



## **PLEASE NOTE**

This document, prepared by the [Legislative Counsel Office](#), is an office consolidation of this regulation, current to July 30, 2005. It is intended for information and reference purposes only.

This document is *not* the official version of these regulations. The regulations and the amendments printed in the [Royal Gazette](#) should be consulted to determine the authoritative text of these regulations.

For more information concerning the history of these regulations, please see the [Table of Regulations](#).

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**CHAPTER S-3**  
**SECURITIES ACT**  
**REGULATIONS**

Pursuant to section 27 of the *Securities Act* R.S.P.E.I. 1988, Cap. S-3, Council made the following regulations:

**1. In these regulations**

Definitions

(a) “Canadian Investment Funds Course” means the course prepared and conducted by the Education Division of The Investment Funds Institute of Canada and so designated by that institute, every predecessor to that course and every successor to that course that does not materially narrow the content of the significant subject matter of the course;

Canadian  
Investment Funds  
Course

(a.1) “Canadian Investment Manager Program” means the program prepared and conducted by the Canadian Securities Institute and so designated by that institute, every predecessor to that course and every successor to that course that does not materially narrow the content of the significant subject matter of the course;

Canadian  
Investment  
Manager Program

(b) “Canadian Securities Course” means the course prepared and conducted by the Canadian Securities Institute and so designated by that institute, every predecessor to that course and every successor to that course that does not materially narrow the content of the significant subject matter of the course;

Canadian Securities  
Course

(b.1) “Chartered Financial Analyst Examination Program” means the program prepared and conducted by the Association for Investment Management and Research and so designated by that institute, every predecessor to that course and every successor to that course that does not materially narrow the content of the significant subject matter of the examination;

Chartered Financial  
Analyst  
Examination  
Program

(b.2) “Conduct and Practices Course” means the course prepared and conducted by the Canadian Securities Institute and so designated by that institute, every predecessor to that course and every successor to that course that does not materially narrow the content of the significant subject matter of the course;

Conduct and  
Practices Course

(c) “finance company” means an issuer, or a subsidiary or affiliate of an issuer, a material business activity of which involves

finance company

(i) purchasing, discounting or otherwise acquiring promissory notes, acceptances, accounts receivable, bills of sale, chattel mortgages, conditional sales contracts, drafts and other obligations representing part or all of the sales price or merchandise, or services,

(ii) factoring or purchasing and leasing personal property as part of a hire purchase or similar business, or

(iii) making secured and unsecured loans,

but does not include

(iv) a bank to which the *Bank Act* (Canada) R.S.C. 1985, Chap. B-1 applies, the Federal Business Development Bank, a loan corporation or trust company or an insurance company licensed under the *Insurance Act* R.S.P.E.I. 1988, Cap. I-4,

(v) a credit union or credit union league incorporated under the *Credit Unions Act* R.S.P.E.I. 1988, Cap. C-29,

(vi) an underwriter or dealer, or

(vii) any issuer that, in the opinion of the Registrar carries on operations making it more appropriate that such issuer be designated as an industrial company or natural resource company;

industrial company

(d) “industrial company” means an issuer designated by the Registrar as an industrial company;

Investment Funds in  
Canada Course

(d.1) “Investment Funds in Canada Course” means the course prepared and conducted by the Institute of Canadian Bankers and so designated by that institute, every predecessor to that course and every successor to that course that does not materially narrow the content of the significant subject matter of the course;

labour sponsored  
investment funds  
course

(d.2) “labour sponsored investment funds course” means a course that, in the opinion of the Director, provides instruction about labour sponsored investment funds and their securities that is relevant to a person engaged in trading in the securities of labour sponsored investment funds;

natural resource  
company

(e) “natural resource company” means a mining, gas, oil or exploration issuer designated by the Registrar as a natural resource company;

Partners, Directors  
and Senior Officers  
Qualifying  
Examination

(e.1) “Partners, Directors and Senior Officers Qualifying Examination” means the examination prepared and conducted by the Canadian Securities Institute and so designated by that institute, every predecessor to that examination and every successor to that examination that does not materially narrow the content of the significant subject matter of the examination;

