

## CSA Staff Notice 31-331

### *Follow-up to Broker-Dealer Registration in the Exempt Market Dealer Category*

July 12, 2012

#### **Introduction**

On September 2, 2011, Canadian Securities Administrators (CSA or we) published CSA Staff Notice 31-327 *Broker-Dealer Registration in the Exempt Market Dealer Category* (CSA Staff Notice 31-327). This notice is a follow-up to the CSA Staff Notice 31-327.

#### **Substance and Purpose**

The purpose of this notice is to introduce an Investment Industry Regulatory Organization of Canada (IIROC) Concept Paper published as IIROC Notice 12-0217 (the **IIROC proposal**).

#### ***Background***

CSA Staff Notice 31-327 raised concerns with firms applying for registration, or registered, in the exempt market dealer (**EMD**) category that are conducting brokerage activities (trading securities listed on an exchange in foreign or Canadian markets) (**brokerage activities**). It stated that we would be examining this issue to ensure that appropriate regulatory requirements apply to all firms conducting brokerage activities.

#### ***Consultation***

We conducted a survey of all EMD firms to determine the extent of these activities. We determined that it is primarily broker-dealer firms registered in the United States that are members of the Financial Industry Regulatory Authority (**FINRA**) that are conducting brokerage activities. We are of the view that IIROC should oversee these firms because IIROC rules and supervision govern exchange trading practices and address the risks associated with brokerage activities. Accordingly, we have been working with IIROC and have asked IIROC to consider a framework for the oversight of these firms.

#### ***IIROC Proposal***

The IIROC proposal introduces a new class of IIROC Member, called a “Restricted Dealer Member”, which is intended to migrate firms currently registered as EMDs or restricted dealers carrying out brokerage activities to IIROC membership. Based on this proposal, firms would surrender their EMD or restricted dealer registration and apply for investment dealer registration as well as seek IIROC membership.

#### ***Next Steps***

We look forward to reviewing any comments on the IIROC proposal. At the conclusion of the consultation period, IIROC may make changes to its by-laws and rules. We may also propose changes to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* to expressly limit the types of activities that EMDs can conduct.

## Questions

Please refer your questions to any of the following people:

Lindy Bremner  
Senior Legal Counsel, Capital Markets  
Regulation  
British Columbia Securities Commission  
Tel: 604-899-6678  
1-800-373-6393  
[lbremner@bcsc.bc.ca](mailto:lbremner@bcsc.bc.ca)

Navdeep Gill  
Manager, Registration  
Alberta Securities Commission  
Tel: 403-355-9043  
[navdeep.gill@asc.ca](mailto:navdeep.gill@asc.ca)

Dean Murrison  
Deputy Director, Legal and Registration  
Saskatchewan Financial Services  
Commission  
Tel: 306 787 5879  
[dean.murrison@gov.sk.ca](mailto:dean.murrison@gov.sk.ca)

Chris Besko  
Legal Counsel, Deputy Director  
The Manitoba Securities Commission  
Tel: 204-945-2561  
Toll Free (Manitoba only): 1-800-655-5244  
[chris.besko@gov.mb.ca](mailto:chris.besko@gov.mb.ca)

Sandra Blake  
Senior Legal Counsel  
Ontario Securities Commission  
Tel: 416-593-8115  
[sblake@osc.gov.on.ca](mailto:sblake@osc.gov.on.ca)

Sophie Jean  
Senior Policy Adviser  
Autorité des marchés financiers  
Tel: 514-395-0337, ext. 4786  
Toll-free: 1-877-525-0337  
[sophie.jean@lautorite.qc.ca](mailto:sophie.jean@lautorite.qc.ca)

Brian W. Murphy  
Deputy Director, Capital Markets  
Nova Scotia Securities Commission  
Tel: 902-424-4592  
[murphybw@gov.ns.ca](mailto:murphybw@gov.ns.ca)

Ella-Jane Loomis  
Legal Counsel  
New Brunswick Securities Commission  
Tel: 506-643-7857  
[ella-jane.loomis@nbsc-cvmnb.ca](mailto:ella-jane.loomis@nbsc-cvmnb.ca)

Katharine Tummon  
Superintendent of Securities  
Prince Edward Island Securities Office  
Tel: 902-368-4542  
[kptummon@gov.pe.ca](mailto:kptummon@gov.pe.ca)

Craig Whalen  
Manager of Licensing, Registration and  
Compliance  
Office of the Superintendent of Securities  
Government of Newfoundland and Labrador  
Tel: 709-729-5661  
[cwhalen@gov.nl.ca](mailto:cwhalen@gov.nl.ca)

Louis Arki, Director, Legal Registries  
Department of Justice, Government of  
Nunavut  
Tel: 867-975-6587  
[larki@gov.nu.ca](mailto:larki@gov.nu.ca)

Donn MacDougall  
Deputy Superintendent, Legal &  
Enforcement  
Office of the Superintendent of Securities  
Government of the Northwest Territories  
Tel: 867-920-8984  
[donald.macdougall@gov.nt.ca](mailto:donald.macdougall@gov.nt.ca)

Helena Hrubesova  
Securities Officer  
Securities Office, Corporate Affairs (C-6)  
Government of Yukon  
Tel: 867-667-5466  
[helena.hrubesova@gov.yk.ca](mailto:helena.hrubesova@gov.yk.ca)