ca](http://www.osc.gov.on.ca)  
[www.lautorite.qc.ca](http://www.lautorite.qc.ca)

## Local matters

In conjunction with the amendments to NI 33-109, the Ontario Securities Commission is making consequential amendments to Ontario Securities Commission Rule 33-506 (*Commodity Futures Act*) *Registration Information* (OSC Rule 33-506). The Ontario Securities Commission is publishing a local notice on these consequential amendments.

In conjunction with the amendments to NI 31-103, the Autorité des marchés financiers is making consequential amendments to its Derivatives Regulation and is publishing a local notice on these consequential amendments.

The Autorité des marchés financiers is also publishing a local staff notice to further explain the amendments made to subsection 9.4(4) and section 12.12 of NI 31-103, as they relate to mutual fund dealers registered only in Québec. This local notice provides guidance in connection with the financial reporting of these dealers.

## List of annexes

This Notice contains the following annexes:

- Annex A – Summary of changes to the Instrument relative to existing law and policy
- Annex B – Summary of comments on the July 2016 Proposal and responses
- Annex C – List of commenters
- Annex D – Adoption of the Instrument
- Annex E – Amendments to NI 31-103
- Annex E1 – Blackline showing changes to NI 31-103
- Annex E2 – Changes to 31-103CP
- Annex F – Amendments to NI 33-109
- Annex F1 – Blackline showing changes to NI 33-109
- Annex F2 – Changes to 33-109CP

## Questions

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