- (f) “registrant” means a person or company registered or required to be registered; registrant
- (g) “scholarship plan dealers course” means a course that, in the opinion of the Director, provides instruction about scholarship plans and their securities that is relevant to a person engaged in trading in the securities of scholarship plans; scholarship plan  
dealers course
- (h) “security” shall, without in any way restricting the generality of the definition set forth in section 1 of the Act, include security
- (i) any bond, debenture, note or other evidence of indebtedness, share, stock unit, unit certificate, participation certificate, certificate of share or interest, preorganization certificate of subscription other than a contract of insurance issued by an insurance company licensed under the *Insurance Act* R.S.P.E.I. 1988, Cap. I-4, or an evidence of deposit issued by a bank, or by a loan company or a trust company licensed under the *Licensing Act* R.S.P.E.I. 1988, Cap L-11,
  - (ii) any agreement under which the interest of the purchaser is valued for purposes of conversion or surrender by reference to the value of a proportionate interest in a specified portfolio of assets, except a contract issued by an insurance company which provides for payment at maturity of an amount not less than 3/4 of the premiums paid by the purchaser for a benefit payable at maturity,
  - (iii) any agreement providing that money received will be repaid or treated as a subscription to shares, stock, units or interests at the option of the recipient or of any person or company,
  - (iv) any certificate of share or interest in a trust, estate or association,
  - (v) any profit-sharing agreement or certificate,
  - (vi) any certificate of interest in an oil, natural gas or mining lease, claim or royalty voting trust certificate,
  - (vii) any oil or natural gas royalties or leases or fractional or other interest therein,
  - (viii) any collateral trust certificate,
  - (ix) any income or annuity contract not issued by an insurance company,
  - (x) any investment contract,
  - (xi) any document constituting evidence of an interest in a scholarship or educational plan or trust, and
  - (xii) a commodity futures contract or any commodity futures option,
- whether any of the foregoing relate to an issuer or proposed issuer.  
(EC165/89; 138/02; 411/05)

Designated  
securities

**1.1** Any document included in the definition of “security” in clause 1(h) is designated as a “security” for the purposes of subclause 1(x)(v) of the Act. (EC411/05)

#### FINANCIAL STATEMENTS

Preparation of  
financial statements

**2.** (1) Subject to subsections (3) and (4), the financial statements permitted or required by the Act or these regulations shall be prepared in accordance with generally accepted accounting principles and with any applicable provision of the Act or these regulations.

Report by auditor

(2) Revoked by EC411/05.

Exception, banks  
and insurance  
companies  
Exception,  
impracticality

(3) Revoked by EC411/05.

(4) Notwithstanding subsection (1), where a financial statement is not prepared in accordance with generally accepted accounting principles, the Registrar may accept the financial statement for the purposes for which it is to be filed, if the Registrar is satisfied that it is not reasonably practicable for the issuer to revise the presentation in the financial statement to conform to generally accepted accounting principles.

**Subsections (5) to (7) revoked by EC411/05. (EC165/89; 328/02; 411/05)**

**Sections 3 to 7 are revoked by EC328/02.**

#### CONTENT OF PROSPECTUSES - NON-FINANCIAL MATTERS

#### INTERPRETATION

General rules

**8.** (1) Subject to subsection (2), the following general rules apply:

1. Revoked by EC328/02.
2. Revoked by EC328/02.
3. Where an escrow agreement is required for an industrial company before a receipt for a prospectus is issued, the promoters may receive, free of escrow, that number of shares whose value at the offering price is equivalent to the aggregate of the cash and the fair market value of such tangible assets as are acceptable to the Registrar that they have transferred to the issuer.
4. Revoked by EC328/02.
5. Revoked by EC328/02.
6. Revoked by EC328/02.
7. Revoked by EC328/02.

(2) Where the Registrar is satisfied that there is sufficient justification he may permit or require that the provisions of subsection (1) be amended or waived. (EC165/89; 328/02) Waiver or amendment

**Section 9 is revoked by EC328/02.**

#### FORMAT

**10.** Except where otherwise provided in the Act, these regulations or the rules made under the Act, a prospectus shall be prepared in accordance with such forms as the Director may approve. (EC165/89; 639/93; 699/00; 328/02) Form of prospectus

**Sections 11 to 20 are revoked by EC328/02.**

#### CONTENT OF PROSPECTUS - FINANCIAL MATTERS

**21.** (1) Every prospectus of a mutual fund shall contain Mutual funds  
 (a) an income statement;  
 (b) a balance sheet;  
 (c) a statement of investment portfolio;  
 (d) a statement of portfolio transactions; and  
 (e) a statement of changes in net assets,  
 of the mutual fund, each for or as at the end of, as appropriate, its last financial year or for any period or periods permitted or required by the Registrar.

