

Chapter 2 - Policies, Legislation and Requests for Comments

2.1 Notice of Proposed ASC Rule 33-501

NOTICE

OF PROPOSED ALBERTA SECURITIES COMMISSION RULE 33-501

LIMITATIONS ON NETWORKING

The Alberta Securities Commission (the "Commission") is publishing for comment the text of proposed Commission Rule 33-501 Limitations on Networking (the "Proposed Rule"). The Proposed Rule contains footnotes that are not part of the Proposed Rule but which have been included to provide background and explanation.

Background

The existing regime that controls networking is found in Alberta Securities Commission Policy 7.1 ("Policy 7.1"). Policy 7.1 deals with underwriting conflicts and with limitations on networking. The provisions of Policy 7.1 that deal with underwriting conflicts are the subject of a separate reformulation initiative, proposed Multi-jurisdictional Instrument 33-105, which was published for comment in the Alberta Securities Commission Summary of February 6, 1998. It is anticipated that, upon making the proposed Multi-Jurisdictional Instrument 33-105 a rule Policy 7.1 will be rescinded. Accordingly it is necessary to implement a rule that contains provisions concerning networking arrangements which are substantially similar to those contained in Policy 7.1.

Purpose of the Proposed Rule

The purpose of the Proposed Rule is to maintain limitations on networking as a component of securities regulation in Alberta.

Terms used in the Proposed Rule that are defined or interpreted in the Proposed Rule or a definition instrument in force in Alberta should be read in accordance with the Proposed Rule or definition instrument, unless the context otherwise requires.

Summary of the Proposed Rule

Under the Proposed Rule, networking arrangements exist between a registrant and another person or company, whether or not that person or company is a registrant, if the registrant: sells or offers to sell a combination of securities or goods and services a portion of which are provided by the other company or person; co-operates with the other person or company in the sale or offering for sale of securities and goods or services if any direct financial benefit accrues to either party as consideration for that co-operation; or pays to the other person or company or to an employee of that other person or company any direct financial benefit as consideration for referring to the registrant a client to whom the registrant sells securities and goods or services. A networking arrangement does not exist where the registrant trades in the securities of the other person or company on the same basis as they do the securities of other issuers.

If a registrant intends to enter into a networking arrangement, the registrant must give notice in writing to the Executive Director providing all relevant facts about the arrangement at least 30 days prior to entering into the arrangement. The Executive Director may object to the arrangement in writing prior to the expiration of the 30 day notice period. If the Executive Director objects, the registrant may not enter into the arrangement until Executive Director approves of the arrangement in writing. There is a right to a hearing in the event the Executive Director objects to the arrangement.

Comments

Interested parties are invited to make written submissions with respect to the Proposed Rule. Submissions received by October 8, 1998 will be considered.

Submissions should be sent in duplicate to:

Alberta Securities Commission
4th Floor, 300 - 5th Avenue S.W.
Calgary, Alberta
T2P 3C4

Attention: Wayne Alford
Legal Counsel

A diskette containing the submissions (in DOS or Windows format, preferably WordPerfect) should also be submitted. Comment letters submitted in response to Notices of Proposed Rules are placed on the public file and form part of the public record, unless confidentiality is requested. Although comment letters requesting confidentiality will not be placed on the public file, freedom of information legislation may require the Commission to make comment letters available. Persons submitting comment letters should accordingly be aware that the press and members of the public may be able to obtain access to any comment letter.

Questions may be referred to:

Wayne Alford
Legal Counsel
Alberta Securities Commission
(403) 297-2092

DATED: July 10, 1998

**ALBERTA SECURITIES COMMISSION
RULE 33-501
LIMITATIONS ON NETWORKING**

PART 1 DEFINITIONS

1.1 In this Rule:

- (a) "registrant" means a person or company registered or required to be registered under the Act.

1.2 Interpretation

- (a) A networking arrangement exists between a registrant and another person or company, whether or not that other person or company is a registrant, where the registrant:
- (i) sells or offers to sell to the public a combination of securities and goods or services, a portion of which consists of securities, goods or services issued or provided by that other person or company;
 - (ii) co-operates with that other person or company in the joint sale or offering for sale of securities and goods or services if there is accruing to the registrant or that other person or company any payment or other direct financial benefit as consideration for that co-operation; or
 - (iii) pays to that person or company or to an employee of that other person or company any payment or other direct financial benefit as consideration for referring to the registrant a customer or client to whom the registrant sells securities and goods or services.
- (b) A networking arrangement does not exist between a registrant and another person or company where the registrant trades in or purchases or sells securities of that other person or company on the same basis as the registrant trades in the securities of issuers other than that other person or company.

PART 2 NOTICE

2.1 Notice Required

A registrant that intends to enter into a networking arrangement shall, at least 30 days before entering into the networking arrangement, give written notice to the Executive Director providing all relevant facts with respect to the networking arrangement.

- 2.2** If within 30 days of receipt of a notice under subsection 2.1, the Executive Director sends a written notice of objection to the registrant, the registrant shall not enter into the networking arrangement until the Executive Director gives written approval.

2.3 Hearing

The registrant following receipt of a notice of objection under subsection 2.2 may request the Executive Director to hold a hearing on the matter.

- 2.4** After giving the registrant an opportunity to be heard, the Executive Director may, where he considers it to be in the public interest

Chapter 2 - Policies, Legislation and Requests for Comments

- (a) refuse to allow the registrant to enter into the networking arrangement; or
- (b) allow the registrant to enter into the networking arrangement on such conditions, if any, that the Executive Director may consider appropriate in the public interest.