



ASC NOTICE 33-706
POLICY AND PROCEDURES MANUAL – REFERENCE
RESOURCE FOR EXEMPT MARKET DEALERS
(INCLUDING THOSE WITH MULTIPLE
REGISTRATION CATEGORIES)

June 12, 2019

In order to maintain an effective compliance system, a registered firm must have a detailed policy and procedures manual (**PPM**), a system of internal controls, day-to-day and systemic monitoring, and active supervision of its employees. A PPM is the foundation of a strong compliance system. A PPM creates a record of a firm's tailored compliance framework, which is the result of consideration of relevant securities laws, a firm's business model and related risks, and how a firm chooses to comply with legal and business requirements given unique aspects of its business. A PPM provides guidance to a firm's employees on how to conduct themselves in a way that complies with securities legislation and should reflect all aspects of the firm's business model, such as the firm's size, type of clients, products, and sales practices. A PPM serves the dual purpose of educating its developers and users about securities laws and how to navigate matters specific to a firm on a day-to-day basis.

Upon receipt of an application for registration and during subsequent compliance examinations, staff at the Alberta Securities Commission (**ASC staff** or **we**) will review a firm's PPM in order to ensure that the document explains that the firm has sufficient controls in place to comply with securities law requirements. Additionally, during oversight examinations, we will test a firm's performance against the policies and procedures that a firm has established in its PPM.

A PPM should be updated regularly to reflect changes in securities law requirements and internal business-related changes to the operations of a firm. Employees should be required to review their firm's PPM as well as any subsequent changes to it. A firm should also confirm that employees have completed their review of a firm's PPM.

Given its function, drafting an effective PPM is critical to setting a firm up for compliance-related success. We recognize that drafting an effective PPM is time consuming. Given the expected positive effects a PPM will have on the conduct of a firm's employees, and ultimately on investors' experience with the financial markets, we are of the view that the benefits of an effective PPM outweigh the costs. Some of the expected positive benefits of having an effective PPM include:

- consistency in conduct by a firm's employees;
- increased knowledge and awareness of requirements and tailored procedures required of a firm's employees;
- reduced non-compliance as a result of increased awareness of expectations and a resultant decrease in costs related to non-compliance; and
- ultimately, an improved client experience.

We provide the attached document, *Policy and Procedures Manual – Reference Resource for Exempt Market Dealers (Including Those with Multiple Registration Categories)* (the **PPM Reference Resource**) in an attempt to help firms draft and maintain their PPMs. The PPM Reference Resource will be updated periodically to reflect relevant new additions and amendments to published securities laws and guidance related to registrants. This Notice is intended to serve two purposes: first, to assist firms in keeping informed of new securities laws and guidance published during a given year, by reference to one centralized source, and second, to therefore aid firms in their initial and ongoing drafting of PPMs.

***NOTE:** This Notice and the attached Policy and Procedures Manual – Reference Resource for Exempt Market Dealers (Including Those with Multiple Registration Categories) are intended to provide firms with helpful information about securities law and policies. They are not intended to provide legal or other professional advice. Readers are urged to consult with their own professional advisers before taking action based on any information appearing in these documents. The information contained in these documents is believed to be accurate and complete at the time of publication, but the ASC cannot guarantee that these documents will remain accurate or complete or that it will be current at all times.*

**POLICY AND PROCEDURES MANUAL – REFERENCE RESOURCE FOR EXEMPT
MARKET DEALERS (INCLUDING THOSE WITH MULTIPLE REGISTRATION
CATEGORIES)**

Effective date: June 12, 2019¹

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Definitions:

CCO – Chief Compliance Officer

UDP – Ultimate Designated Person

NI – National Instrument

CP – Companion Policy

Notes:

The policy and procedures manual should reflect the firm’s policies and procedures tailored to its business covering the areas listed below, and any other areas of securities law and guidance that may apply to the firm. Procedures should include information about who does what when, including delegation of authority during absences.

If the registrant (applicant) does not engage in or allow a certain kind of activity covered by the law or guidance, the policy should be a simple statement to that effect; for example “No leveraged trades are permitted.”