(2) The financial statements described in subsection (1) may be omitted from the prospectus of the mutual fund if a copy of the financial statements that are otherwise required by subsection (1) is filed concurrently with the filing of the prospectus or if a copy of them has previously been filed under the Act. Financial statements

(3) If, under subsection (2), a prospectus of a mutual fund does not contain the financial statements described in subsection (1), a prospectus that is sent or delivered to a purchaser of securities under section 8.16 of the Act shall be accompanied by Other statements  
 (a) a copy of the financial statements that are otherwise required by subsection (1); and  
 (b) if one or more financial statements for periods subsequent to those covered by the financial statements referred to in clause (a) have been filed under the Act, a copy of the financial statements most recently filed before the day on which the prospectus is sent or delivered to the purchaser.

Mandatory  
statement where  
financial statements  
omitted

(4) If, under subsection (2), a prospectus of a mutual fund does not contain the financial statements described in subsection (1), the following statement shall be printed on the outside cover page of the prospectus:

The information contained herein must be accompanied by the annual financial statements of the fund for the last financial year completed before the date of the current prospectus of the fund and the auditor's report thereon, which statements and report are considered to form part of this document. As well, if subsequent financial statements, whether semi-annual or annual, have been filed with the Registrar, a copy of the most recent of such subsequent statements must also accompany this document. (EC165/89; 328/02)

**Sections 22 to 27 are revoked by EC328/02.**

## REGISTRATION REQUIREMENTS

### CATEGORIES OF REGISTRATION

Classification of  
brokers

**28.** Every person or company that is required to register as a broker shall be registered and classified into one or more of the following categories:

1. Investment dealer, being a person or company that is a member of the Investment Dealers Association of Canada, which person or company is registered to trade in securities in the capacity of an agent or principal.
2. Mutual fund dealer, being a person or company that is registered solely for the purpose of trading in the shares or units of mutual funds.
3. Scholarship plan dealer, being a person or company that is registered solely for the purpose of trading in securities of a scholarship or educational plan or trust.
4. Restricted dealer, being a person or company that is registered to trade in securities in the capacity of an agent or principal. (EC165/89; 138/02)

Deemed to be  
underwriter

**29.** Every person or company granted registration as a broker shall be deemed to have been granted registration as an underwriter for the purpose of distributing the securities in which that person or company is registered to trade. (EC165/89; 138/02)

Classification of  
advisers

**29.1** Every person or company that is required to register as an adviser shall be registered and classified into one or more of the following categories:

1. Investment counsel, being persons or companies that engage in or hold themselves out as engaging in the business of advising others as to the investing in or the buying or selling of specific securities or that are primarily engaged in giving continuous advice as to the investment of funds on the basis of the particular objectives of each client.
2. Portfolio managers, being persons or companies that are registered for the purpose of managing the investment portfolio of clients through discretionary authority granted by one or more clients.
3. Securities advisers, being persons or companies that hold themselves out as engaging in the business of advising others either through direct advice or through publications or writings, as to the investing in or the buying or selling of specific securities, not purporting to be tailored to the needs of specific clients.  
(EC138/02)

#### CONDITIONS OF REGISTRATION - GENERAL

**30.** No registration or renewal of registration shall be granted unless the applicant has complied with the applicable registration requirements at the time of the grant of the registration or renewal of registration.  
(EC165/89)

Compliance with requirements

**31.** (1) Unless the Registrar otherwise directs, each registrant shall maintain within the province, a place of business having regular office hours.

Place of business

(2) Subsection (1) does not apply to a mutual fund dealer whose registration is restricted to dealing with specific groups or professions.  
(EC165/89; 585/90; 138/02)

**32.** Each registrant shall comply with the applicable registration requirements and the failure to do so shall be considered by the Registrar in any proceedings under subsection 7(1) of the Act. (EC165/89)

Suspension, etc.

**33.** (1) No registrant or partner, officer or associate of a registrant shall have a direct or indirect interest in any other registrant without the approval of the Registrar.

Interest in other registrant

(2) For the purposes of subsection (1), affiliated companies shall be treated as one company. (EC165/89)

Affiliates

## CONDITIONS OF REGISTRATION - CAPITAL REQUIREMENTS

Capital  
requirements

**34.** (1) Subject to subsection (2), every broker shall maintain a minimum free capital of the maximum amount, if any, that is deductible under any clause of the bonding or insurance policy required under section 35, plus the greater of,

(a) \$25,000; and

(b) an amount equal to the sum of 10 per cent of the first \$2,500,000 of adjusted liabilities, 8 per cent of the next \$2,500,000 of adjusted liabilities, 7 per cent of the next \$2,500,000 of adjusted liabilities, 6 per cent of the next \$2,500,000 of adjusted liabilities and 5 per cent of adjusted liabilities in excess of \$10,000,000.

