

ASC NOTICE
RULE AMENDMENTS
RELATING TO DERIVATIVES REGULATION
CONSEQUENTIAL TO PROCLAMATION OF
THE SECURITIES AMENDMENT ACT, 2014

21 October 2014

Introduction

The Alberta Securities Commission (the **Commission**) is adopting amendments to each of the following rules, effective October 31, 2014:

- *Alberta Securities Commission Rules (General)*;
- *Alberta Securities Commission Rule 15-503 Production of Records*;
- *National Instrument 21-101 Marketplace Operation*;
- *National Instrument 23-102 Use of Client Brokerage Commissions*;
- *National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103)*; and
- *National Instrument 55-104 Insider Reporting Requirements and Exemptions* (collectively, the **Amendments**).

Changes will also be made to Companion Policy 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* and Companion Policy 81-102 *Investment Funds* (the **Changes**). The Amendments harmonize the rules, and the Changes harmonize the companion policies, with the derivatives-related amendments to the *Securities Act (Alberta)* (**Act**) set out in the *Securities Amendment Act, 2014* (**Bill 3**) which will be proclaimed on October 31, 2014.

Background

The statutory amendments are set out in Bill 3, which is available on the website of the Legislative Assembly of Alberta. On proclamation, Bill 3 will amend the Act to create a framework for derivatives regulation. Among other things, the Act will be amended to add a definition of derivative and to repeal and replace throughout the Act the terms “exchange contract” and “futures contract” with the term “derivative”.

One comment letter was received from the Investment Industry Association of Canada (**IIAC**). The concern raised by IIAC in that comment letter is being addressed in another project.

Substance and Purpose of the Amendments

To reflect the statutory change in terminology, the Amendments are intended to make conforming changes to each of the rules referenced above, and the Changes are intended to make conforming changes to each of the companion policies referenced above. For example, changing

each current reference to the terms “exchange contract” or “futures contract” to the term “derivative”.

The Amendments are attached as Annexes to this Notice and the Changes are attached as Schedules to this Notice.

Questions

Please refer your questions to the following person:

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ANNEX A

AMENDMENTS TO ALBERTA SECURITIES COMMISSION RULES (GENERAL)

1. *The Alberta Securities Commission Rules (General) are amended by this Instrument.*
2. *The heading to Part 4 is replaced with the following:*

PART 4 TRADING IN SECURITIES AND DERIVATIVES GENERALLY.

3. *Section 8(1) is amended*
 - (a) *by replacing “futures contract” with “derivative” wherever it occurs,*
 - (b) *in paragraph (a)(ii) by adding “and derivatives” after “securities”, and*
 - (c) *in paragraph (e) by adding “and derivatives” after “securities” wherever it occurs.*
4. *Section 8(2) is amended by replacing “futures contracts” with “derivatives” wherever it occurs.*
5. *Section 9(1) is amended by*
 - (a) *replacing “an” with “a”, and*
 - (b) *replacing “exchange contract” with “derivative” wherever it occurs.*
6. *Section 10 is amended by replacing “exchange contract” with “derivative”.*
7. *Section 11 is amended by*
 - (a) *replacing “an” with “a”, and*
 - (b) *replacing “exchange contract” with “derivative” wherever it occurs.*
8. *Section 12 is amended by replacing “exchange contract” with “derivative” wherever it occurs.*
9. *Section 13 is amended by*
 - (a) *replacing “an” with “a”, and*
 - (b) *replacing “exchange contract” with “derivative” wherever it occurs.*

10. *Section 14 is amended by replacing “exchange contracts” with “derivatives” wherever it occurs.*
11. *Section 16(1)(a) is amended by*
 - (a) replacing “exchange contracts” with “derivatives”, and*
 - (b) replacing “an exchange contract” with “a derivative”.*
12. *Section 16(3) is amended*
 - (a) in paragraph (a) by replacing “an exchange contract” with “a derivative”, and*
 - (b) in paragraph (b) by replacing “exchange contract” with “derivative”.*
13. This Instrument comes into force on October 31, 2014.

