

CSA Notice 33-302**National Instrument 33-106
*NON-COMPLIANT REGISTERED FIRMS
AND POSSIBLE TERMS AND CONDITIONS***

In October 1998, members of the Canadian Securities Administrators (the "CSA") adopted National Instrument 33-106 entitled "Year 2000 Preparation Reporting" (the "National Instrument").

The National Instrument imposes requirements on registered firms to file information with the regulator relating to their preparations for the Year 2000 Problem. More specifically, each registered firm is required to file, within specified periods, a survey concerning its preparations for the Year 2000 Problem and management certificates concerning the progress of those preparations. Under the National Instrument, registered firms are required to file

- (1) their initial survey and first management certificate by October 31, 1998, with information current to September 30, 1998,
- (2) their second management certificate on January 31, 1999, with information current to December 31, 1998,
- (3) their third management certificate on April 30, 1999, with information current to March 31, 1999 and
- (4) their fourth management certificate on June 30, 1999, with information current to June 15, 1999.

The CSA consider the National Instrument a very important measure to help the securities industry prepare for the Year 2000 and to assist the CSA and the self-regulatory organizations in their regulatory efforts with respect to the Year 2000.

Identification of Non-compliant Registered Firms

The CSA are concerned about non-compliance with the filing requirements under the National Instrument. Consequently, certain members of the CSA are publishing lists of registered firms in their individual jurisdictions that have failed to comply with the National Instrument. Staff of each relevant jurisdiction are publishing, on a periodic basis and to the extent applicable in their jurisdiction, a list setting out the name of registered firms that have made no filings under the National Instrument and second list setting out the name of registered firms that have failed to file either their initial survey or their most recent management certificate, or both under the National Instrument.

Lists of registered firms that fail to file their third management certificate and their fourth management certificate will be published later.

The purpose of these lists is not to comment on the state of Year 2000 preparedness of any of the firms listed but rather to advise the public that these firms have not made the required filings under the National Instrument.

Terms and Conditions of Continued Registration

In addition to publishing the lists, staff of each relevant jurisdiction advise that they are prepared to start imposing terms and conditions of registration on, or taking disciplinary procedures against, registered firms whose names appear on the lists of non-compliant firms. These terms and conditions may include that, until the required materials completed in accordance with the National Instrument are filed, the firm:

- (1) must send written notification in a prescribed format to all its customers and clients to the effect that the firm has not made certain of the required Year 2000 preparation report filings with the Commission pursuant to the National Instrument and confirm by letter to the Commission signed by its chief executive officer that the prescribed written notification has been sent;
- (2) is restricted from employing new salespersons;
- (3) is restricted from opening new branch offices;
- (4) is prohibited from opening new accounts;
- (5) is prohibited from, directly or indirectly, making any payments by way of loan, advance, bonus, dividend, repayment of capital or other distribution (excepting commissions earned on the sale of securities) to any director, officer, partner, shareholder, related company, affiliate or associate; and
- (6) to the extent not already required, is required to file with the Commission on a monthly basis unaudited financial statements and a calculation of minimum free capital.

Staff of each relevant jurisdiction are prepared to start imposing one or more of the above terms and conditions on, or taking disciplinary procedures against, the registered firms whose names appear on the lists of non-compliant registered firms in their jurisdictions unless these firms file the required documents, completed in accordance with the National Instrument, within 10 business days from the date of publication of the lists. In the case of the lists published concurrently with this CSA Staff Notice, the deadline is April 30, 1999.

For further information, please contact:

Dave Herbert
Alberta Securities Commission
(780) 422-0348

Wendy Sullivan
British Columbia Securities Commission
(604) 899-6752

Levi Sankar
Ontario Securities Commission
(416) 593-8279

Jean Lorrain
Commission des valeurs mobilières du Québec
(514) 940-2199 ext. 4301

April 16, 1999