*Idem*

(2) In clause (1)(a), \$25,000 means

(a) where it applies to a mutual fund dealer or a scholarship plan dealer, \$25,000 of working capital calculated in accordance with generally accepted accounting principles; and

(b) where it applies to any other category of dealer other than a securities issuer, \$25,000 of net free capital calculated in accordance with such formula as the Director may approve.

Minimum free  
capital plus  
working capital

(2.1) Every adviser shall maintain a minimum free capital of the maximum amount, if any, that is deductible under any clause of the bonding or insurance policy required under subsection 35(3) plus \$5,000 of working capital calculated in accordance with generally accepted accounting principles, or such greater amount as the Registrar considers necessary where the adviser exercises control over clients' funds or securities.

Exception

(2.2) Subsection (2.1) does not apply to an adviser who provides written or published advice if the adviser exercises no control over clients' funds or securities, and if no investment advice is or purports to be tailored to the needs of specific clients. (EC165/89; 639/93; 699/00; 138/02; 411/05)

Bonding of broker

**35.** (1) Except where the Registrar is satisfied in a particular case that reduced or no coverage would not be prejudicial to the public interest, every broker, other than an mutual fund dealer, shall maintain bonding or insurance by means of a broker's blanket bond on terms acceptable to the Registrar, in an amount of not less than \$200,000, or such larger amount as is indicated to be necessary by the resolution referred to in subsection (4).

Bonding of mutual  
fund dealer

(2) Every mutual fund dealer shall maintain bonding or insurance, on terms acceptable to the Registrar

- (a) for employees in an amount not less than \$50,000 for each employee, or such larger amount as is indicated to be necessary by the resolution referred to in subsection (4);
- (b) for itself in an amount to be determined by the Registrar.

(3) Except where the Registrar is satisfied in a particular case that reduced or no coverage would not be prejudicial to the public interest, every security issuer, adviser and underwriter shall maintain bonding or insurance, on terms acceptable to the Registrar, in an amount of not less than \$10,000, or such larger amount as is indicated to be necessary by the resolution referred to in subsection (4).

Bonding of  
underwriter

(4) Every person or company applying for registration or renewal of registration as a broker or adviser, shall deliver to the Registrar, with the application, a certified copy of a resolution of its directors stating that full consideration has been given to the amount of bonding or insurance necessary to cover insurable risks in the business of the applicant and that either,

Resolution *re*  
coverage

- (a) the minimum amount of coverage required by these regulations is sufficient; or
- (b) the minimum amount of coverage required by these regulations is not sufficient but that an indicated amount of coverage would be sufficient.

(5) No registration or renewal of registration shall be granted where in the opinion of the Registrar the minimum amount of bonding or insurance required by these regulations or, where a larger amount is indicated in a certified copy of a resolution referred to in subsection (4), the amount stated in the resolution, is not sufficient. (EC165/89; 138/02)

Sufficiency

**36.** Every registrant shall forthwith notify the Registrar in writing of any change in, or claim made under, the provisions of any bond or insurance policy maintained pursuant to the requirements of registration. (EC165/89)

Notice of claims

#### CONDITIONS OF REGISTRATION - RECORD KEEPING

**37. (1)** Every registrant shall maintain books and records necessary to record properly its business transactions and financial affairs, including the maintenance of the following books and records that, in the opinion of the Registrar, are appropriate to its business:

Maintain books and  
records

- (a) blotters, or other records of original entry, containing an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities, including certificate numbers, all receipts and disbursements of cash, all other debits and credits, the account for which each transaction was effected, the name of the securities,

the class or designation of the securities, the number or value of the securities, the unit and aggregate purchase or sale price, if any, the trade date and the name or other designation of the person from whom the securities were purchased or received or to whom they were sold or delivered;

(b) ledgers or other records maintained in detail reflecting all the assets and liabilities, income and expense and capital accounts;

(c) ledger accounts or other records itemizing separately for each cash and margin account of every client, all purchases, sales, receipts and deliveries of securities and commodities for the account and all other debits and credits to the account;

(d) ledgers or other records reflecting

(i) securities in transfer,

(ii) dividends and interest received,

(iii) securities borrowed and securities loaned,

(iv) moneys borrowed and moneys loaned, together with a record of the collateral therefor and any substitutions in the collateral, and

