

**COMPANION POLICY 33-102CP  
REGISTRANT DEALINGS WITH CLIENTS**

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**PART 1           DISCLOSURE**

- 1.1     Leverage Disclosure** - Registrants are reminded that leveraging is an important factor to consider when determining suitability. National Instrument 33-102 (the “National Instrument”) in no way implies that the one time provision of this disclosure statement fulfills the registrant’s ongoing duty to its clients to ensure trades are suitable for the investment needs and objectives of its clients. There may be circumstances when a registrant, as part of the registrant’s suitability responsibilities, should remind investors about the risks of leveraging.
- 1.2     Client acknowledgement** - The acknowledgements of a retail client referred to in subsections 2.1(2) and 6.2(2) of the National Instrument may be obtained by a registrant in a number of ways, including requesting the retail client’s signature, requesting that the retail client initial an initial box or requesting that the retail client place a check in a check-off box. The registrant must draw the client’s attention to the disclosure provided. The acknowledgement must be specific to the information disclosed to the retail client (i.e. disclosure regarding the risks of using leverage to purchase securities or the description of the nature of securities) and must confirm that the retail client has read the relevant information.
- 1.3     Exemption for Margin Accounts** - Section 2.2 of the National Instrument exempts registrants from the requirement to provide additional leverage disclosure to retail clients opening a margin account. The exemption is provided because SRO rules already require that clients with margin accounts acknowledge receipt of leverage disclosure in the account opening form.

**PART 2           COMPLIANCE AND SUPERVISORY ACTIVITIES**

- 2.1     Registrant Premises** - Securities legislation requires that a registrant designate one officer or partner, known as a compliance officer, to be responsible for ensuring compliance by the registrant and its registered personnel with securities legislation and the registrant's written procedures for dealing with its clients. Any office or branch office of the registrant may be designated by the registrant as its central location for a local jurisdiction.
- 2.2     Registrant Responsibility to Prevent Client Confusion** - The registrant is responsible for ensuring that clients understand with which legal entity they are dealing, especially if more than one financial service firm is carrying on business in the same location. The client may be informed through various methods, including signage and disclosure. Registrants are reminded of the obligation to carry on all registrable activities in the name of the registrant. Contracts, confirmations and account statements, among other documents, must contain the full legal name of the registrant.
- 2.3     Supervision of Sub-branches** - The Canadian securities regulatory authorities permit the operation of sub-branch offices of registrants in certain circumstances. The activities of registrants operating within a sub-branch office are generally supervised by a branch manager in a location other than the sub-branch. The Canadian securities regulatory authorities are of the view that such supervision is appropriate in most circumstances. However, the Canadian securities regulatory authorities will consider the facts on a case-by-case basis to ensure that an appropriate level of supervision is in place.

**PART 3           RECORD KEEPING**

- 3.1     Third Party Access to Information** - All registrants have a duty to maintain proper books and records and to ensure that there are proper safeguards in place to ensure that there is no unauthorized access

to information, particularly confidential client information. If the registrant maintains books and records in a central location to which employees of a third party have access, the registrant should be particularly vigilant in ensuring these safeguards are implemented and effective.

#### **PART 4 RETAIL CLIENT CONSENT**

**4.1 Retail Client Consent** - The retail client consent referred to in paragraph 3.1(b) of the National Instrument may be obtained by a registrant in a number of ways, including requesting the retail client's signature, requesting that the retail client initial an initial box or requesting that the retail client place a check in a check-off box. The Canadian securities regulatory authorities note that in some jurisdictions, the form of consent may be prescribed by legislation.

**4.2 Timing of Retail Client Consent** - Consent to the disclosure of confidential retail client information is to be obtained by the registrant when the information is collected (i.e. upon account opening). However, in certain circumstances, consent with respect to the disclosure of the information should be sought after the collection of the information if the registrant wants to provide the information to a third party not previously identified or if the use by the third party was not initially disclosed.

#### **PART 5 PRODUCTS AND SERVICES**

**5.1 Opening an Account** - The Canadian securities regulatory authorities note that the "products or services" referred to in section 3.2, section 4.1 and section 5.1 of the National Instrument include the opening of an account.

#### **PART 6 RELATIONSHIP PRICING**

**6.1 Relationship Pricing** - The Canadian securities regulatory authorities are aware that industry participants offer financial incentives or advantages to certain clients, a practice that is commonly referred to as relationship pricing. The tied selling provision in Part 5 of the National Instrument is intended to prevent certain abusive sales practices and is not intended to prohibit relationship pricing or other beneficial selling arrangements similar to relationship pricing. By way of example, staff of the Canadian securities regulatory authorities are of the view that Part 5 of the National Instrument would not be contravened in a case where a financial institution offered to make a loan to a client on more favourable terms or conditions than the financial institution would otherwise offer to the client as a result of the client's agreement to acquire securities of mutual funds that are sponsored by the financial institution. Staff are of the view that Part 5 of the National Instrument would be contravened, however, if the financial institution refused to make the loan unless the client acquired securities of mutual funds that are sponsored by the financial institution, where the client otherwise met the financial institution's criteria for making loans