All procedures should be detailed enough to inform the registrant’s (applicant’s) staff of their duties and responsibilities.

The PPM should be dated, and each amendment should be dated such that the reader knows how current the PPM is, and when new obligations were effective. Keeping a log of amendments is a useful reference document.

All national instruments and related companion policies can be found at [Alberta Securities Commission/Securities Law & Policy/Regulatory Instruments](#)

¹ This document will be updated periodically. In the interim, please review [Regulatory Updates](#)

<p style="text-align: center;">TOPIC & REFERENCE</p>	<p style="text-align: center;">POLICIES & PROCEDURES MANUAL LOCATION</p>
<p>Framework references</p> <ul style="list-style-type: none"> • Rules giving rise to the need for a policy and procedures manual <ul style="list-style-type: none"> ○ NI 31-103 S.11.1 <i>Compliance System</i> & CP guidance • Overarching duty of care that is pervasive throughout registered business <ul style="list-style-type: none"> ○ Act S.75.2 <i>Duty of Care</i> 	
<p>Description of roles and responsibilities of the UDP & CCO</p> <ul style="list-style-type: none"> • UDP: NI 31-103, S.5.1; S.11.2, S.11.4 & CP • ASC Registrant Outreach and Education Seminars – Spring 2017 – EMD Compliance for CCOs • ASC Notice 33-705 <i>Review of Exempt Market Dealers (ASC Notice 33-705)</i> 	
<p>Know your client</p> <ul style="list-style-type: none"> • NI 31-103, S13.2 & CP • NI 45-106, Division 1: Capital Raising exemptions ; CP S.1.9 <i>Responsibility for compliance and verifying purchaser status</i> • CSA Staff Notice 31-336 <i>Guidance for Portfolio Managers, Exempt Market Dealers and Other Registrants on the Know-Your-Client, Know-Your-Product and Suitability Obligations (CSA Staff Notice 31-336)</i> • ASC Notice 33-705 • ASC Notice 31-701 <i>Account Opening Assistance</i> • FINTRAC: Anti money laundering expectations of registrants • Proceeds of Crime (Money Laundering) and Terrorist Financing Act Part1, sections 5 & 6.1 	
<p>Know your product</p> <ul style="list-style-type: none"> • NI 31-103, S.3.4(1) & CP • CSA Staff Notice 31-336 • CSA Staff Notice 33-315 <i>Suitability Obligation and Know Your Product (CSA Staff Notice 33-315)</i> • ASC Notice 33-705 • IROC Notice 14-0299 <i>Guidance respecting underwriting due diligence</i> • ASC Registrant Outreach and Education Seminars – Spring 2018 – Know-Your-Product – Issues • ASC Registrant Outreach and Education Seminars – 2013 – Product Due Diligence in the Exempt Market 	

<p>Suitability</p> <ul style="list-style-type: none"> • NI 31-103, S.13.3 & CP • CSA Staff Notice 31-336 • CSA Staff Notice 33-315 • ASC Notice 33-705 	
<p>Permitted clients</p> <ul style="list-style-type: none"> • Permitted clients NI 31-103 S.13.2(6), S.13.3(4), S.13.13(2); S.13.16(8); S.14.2(6); S.14.2.1(2); S.14.4(3); S.14.5.2(7)(d); S.14.14.1(6); S.14.14.2(6); S.14.17(5); S.14.18(5)(c) & CP 	
<p>Conflicts of interest</p> <ul style="list-style-type: none"> • NI 31-103, Part 13 Division 2 & CP • NI 33-105 <i>Underwriting Conflicts</i> & CP • CSA Staff Notice 31-343 <i>Conflicts of Interest in Distributing Securities of Related or Connected Issuers</i> • CSA Staff Notice 33-318 <i>Review of Practices Firms Use to Compensate and Provide Incentives to their Representatives</i> • ASC Notice 33-705 • ASC Registrant Outreach and Education Seminars – Fall 2017 – Conflicts of Interest 	
<p>Complaints</p> <ul style="list-style-type: none"> • NI 31-103, Part 13 Division 5 & CP • CSA Staff Notice 31-338 <i>Guidance on Dispute Resolution Services Client Disclosure for Registered Dealers and Advisers that are not Members of a Self-Regulatory Organization</i> • CSA Staff Notice 31-351 <i>IIROC Notice 17-0229, MFDA Bulletin #0736-M Complying with requirements regarding the Ombudsman for Banking Services and Investments</i> • OBSI Joint Regulators Committee Annual Reports for 2014 through 2017 – CSA Staff Notices 31-340; 344; 348; 353 • ASC Notice 33-705 • ASC Registrant Outreach and Education Seminars – 2014 – CSA Staff Notice 31-338 	
<p>Restriction on lending to clients</p> <ul style="list-style-type: none"> • NI 31-103, S.13.12 & CP 	
<p>Disclosure when recommending leverage</p> <ul style="list-style-type: none"> • NI 31-103, S.13.13; S.14.2(d) & CP 	