(v) securities which the registrant has failed to receive and failed to deliver;

(e) a securities record or ledger showing separately for each security as of the trade date or settlement date all long and short positions, including securities in safekeeping, carried for the registrant's account or for the account of clients, the location of all securities long and the position offsetting securities sold short and, in all cases, the name or designation of the account in which each position is carried;

(f) an adequate record of each order and of any other instruction, which may be a copy of the order or instruction, given or received for the purchase or sale of securities, whether executed or unexecuted, showing

(i) the terms and conditions of the order or instruction and of modifications or cancellation of the order or instruction,

(ii) the account to which the order or instruction relates,

(iii) where the order or instruction is placed by an individual other than

(A) the person in whose name the account is operated, or

(B) an individual duly authorized to place orders or instructions on behalf of a customer that is a company, the name, sales number or designation of the individual placing the order or instruction,

(iv) the time of the entry of the order or instruction and, where the order is entered pursuant to the exercise of discretionary power of

a registrant or any employee of a registrant, a statement to that effect,

(v) the price at which the order or instruction was executed, and

(vi) to the extent feasible, the time of execution or cancellation,

(g) copies of confirmations or other records of all purchases and sales of securities, and copies of notices of all other debits and credits of securities, cash and other items for the accounts of clients;

(h) a client record in respect of each cash and margin account containing

(i) the name and address of the beneficial owner and the guarantor, if any, of the account,

(ii) where trading instructions are accepted from a person or company other than the client, written authorization or ratification from the client naming the person or the company, and

(iii) in the case of a margin account, a properly executed margin agreement containing the signature of the owner and the guarantor, if any, and the additional information obtained pursuant to the requirements of section 38.1,

but in the case of a joint account or an account of a corporation, such records are required only in respect of the person or persons authorized to transact business for the account;

(i) a record of all puts, calls, spreads, straddles and other options in which the registrant has any direct or indirect interest or which the registrant has granted or guaranteed, containing at least an identification of the security and the underlying security and the number of underlying securities to which the put, call, spread, straddle or other option relates;

(j) a record of the proof of money balances of all ledger accounts in the form of trial balances and a record of a reasonable calculation of minimum free capital, adjusted liabilities and capital required, prepared for each month within a reasonable time after the month.

(2) All records may be kept by means of mechanical, electronic or other devices where such method of record keeping is not prohibited under other applicable legislation and the registrant

Means

(a) takes adequate precautions, appropriate to the means used, to guard against the risk of falsification of the information recorded; and

(b) provides a means for making the information available in an accurate and intelligible form within a reasonable time to any person lawfully entitled to examine the records.

(3) Unless otherwise required by law to be retained for a longer time period,

Retention of documents

- (a) documents relating to executed orders or instructions as prescribed by clause (1)(f), shall be retained for a period of at least five years and shall be retained in a readily accessible location for the first two years of that five-year period; and
- (b) records relating to unexecuted orders or instructions as prescribed by clause (1)(f) and confirmations prescribed in clause (1)(g), shall be retained for a period of at least two years.

Books and records  
in province

(4) Subject to subsection (5), every registrant shall maintain the situs of its books and records in the province.

*Idem*

(5) Where the head office of the registrant is not in the province, the registrant shall maintain in the province, or at such other place approved by the Registrar, such books and records as are necessary to record properly its business transactions and financial affairs in the province. (EC165/89; 138/02)

## CONDITIONS OF REGISTRATION - NEW ACCOUNTS

### SUPERVISION

Client service  
procedures

**38.** (1) Every registered broker and adviser shall establish procedures for dealing with its clients that conform with prudent business practice and that enable it to service its clients adequately and shall take whatever steps are necessary or appropriate to supervise such procedures properly.

Guidelines

(2) Members of the Toronto Stock Exchange and members of the Investment Dealers Association of Canada may comply with this section by following the guidelines published from time to time by the Toronto Stock Exchange and the Investment Dealers Association of Canada, if the guidelines are submitted to the Registrar before they are to take effect, and the Registrar does not object to them.

Responsibility for  
new accounts

(3) The procedures referred to in subsection (1) shall be in writing and designate a partner or director or, in the case of a branch office, a manager reporting directly to the designated partner or director, who shall be responsible for approving the opening of new accounts and the supervision of trades made for or with each client and supervising advice provided to each client.

