

ALBERTA SECURITIES COMMISSION

BLANKET ORDER 31-531

Citation: 2015 ABASC 661

Date: 20150429

Exemptions from Certain CRM2 Provisions of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations

Interpretation

1. Terms defined in the *Securities Act* (Alberta) (the **Act**), National Instrument 14-101 *Definitions* or National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) have the same meaning in this order.

Background

2. Certain NI 31-103 provisions related to the implementation of Client Relationship Model – Phase 2 will come into effect on 15 July 2015 and 15 July 2016 (the **2015/2016 CRM2 Amendments**). IIROC and the MFDA (each, an **SRO**) have adopted corresponding provisions in their rules (respectively the **IIROC Provisions** and the **MFDA Provisions**, and together the **SRO Provisions**), with the same effective dates.
3. Some registered firms have indicated they may experience difficulty in implementing the 2015/2016 CRM2 Amendments or corresponding SRO Provisions by their effective dates.
4. Certain technical issues have also been identified relating to the delivery of information prescribed in the 2015/2016 CRM2 Amendments or corresponding SRO Provisions.
5. Under section 9.3 [*exemptions from certain requirements for IIROC members*] of NI 31-103, a registered investment dealer that is an IIROC member (an **IIROC Member**) is exempt from certain requirements of NI 31-103 if it complies with corresponding IIROC Provisions currently in effect and identified in Appendix G of NI 31-103.
6. Under section 9.4 [*exemptions from certain requirements for MFDA members*] of NI 31-103, a registered mutual fund dealer that is an MFDA member (an **MFDA Member**) is exempt from certain requirements of NI 31-103 if it complies with corresponding MFDA Provisions currently in effect and identified in Appendix H of NI 31-103.
7. Planned amendments to sections 9.3 and 9.4 and Appendixes G and H of NI 31-103 will provide relief for IIROC Members and MFDA Members from the 2015/2016 CRM2 Amendments if they comply with the corresponding SRO Provisions applicable to them.
8. The SROs plan amendments to conform their respective SRO Provisions to certain of the relief granted under this order.

Decision

The Alberta Securities Commission, considering that to do so would not be prejudicial to the public interest, orders as follows under section 213 of the Act:

9. A registered firm, other than an IIROC Member in respect of its activities as an investment dealer or an MFDA Member in respect of its activities as a mutual fund dealer, is exempt:
 - (a) from the following NI 31-103 provisions that come into effect on 15 July 2015 if its client statements beginning with those delivered for the period ending 31 December 2015 comply with:
 - (i) section 14.11.1 [*determining market value*];
 - (ii) section 14.14 [*account statements*] provided that for periods ending before 31 December 2015, it delivers statements under section 14.14 as that provision was in force on 14 July 2015;
 - (iii) section 14.14.1 [*additional statements*] except for paragraph 14.14.1(2)(g);
 - (iv) section 14.14.2 [*position cost information*] provided that if it discloses market value instead of security position cost:
 - A. under subparagraph 14.14.2(2)(a)(ii), it is not required to specify that the market value being disclosed is as of the transfer date; and
 - B. under subparagraph 14.14.2(2)(b)(ii), it may disclose market value as at 31 December 2015 or an earlier date, using the same date and value for all similar clients of the firm;
 - (v) section 14.15 [*security holder statements*];
 - (vi) section 14.16 [*scholarship plan dealer statements*];
 - (b) from the requirement of paragraph 14.14.1(2)(g) of NI 31-103 to identify securities that may be covered under an investor protection fund;
 - (c) from the requirement of paragraphs 14.19(1)(e) and (h) of NI 31-103 to include market value information as at and since 15 July 2015 if instead:
 - (i) an investment performance report is delivered that provides the information for the 12-month period ending 31 December 2016 and the included market value information is as at and since:
 - A. 1 January 2016; or

- B. a date earlier than 1 January 2016, if the same date is used for all similar clients; or
- (ii) the included market value information is as at and since 15 July 2015 or an earlier date used for all similar clients;
- (d) from the requirement of paragraph 14.19(2)(e) of NI 31-103 to provide annualized total percentage return information if instead:
- (i) an investment performance report is delivered that provides the information for the 12-month period ending 31 December 2016; or
- (ii) an investment performance report is delivered that provides the information:
- A. for the period since the account was opened, if the account has been open for more than one year before the date of the report; or
- B. for the period since 15 July 2015 or an earlier date used for all similar clients, if the account was opened before 15 July 2015.
10. An IIROC Member or an MFDA Member is exempt from the NI 31-103 provisions specified in the following table if it complies with the corresponding SRO Provisions applicable to it:

NI 31-103 provision	IIROC provision	MFDA provision
section 14.11.1 [<i>determining market value</i>] and Form 31-103F1 which mandates use of “fair value”	Dealer Member Rule subsection 200.1(c) [<i>definition of “market value”</i>], and Definition (g) of the General Notes and Definitions to Form 1 [<i>definition of “market value” for the purposes of regulatory reporting to IIROC</i>]	MFDA Rule 5.3(1)(f) [<i>definition of “market value”</i>] and Definitions to Form 1 <i>Financial Questionnaire and Report</i> [<i>definition of “market value of a security”</i>]
section 14.14 [<i>account statements</i>]	Dealer Member Rule subsection 200.2(d) [<i>client account statements</i>], and “Guide to Interpretation of Rule 200.2”, Item (d) [<i>client account statements</i>]	MFDA Rule 5.3.1 [<i>delivery of account statement</i>] and MFDA Rule 5.3.2 [<i>content of account statement</i>]
section 14.14.1 [<i>additional statements</i>]	Dealer Member Rule subsection 200.2(e) [<i>report on client positions held outside of the Dealer</i>]	MFDA Rule 5.3.1 [<i>delivery of account statement</i>] and MFDA Rule 5.3.2 [<i>content of</i>

	<i>Member</i>], and section 200.4 [<i>timing of sending documents to clients</i>], and “Guide to Interpretation of Rule 200.2”, Item (e) [<i>report on client positions held outside of the Dealer Member</i>]	<i>account statement</i>]
section 14.14.2 [<i>position cost information</i>]	Dealer Member Rule subsections 200.1(a) [<i>definition of “book cost”</i>], 200.1(b) [<i>definition of “cost”</i>], and 200.1(e) [<i>definition of “original cost”</i>], and subclauses 200.2(d)(ii)(F) and (H) [<i>client account statements</i>], and subclauses 200.2 (e)(ii)(C) and (E) [<i>report on client positions held outside of the Dealer Member</i>]	MFDA Rules 5.3(1)(a) [<i>definition of “book cost”</i>], 5.3(1)(c) [<i>definition of “cost”</i>], 5.3(1)(h) [<i>definition of “original cost”</i>], and MFDA 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>]	Dealer Member Rule subsection 200.2(g) [<i>fee/charge report</i>] and “Guide to Interpretation of Rule 200.2”, Item (g) [<i>fee/charge report</i>]	Rule 5.3.3 [<i>report on charges and other compensation</i>]
section 14.18 [<i>investment performance report</i>] and section 14.19 [<i>content of investment performance report</i>]	Dealer Member Rule subsection 200.2(f) [<i>performance report</i>] and “Guide to Interpretation of Rule 200.2”, Item (f) [<i>performance report</i>]	Rule 5.3.4 [<i>performance report</i>] and MFDA Policy No. 7 <i>Performance Reporting</i>
section 14.20 [<i>delivery of report on charges and other compensation and investment performance report</i>]	Dealer Member Rule 200.4 [<i>timing of sending documents to clients</i>]	Rule 5.3.5 [<i>delivery of report on charges and other compensation and performance report</i>]

11. For purposes of this blanket order, “similar clients” means any of the following:

- (a) clients whose accounts or security positions were transferred together to a registered firm;

- (b) clients whose accounts or security positions are on the same reporting system if a registered firm has more than one reporting system; or
 - (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.
12. Subparagraphs (9)(a)(i) to (iii), (v) and (vi) of this order expire on 1 January 2016.
 13. Subparagraphs (9)(a)(iv) and paragraphs (9)(b) to (d) of this order expire on the coming into effect of amendments to NI 31-103 dealing with the same matters.
 14. Section 10 of this order expires on the date on which amendments to sections 9.3 and 9.4 and Appendixes G and H of NI 31-103 come into force providing exemptions for IIROC Members and MFDA Members that comply with corresponding SRO Provisions applicable to them.

This order takes effect on 15 July 2015.

For the Commission:

"original signed by"

Stephen Murison
Vice-Chair

"original signed by"

Tom Cotter
Vice-Chair