<p>Marketing</p> <ul style="list-style-type: none"> • Act S.92 <i>Prohibited Transaction</i>; S.93 <i>Prohibited Transaction</i>; S.100 <i>Representation or holding out of registration</i>; S.101 <i>Representations</i> • NI 45-106 S.2.9(5.2) <i>Offering Memorandum</i> & CP 45-106 S.1.2; S.1.10; S3.3; S.3.3.1 • CSA Staff Notice 31-325 <i>Marketing Practices of Portfolio Managers</i> • CSA Staff Notice 33-321 <i>Cyber Security and Social Media</i> (CSA Staff Notice 33-321) • ASC Notice 33-705 • ASC Registrant Outreach and Education Seminars – Fall 2017 – Marketing 	
<p>Referral arrangements</p> <ul style="list-style-type: none"> • NI 31-103, Part 13 Division3 & CP • ASC Notice 33-705 	
<p>Disclosure to clients</p> <ul style="list-style-type: none"> • ASC Registrant Outreach and Education Seminars – 2013 – Relationship Disclosure Information • Fair allocation NI 31-103, S.14.3 & CP • Relationship with financial institution NI 31-103, S. 14.4 & CP • Non-resident registrants NI 31-103, S.14.5 & CP • Act S.97 • ASC Notice 33-705 	
<p>Custody</p> <ul style="list-style-type: none"> • NI 31-103, Part 14 Division 3 & CP • CSA Staff Notice 31-347 <i>Guidance for Portfolio Managers for Service Arrangements with IIROC Dealer Members</i> (CSA Staff Notice 31-347) 	
<p>Fair allocation</p> <ul style="list-style-type: none"> • NI 31-103, S.14.10; S.13.4 & CP • ASC Notice 33-705 	
<p>Reporting to clients</p> <ul style="list-style-type: none"> • Determining market value NI 31-103, S.14.11.1 & CP • Trade confirmations NI 31-103, S.14.12, S.14.13 & CP • Account statements NI 31-103, S.14.14, S.14.14.1, S.14.14.2, S.14.15 & CP; • Report on charges and other compensation NI 31-103, S.14.17, S.14.20 & CP • Investment performance report NI 31-103, S.14.18, S.14.19, S.14.20 & CP • CSA Staff Notice 31-345 <i>Cost Disclosure, Performance Reporting and Client Statements Frequently Asked Questions and Additional Guidance</i> 	