Appropriate  
enquiries

(4) For the purposes of subsection (1), and subject to subsection (6), each person or company that is registered as a broker or adviser and an individual that is registered as a salesperson of a registered broker or as a counselling officer of an adviser shall make such enquiries about each client of the registrant as

(a) will enable it to establish the identity and, where applicable, the creditworthiness of each client, and the reputation of the client if information known to the registrant causes doubt as to whether the client is of good reputation; and

(b) subject to subsection (5), are appropriate in view of the nature of the client's investment and of the type of transaction being effected for the client's account to ascertain the general investment needs and objectives of each client and the suitability of a proposed purchase or sale for that client.

(5) Clause (4)(b) does not apply to a registered broker or a registered salesperson of a registered broker that executes a trade on the instruction of a registered adviser, another registered broker, a bank to which the *Bank Act* (Canada) applies, a loan company or trust company licensed under the *Licensing Act* R.S.P.E.I. 1988, Cap. L-11 or an insurance company licensed under the *Insurance Act* R.S.P.E.I. 1988, Cap. I-4. Exception

(6) Notwithstanding any other provision of these regulations, where an account is opened and traded by an investment counsel or portfolio manager on behalf of a client, Other appropriate enquiries

(a) where the investment counsel or portfolio manager executes orders in its own name or identifies its client by means of a code or symbol, the broker must satisfy itself as to the creditworthiness of the investment counsel or portfolio manager, but shall not otherwise have any responsibility for the suitability of any trade for the client of the investment counsel or portfolio manager; and

(b) where the investment counsel or portfolio manager executes orders in the name of its client with no agreement that payment of the account is guaranteed by the investment counsel or portfolio manager, the broker shall

(i) obtain full information concerning the client with a view to determining the creditworthiness of the client, or

(ii) obtain a letter of undertaking from the investment counsel or the portfolio manager and the letter shall refer to the familiarity of the investment counsel or portfolio manager with applicable rules of account supervision and the letter shall contain a covenant to make the investigation contemplated by such rules, and to advise, where known, if the client is an insider or an employee, director or officer of a company or a partner in a firm engaged in the securities business,

but the broker shall not have responsibility for determining the suitability of any trade for the client. (EC165/89; 138/02)

**38.1** (1) Every investment counsel shall maintain standards directed to ensuring fairness in the allocation of investment opportunities among the Standards ensuring fairness

investment counsel's clients and a copy of the policies established shall be given to each client and filed with the Registrar.

Direct charges to client

(2) Every investment counsel shall charge clients directly for services rendered and such charges may be based on the dollar value of the client's portfolio, but not on the value or volume of the transactions initiated for the client and, except with the written agreement of the client, shall not be contingent upon profits or performance.

Separate account supervision, no pooling

(3) Subject to subsection (4), every investment counsel shall ensure that

(a) the account of each client is supervised separate and distinct from the accounts of other clients; and

(b) except in the case of mutual or pension funds, an order placed on behalf of one account is not pooled with that of another account.

Exception

(4) Every portfolio manager shall ensure that the account of each client is supervised separate and distinct from the accounts of other clients but, subject to the bylaws of a stock exchange with respect to commission rate structures, an order placed on behalf of one account may be pooled with that of another account.

Material change in ownership

(5) Where there has been a material change in the ownership or control of the investment counsel or where it is proposed that an investment counsel sell or assign the account of a client in whole or in part to another registrant, the investment counsel shall, prior to such sale or assignment and immediately after such material change, give a written explanation to the client of the proposal or change and the investment counsel shall inform the client of the client's right to withdraw his or her account.

Conflict of interest

(6) No purchase or sale of any security in which an investment counsel or any partner, officer or associate of an investment counsel has a direct or indirect beneficial interest shall be made from or to any portfolio managed or supervised by the investment counsel. (EC138/02)

#### CONDITIONS OF REGISTRATION - STATEMENTS OF ACCOUNT AND PORTFOLIO

Statement of account

**38.2** (1) Subject to subsection (5), a broker shall send a statement of account to a client at the end of each month in which the client has effected a transaction, where securities are held or there is a debit or credit balance.

*Idem*

(2) Subject to subsection (5), where a broker holds funds or securities on a continuing basis, the broker shall send a statement of account to

each client, not less than once every three months, showing debit or credit balances and details of securities held or owned.

