

**ALBERTA SECURITIES COMMISSION
NOTICE**

**AMENDMENTS TO ALBERTA SECURITIES COMMISSION RULES (GENERAL)
CONSEQUENTIAL TO ADOPTION OF NATIONAL INSTRUMENT 31-103
REGISTRATION REQUIREMENTS AND EXEMPTIONS**

September 8, 2009

The Alberta Securities Commission (ASC) is publishing this notice regarding a number of consequential amendments (the **Amendments**) to the *Alberta Securities Commission Rules (General)* (the **Rules**). The text of the Amendment Instrument is set out in the Appendix to this notice.

Background

The Amendments flow from the substantial changes to Alberta's registration regime upon the adoption of National Instrument 31-103 *Registration Requirements and Exemptions (NI 31-103)*. Parts 5 and 6 of the Rules, which provide most of the ASC's current registration-related requirements and exemptions from those requirements, will largely be replaced by a more comprehensive and nationally harmonized registration framework under NI 31-103. Accordingly, most sections of the Rules in Parts 5 and 6 will be repealed. Additional provisions of the Rules will either be repealed or modified to ensure consistency with the incoming registration regime of NI 31-103.

Summary of Comments and Responses

The Amendments were published for a 30-day comment period on July 17, 2009. The ASC received one comment letter from the Surety Association of Canada. The commenter responded positively to the CSA initiative to harmonize and streamline the registration requirements in Canada. The commenter also recommended against the proposed repeal of the requirement for a surety bond in section 25 and in Form 19 of the Rules and they suggested this would have a negative impact on investor protection.

ASC Staff disagree. The new registration regime under NI 31-103 maintains investor protection through requirements for minimum working capital, periodic financial reporting and bonding or insurance. The bonding or insurance requirements are meant to protect client and firm assets. Sections 12.3, 12.4 and 12.5 of NI 31-103 will require a dealer, adviser or investment fund manager to maintain bonding or insurance in prescribed minimum amounts, dependent upon the type of registrant, and which must include particular types of coverage that are set out in Appendix A to NI 31-103. For investment dealers and mutual fund dealers, there are similar requirements in the rules of the Investment Industry Organization of Canada and the Mutual Fund Dealers Association of Canada.

Effective date

The amendments are to be effective on September 28, 2009, concurrent with the implementation of NI 31-103 and the related instruments, policies and forms.

Questions

If you have any questions, please contact:

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APPENDIX

AMENDMENTS TO THE *ALBERTA SECURITIES COMMISSION RULES (GENERAL)*

AMENDMENT INSTRUMENT

1. The *Alberta Securities Commission Rules (General)* are amended by this Instrument.
2. Sections 14 to 27 are repealed.
3. Section 28 is amended
 - (a) in the preamble to clause (1) by striking out "Compensation fund or contingency trust fund – ",
 - (b) in clause (2) by striking out "broker,",
 - (c) in clause (3) by repealing clause (b) and substituting the following:
 - "(b) an exempt market dealer,
 - (c) a restricted dealer,
 - (d) a portfolio manager,
 - (e) a restricted portfolio manager.", and
 - (d) in clause (5) by striking out "a broker, investment dealer" and substituting "an investment dealer".
4. Sections 29 to 36 are repealed.
5. Sections 38 to 46 are repealed.
6. Sections 49 to 51 are repealed.
7. Section 55 is repealed.
8. Section 56 is repealed.
9. Section 58 is repealed and the following is substituted:

"58. If the Executive Director requests an auditor to conduct an audit of the financial affairs of a registrant in accordance with a direction given under Alberta securities laws, all costs relating to the audit shall be paid by the registrant."
10. Sections 59 to 64 are repealed.

11. Sections 68 to 69.5 are repealed.
12. Section 71.1 is amended
 - (a) by repealing clause (1);
 - (b) in clause (2)(h) by striking out "salesman" and substituting "representative";
 - (c) by repealing clauses (3) to (8);
 - (d) in clause (9) by
 - (i) striking out "(1)(d) and (h), and", and
 - (ii) striking out "salesman" wherever it occurs and substituting "representative"; and
 - (e) in clause (10) by striking out " (1) or".
13. Section 71.2 is amended by striking out "71.1(1) or (2)" and substituting "71.1(2)".
14. Section 71.3 is amended
 - (a) by striking out "under section 29(3)(g) and (h), or as the case may be" and substituting "under section 90 of the Act", and
 - (b) in clause (j) by striking out "salesman" and substituting "representative".
15. Section 72 is repealed.
16. Section 127.03 is repealed and the following is substituted:

“127.03. The prospectus requirement does not apply to a distribution of

 - (a) a voting security of a corporation to which the *Rural Utilities Act* applies,
 - (b) membership shares, including member loans deemed to be membership shares as defined in the *Cooperatives Act*, issued by a cooperative to which that Act applies, if the aggregate acquisition cost for membership shares and member loans
 - (i) for the first 18 months following incorporation is not greater than \$10 000 per member and not more than \$1000 of that amount is payable for membership shares, and
 - (ii) in any subsequent year is not greater than
 - (A) \$5000 for cooperatives with 100 members or less, or
 - (B) \$2500 cooperatives with more than 100 members, or

- (c) investment shares as defined in the *Cooperatives Act*, issued by a cooperative pursuant to that Act, other than a cooperative under Division 1 or 4 of Part 18 of that Act, if
 - (i) the investment shares are purchased only by members of the cooperative who have been members of the cooperative for at least 12 months before the share purchase, and
 - (ii) the aggregate acquisition cost to the members in any one year is not greater than
 - (A) \$10 000 for cooperatives with 100 members or less, or
 - (B) \$5000 for cooperatives with more than 100 members.
- 17. Form 3 *Application for Registration as Dealer, Adviser or Underwriter* is repealed.
- 18. Form 5 *Application for Renewal of Registration as Dealer, Adviser or Underwriter* is repealed.
- 19. Form 6 *Application for Renewal of Registration as Salesman* is repealed.
- 20. Form 10 *Annual Questionnaire to be Completed by a Portfolio Manager for its Auditor* is repealed.
- 21. Form 11 *Application for Recognition as an Exempt Purchaser* is repealed.
- 22. Form 19 *Surety Bond* is repealed.
- 23. This Instrument comes into force on September 28, 2009.