

## ASC POLICY 3.7

### REGISTRATION UNDER THE *SECURITIES ACT* FOR INDIVIDUALS LICENSED UNDER THE *INSURANCE ACT*

#### 1. EFFECTIVE DATE

This policy is effective on July 21, 1992, and replaces A.S.C. Policy 3.7 dated March 15, 1987.

#### 2. APPLICATION OF THE POLICY

2.1 *Purpose* - Section 41 of the *Securities Regulation* requires a salesman registered under the *Securities Act* to be employed on a full-time basis by the dealer. Section 41 of the *Securities Regulation* provides an exemption for registrants who hold a licence under the *Insurance Act*. This policy describes the application of that exemption.

2.2 *Employment* - There must be an employment relationship between the registered dealer and the registered salesman. Every salesman's registration is granted based on the existence of an employment relationship. If the relationship is not one of employer-employee the salesman's registration under the *Securities Act* is invalid.

2.3 *Eligible dealer categories* - Salesmen of investment dealers, brokers, mutual fund dealers, and scholarship plan dealers are eligible for dual-licensing. Salesmen of other categories of dealers are not eligible for dual-licensing.

#### 3. CONDITIONS FOR OBTAINING REGISTRATION

3.1 *Dealer's responsibility* - It is the dealer's responsibility to determine whether to permit its salesmen, or a particular salesman, to be licensed under the *Insurance Act*.

3.2 *Separate entity for insurance activities* - A dealer that permits its salesmen to apply to be licensed under the *Insurance Act* must ensure that insurance activities are carried on separately from securities activities. A salesman may not apply for an insurance license in the name of a registered dealer. For example, a dealer may create a subsidiary through which its insurance activities are carried on, or a salesman may enter into a contract directly with an insurer, in accordance with the licensing requirements of the *Insurance Act*.

3.3 *Dealer's permission* - The dealer employing the salesman must give written permission for the salesman to hold an insurance licence.

3.3.1 Written permission should be in a letter addressed to the Registrar of the Alberta Securities Commission. It must name the salesman and the insurance

licence sponsor. The letter must be submitted with the application for registration.

3.3.2 If the salesman is already registered and wishes to hold an insurance licence or wishes to change insurance sponsors, written permission must be given by the dealer for the change.

3.3.3 If the salesman who holds an insurance license accepts employment with a different dealer, the new dealer must give its permission for the salesman to hold an insurance license.

3.4 *Insurance licence required* - The salesman must hold a life insurance licence. He or she may also hold any other type of insurance license.

#### 4. CONDITIONS FOR MAINTAINING REGISTRATION

4.1 *Salesman's conditions* - The following conditions apply to the registration of a salesman who is also licensed under the *Insurance Act*:

4.1.1 All letterhead, business cards, signs and other material used by a salesman in connection with a trade in securities must prominently state the name of the dealer that employs the salesman.

4.1.2 The salesman must represent him- or herself as a salesman of the dealer when acting in connection with a trade in securities. The salesman may not represent him- or herself as a representative or agent of any other person or company in connection with a trade in securities.

4.1.3 The salesman must ensure that all securities transactions involving the salesman are handled through the dealer and not through any other person or company.

4.1.4 The salesman must notify the dealer and the Chief of Securities Administration, as soon as practical, of any disciplinary action commenced against the salesman under the *Insurance Act*.

4.1.5 The salesman must notify the dealer and the Chief of Securities Administration, as soon as practical, of any change in status of a licence held by the salesman under the *Insurance Act*.

4.2 *Dealer's conditions* - A dealer employing a salesman registered under the Act and licensed under the *Insurance Act* must:

- 4.2.1 monitor the activities of the salesman as they apply to trading in securities and ensure that all activities of the salesman are in compliance with the Act, the Regulation, the Commissions policy statements, and if the dealer is a member of the Investment Dealers' Association or the Alberta Stock Exchange, the rules of the organizations of which it is a member,
- 4.2.2 pay directly to the salesman and not to any other person or company all commissions earned from securities transactions, and
- 4.2.3 implement systems designed to ensure that members of the public dealing with the salesman understand
  - 4.2.3.1 that the salesman is employed by more than one entity,
  - 4.2.3.2 that they will be dealing with two different entities depending on the product purchased from the salesman,
  - 4.2.3.3 that the commissions earned by the salesman from the sales of different products may vary, and
  - 4.2.3.4 the identity of the person or company holding the client's funds.

5. OFFICERS AND PARTNERS OF DEALERS

- 5.1 Registered officers and partners of a dealer may be dual-licensed in the same manner as salesmen.

6. MEMBERS OF THE IDA AND ASE

- 6.1 For salesmen of investment dealers (firms that are members of the Investment Dealers' Association of Canada) or brokers (firms that are members of the Alberta Stock Exchange), the salesmen and the dealer must comply with any relevant by-laws of the Investment Dealers' Association of Canada or the Alberta Stock Exchange.
- 6.2 For salesmen of investment dealers, the written permission of the dealer referred to in section 3 should be sent to the Investment Dealers Association. For salesmen of brokers, the written permission of the dealer referred to in section 3 should be sent to the Alberta Stock Exchange.

7. TRANSITIONAL PROVISION

- 7.1 For registrants who hold an insurance licence when this policy is adopted, the required permission of the dealer is deemed to have been given. The dealer's written permission must be obtained if a registrant changes insurance license sponsors, or if the registrant accepts employment with a different registered dealer.