(3) The Registrar may vary subsections (1) and (2) as they apply to any broker. Variation by Registrar

(4) The statements required by subsections (1) and (2) shall list the securities held for the client and indicate clearly which securities are held for safekeeping or in segregation. List securities and how they are held

(5) A mutual fund dealer is not required to comply with subsections (1) and (2), where a statement of account is sent to each client not less frequently than once every 12 months, Mutual funds statements

(a) showing the number and market value at the date of purchase or redemption of securities purchased or redeemed since the last statement; and

(b) the total market value of all securities of the mutual fund held by the client at the date of the statement.

(6) Except where the client has directed otherwise in writing, every portfolio manager shall send to each client not less than once every three months, a statement of the portfolio of such client under the portfolio manager's management. (EC138/02) Statements by portfolio manager

#### CONDITION OF REGISTRATION - PROFICIENCY REQUIREMENTS

**38.3** (1) For the purposes of satisfying sections 39 to 39.4, an applicant for registration or reinstatement of registration must have completed a specified course or examination not more than three years before the date of the applicant's application for registration or reinstatement of registration, or have been previously registered in the relevant category at any time during the three-year period immediately before the date of the applicant's application for registration or reinstatement of registration. Time limits on completion of courses

(2) Despite subsection (1), if a person or company completes, within the three-year period referred to in subsection (1), a specified course or examination for which another specified course or examination is a prerequisite, the specified course or examination that is the prerequisite need not have been completed during the three-year period. (EC138/02) Exception

**39.** An individual shall not be granted registration as a salesperson of an investment dealer or restricted dealer unless the individual has Requirements for investment dealers and restricted dealers

(a) been granted registration previously as a salesperson, partner or officer of an investment dealer or restricted dealer; or

(b) completed each of

- (i) the Canadian Securities Course, and
- (ii) the Conduct and Practices Course or the Partners, Directors and Senior Officers Qualifying Examination. (EC138/02)

Requirements for  
mutual fund dealers

**39.1** An individual shall not be granted registration as a salesperson of a mutual fund dealer unless the individual has

- (a) been granted registration previously as a salesperson of an investment dealer, restricted dealer or a mutual fund dealer; or
- (b) completed any one of the Canadian Securities Course, the Canadian Investment Funds Course or the Investment Funds in Canada Course. (EC138/02)

Requirements for  
scholarship plan  
dealers

**39.2** An individual shall not be granted registration as a salesperson of a scholarship plan dealer unless the individual has

- (a) been granted registration previously as a salesperson of a scholarship plan dealer; or
- (b) completed a scholarship plan dealers course. (EC138/02)

Requirements for  
securities advisers

**39.3** (1) An individual shall not be granted registration as a securities adviser or as a counselling officer of a securities adviser unless

- (a) the individual has been granted registration previously as a counselling officer of a securities adviser, investment counsel or portfolio manager or as a securities adviser, investment counsel or portfolio manager; or
- (b) the individual has
  - (i) completed the Canadian Investment Manager Program or the first year of the Chartered Financial Analyst Examination Program, and
  - (ii) established that the individual performed research involving the financial analysis of investments for at least two years under the supervision of a registered adviser.

Requirements for  
investment counsel  
and portfolio  
managers

(2) An individual shall not be granted registration as an investment counsel or portfolio manager or as a counselling officer of an investment counsel or portfolio manager unless

- (a) the individual has been granted registration previously as a counselling officer of an investment counsel or portfolio manager or as an investment counsel or portfolio manager;
- (b) the individual has
  - (i) completed either (A) the Canadian Investment Manager Program and the first year of the Chartered Financial Analyst Examination Program, or (B) the Chartered Financial Analyst Examination Program, and
  - (ii) established that the individual has been employed for five years performing research involving the financial analysis of investments and that three of the five years have been under the

supervision of a registered adviser having the responsibility on a discretionary basis for the management or supervision of investment portfolios having an aggregate value of not less than \$5,000,000; or

(c) the individual has a combination of experience and educational qualifications which, in the opinion of the Registrar, are the equivalent to the requirements set out in (a) and (b). (EC138/02)

**39.4** (1) A registered salesperson of a mutual fund dealer shall not trade in the securities of a labour sponsored investment fund on behalf of the mutual fund dealer unless the salesperson has successfully completed a labour sponsored investment funds course. Certain trading restricted

(2) A mutual fund dealer shall not trade in the securities of a labour sponsored investment fund, except through a registered salesperson who has successfully completed a labour sponsored investment funds course. (EC138/02) *Idem*