<ul style="list-style-type: none"> • ASC Notice 33-705 • ASC Registrant Outreach and Education Seminars – Spring 2017 – Client Reporting • ASC Registrant Outreach and Education Seminars – Spring 2018 – Performance Reporting Basics • ASC Registrant Outreach and Education Seminars – 2013 – CRM2 - Cost and Performance Reporting Requirements 	
<p>Supervision and training of registered employees</p> <ul style="list-style-type: none"> • NI 31-103, S.5.1 Responsibilities of the ultimate designated person & CP • NI 31-103, S.5.2 Responsibilities of the chief compliance officer & CP • NI 31-103, S.11.1 Compliance system & CP • NI 31-103, S.11.5 General requirements for records & CP • NI 31-103, S.3.4(1) & CP • CSA Staff Notice 31-349 • ASC Notice 33-705 	
<p>Books and records</p> <ul style="list-style-type: none"> • NI 31-103, Part 11 Division 2 & CP • Off-book transactions – NI 31-103, S.11.5(1)(a); S.11.5(2)(g) & (h); reference can be made to IIROC Member Regulation Notice 0481, July 13, 2007 for relevant, high level concepts in this area (specifics – eg. specific accounting for the transaction may not be applicable) 	
<p>Financial condition</p> <ul style="list-style-type: none"> • NI 31-103 Part 12 & CP <ul style="list-style-type: none"> ○ Division 1 – working capital; NI 31-103 Appendix B Subordination Agreement, 31-103F1 ○ Division 2 – insurance; NI 31-103 Appendix A Bonding and Insurance Clauses ○ Division 4 – financial reporting • ASC Registrant Outreach and Education Seminars – Fall 2018 – Financial Compliance 	
<p>Portfolio Managers & Investment Fund Managers</p> <ul style="list-style-type: none"> • Reporting to clients/investors – see Reporting to clients above for portfolio managers, and NI 31-103 S.14.15(IFM) • Net Asset Value Adjustments (IFM) NI 31-103 S.12.14 • NI 31-103 S.13.5 <i>Restrictions on managed account transactions</i> • Duty to provide information (IFM) NI 31-103 S.14.1.1 & CP • Fair allocation NI 31-103, S.14.10; S.13.4 & CP • IFM activities Multilateral Policy 31-202 <i>Registration Requirement for Investment Fund Managers</i> • CSA Staff Notice 31-342 <i>Guidance for Portfolio Managers Regarding Online Advice</i> 	

<ul style="list-style-type: none"> • CSA Staff Notice 31-347 • ASC Registrant Outreach and Education Seminars – Fall 2017 – PM and IFM Select Issues 	
<p>National Registration Database (NRD) and other Registration Matters</p> <ul style="list-style-type: none"> • NI 33-109 <i>Registration Information & CP</i> • CSA Staff Notice 31-349 <i>Change to Standard Form Reports for Close Supervision and Strict Supervision Terms and Conditions</i> • CSA Staff Notice 31-352 <i>Monthly Suppression of Terrorism and Canadian Sanctions Reporting Obligations</i> • CSA Staff Notice 33-320 <i>The Requirement for True and Complete Applications for Registration</i> • ASC Registrant Outreach and Education Seminars – 2014 – Late Filings 	
<p>Cybersecurity and Business Continuity Planning</p> <ul style="list-style-type: none"> • CSA Staff Notice 33-321 • ASC Registrant Outreach and Education Seminars – Spring 2018 – Cyber Security • Cybersecurity Best Practices Guide for IIROC Dealer Members, IIROC & Juno Security 	
<p>Designation of supervisory personnel – high level guidance at CP 31-103:</p> <ul style="list-style-type: none"> • Process • Maintenance of records of designation • Written delegation of duties • Duties that cannot be delegated 	
<p>Review of business locations’ compliance activity – high level guidance at CP 31-103:</p> <ul style="list-style-type: none"> • Scheduling • Personnel involved • Review procedures • Reporting and follow-up 	
<p>General</p> <ul style="list-style-type: none"> • Restriction on acting for another registered firm NI 31-103 S.4.1 & CP • Mortgage Investment Entities – CSA Staff Notice 31-323 <i>Guidance Relating to the Registration Obligations of Mortgage Investment Entities</i> • CSA Staff Notice 31-350 <i>Guidance on Small Firms Compliance and Regulatory Obligations</i> • ASC Notice 33-705 • ASC Registrant Outreach and Education Seminars – Spring 2017 – ASC Exempt Market Dealer Sweep • ASC Registrant Outreach and Education Seminars – Fall 2018 – Navigating an ASC Compliance Review 	

<ul style="list-style-type: none">• ASC Registrant Outreach and Education Seminars – Fall 2018 – The Manual• ASC Registrant Outreach and Education Seminars – 2013 – Preparing for an ASC Compliance Review• Privacy obligations - The <i>Freedom of Information and Protection of Privacy Act</i> (the FOIP Act)	
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