**40.** Notwithstanding section 38.3 to 39.4, where the Registrar is satisfied that an individual has the educational qualifications and experience that are equivalent to what is required in those sections, the Registrar may, subject to such terms and conditions as he may impose, exempt the individual from those sections. (EC165/89; EC138/02) Exemption

**41.** (1) Subject to subsection (2), no individual shall be granted registration or renewal of registration as a salesman unless he is employed full time as a salesman. Full-time employment

(2) Subsection (1) does not apply to an individual granted registration or renewal of registration where Exceptions

(a) the individual holds a license as an insurance agent under the *Insurance Act* and is in the employ or under the sponsorship of the dealer who proposes to employ him;

(b) with the written consent of the dealer employing him and the Registrar, the individual is employed outside the normal working hours and there is no conflict of interest arising from his duties as a salesman and his outside employment;

(c) the individual is carrying on an activity which in the opinion of the employer will not in the circumstances interfere with his duties and responsibility as a salesman and there is no conflict of interest arising from his duties as a salesman and his other activity;

(d) the individual is a part-time student enrolled in a business, commercial or financial course;

(e) the individual is a full-time student enrolled in a business, commercial or financial course and the student satisfies the Registrar

that he or she has a present intention of continuing a career in the investment business;  
 (f) the individual is otherwise employed for six months or less during a calendar year and while so employed is not employed as a salesperson; or  
 (g) the individual is carrying on a hobby, recreational or cultural activity which, in the opinion of the Registrar, will not interfere with the individual's duties and responsibilities as a salesperson.  
 (EC165/89; 138/02)

#### APPLICATION FOR REGISTRATION

Application **42.** Unless the Registrar permits or requires otherwise, an applicant for registration as a broker, adviser, salesperson or counselling officer shall complete and execute such form as the Director may approve, unless the information required has previously been filed by the applicant and the information as previously filed is current and correct as at the date of the application. (EC138/02)

**Sections 43 to 45 are revoked by EC138/02.**

**Sections 45.1 to 45.8 are revoked by EC648/03.**

**Sections 45.9 to 45.98 are revoked by EC138/02.**

#### REPORTING TO REGISTRAR

Financial statements **46.** Every broker and adviser shall deliver to the Registrar within ninety days after the end of its financial year a copy of its financial statements for the financial year. (EC165/89; 138/02)

*Idem* **47.** The financial statements required to be delivered under section 46 shall include  
 (a) an income statement, a statement of surplus and a statement of changes in financial position, each for the financial year; and  
 (b) a balance sheet as at the end of the financial year, signed by one director of the registrant. (EC165/89)

#### EXEMPTION FROM REGISTRATION AS ADVISER

Registration not required **48.** Registration as an adviser is not required by a broker acting as a portfolio manager where  
 (a) a stock exchange in the case of a broker who is a member of an exchange, or the Investment Dealers Association of Canada in the case of a broker who is a member of the Investment Dealers

- Association of Canada, as the self-regulatory body to whose discipline the broker is subject has passed bylaws or regulations that
- (i) govern the activities of its members as portfolio managers,
  - (ii) impose standards and conditions applicable to all members managing the investment portfolios of clients through discretionary authority granted by the clients, and
  - (iii) together with amendments thereto, have been approved by the Registrar as the substantial equivalent of the requirements and conditions of registration for portfolio managers;
- (b) a stock exchange or the Investment Dealers Association of Canada has
- (i) recognized certain activities of the broker as being the equivalent of those of a portfolio manager and has so advised the Registrar, and
  - (ii) with respect to the broker, provided the Registrar with
    - (A) the names of a partner, officer or employee designated and approved pursuant to the applicable bylaws or regulations to make investment decisions on behalf of or to offer advice to clients, and
    - (B) changes made in the designation and approval of a partner, director, officer or employee; and
  - (c) the designated and approved individuals referred to in clause (b), who are resident in the province, are registered, designated or approved to trade in securities under the Act. (EC138/02)

ENDORSEMENT OF WARRANT

**49.** The endorsement of a warrant referred to in section 30 of the Act shall be in the following form: Endorsement of warrant form

ENDORSEMENT OF WARRANT  
 Province of Prince Edward Island )  
 )  
 ..... )  
 (territorial jurisdiction) )

Pursuant to subsection 30(1) of the *Securities Act* and pursuant to application this day made to me, I hereby authorize the execution of this warrant within the said territorial jurisdiction.

DATED this ..... day of ....., 20....., at .....

.....  
 (a Provincial Court Judge or Justice in and  
 for the Province of Prince Edward Island)  
 (EC165/89; 138/02)