ANNEX B

**AMENDMENTS TO
ALBERTA SECURITIES COMMISSION RULE 15-503 *PRODUCTION OF RECORDS***

- 1. Alberta Securities Commission Rule 15-503 Production of Records is amended by this Instrument.***
- 2. Section 1 is amended in the definition of “record” by replacing “exchange contract” with “derivative”.***
- 3. This Instrument comes into force on October 31, 2014.***

ANNEX C

**AMENDMENTS TO
NATIONAL INSTRUMENT 21-101 MARKETPLACE OPERATION**

- 1. National Instrument 21-101 Marketplace Operation is amended by this Instrument.***
- 2. Section 1.4(1) is amended by deleting “Alberta and”.***
- 3. This Instrument comes into force on October 31, 2014.***

ANNEX D

**AMENDMENTS TO
NATIONAL INSTRUMENT 23-102 USE OF CLIENT BROKERAGE COMMISSIONS**

- 1. *National Instrument 23-102 Use of Client Brokerage Commissions is amended by this Instrument.***
- 2. *Section 1.2 is amended***
 - (a) in paragraph (a) by deleting “Alberta,” and deleting “and” at the end of the paragraph,***
 - (b) by adding “, and” at the end of paragraph (b), and***
 - (c) by adding the following paragraph:***
 - (c) in Alberta, “security” includes a derivative..***
- 3. This Instrument comes into force on October 31, 2014.**

ANNEX E

AMENDMENTS TO

NATIONAL INSTRUMENT 31-103 *REGISTRATION REQUIREMENTS, EXEMPTIONS*

AND ONGOING REGISTRANT OBLIGATIONS

- 1. *National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations is amended by this Instrument.***
- 2. *Section 1.2 is amended by deleting “Alberta,”.***
- 3. *Section 1.2 is amended by renumbering it as subsection 1.2(1) and by adding the following subsection:***
 - (2) In Alberta, a reference to “securities” in this Instrument includes “derivatives”, unless the context otherwise requires..
- 4. *Section 8.2 is amended by deleting “Alberta,”.***
- 5. *Section 8.2 is amended by renumbering it as subsection 8.2(1) and by adding the following subsection:***
 - (2) Despite section 1.2, in Alberta a reference to “securities” in this Division excludes derivatives which are traded on an exchange pursuant to standardized terms determined by the exchange and cleared by a clearing agency..
- 6. *Section 8.20 is amended***
 - (a) *in subsection (1) by deleting “Alberta,”,***
 - (b) *by adding the following subsection:***
 - (1.1) In Alberta, the dealer registration requirement does not apply in respect of the following trades in a derivative on an exchange pursuant to standardized terms determined by the exchange and cleared by a clearing agency:
 - (a) a trade by a person made
 - (i) solely through an agent who is a registered dealer, if the dealer is registered in a category that permits the trade, or
 - (ii) to a registered dealer who is purchasing as principal, if the dealer is registered in a category that permits the trade;
 - (b) subject to subsection (2), a trade resulting from an unsolicited order placed with an individual who is not a resident of, and does not carry on business in, the local jurisdiction., ***and***

(c) in subsection (2) by replacing “subsection (1)(b)” with “subsections (1)(b) and (1.1)(b)”.

7. *Section 8.26(1) is amended by deleting “Alberta,”.*

8. *Section 8.26 is amended by adding the following subsection:*

(1.1) Despite section 1.2, in Alberta a reference to “securities” in this section excludes derivatives which are traded on an exchange pursuant to standardized terms determined by the exchange and cleared by a clearing agency..

9. This Instrument comes into force on October 31, 2014.

ANNEX F

**AMENDMENTS TO
NATIONAL INSTRUMENT 55-104 *INSIDER REPORTING REQUIREMENTS AND
EXEMPTIONS***

1. *National Instrument 55-104 Insider Reporting Requirements and Exemptions is amended by this Instrument.*
2. *Section 1.1(1) is amended in the definition of “derivative”*
 - (a) *in paragraph (a) by adding “Alberta,” before “New Brunswick”, and*
 - (b) *in paragraph (b) by adding “Alberta” before “New Brunswick”.*
3. *Section 1.1(1) is amended in the definition of “exchange contract”*
 - (a) *in paragraph (a) by deleting “Alberta,” and*
 - (b) *in paragraph (b) by deleting “Alberta,”.*
4. This Instrument comes into force on October 31, 2014.

SCHEDULE 1

**CHANGES TO
COMPANION POLICY 23-103 *ELECTRONIC TRADING AND
DIRECT ELECTRONIC ACCESS TO MARKETPLACES***

- 1. The changes to Companion Policy 23-103 Electronic Trading and Direct Electronic Access to Marketplaces are set out in this Schedule.***
- 2. Paragraph 1.1(2) is changed by deleting “Alberta and”.***
- 3. This change becomes effective on October 31, 2014.***

SCHEDULE 2
CHANGES TO
COMPANION POLICY 81-102 *INVESTMENT FUNDS*

1. *The changes proposed to Companion Policy 81-102 Investment Funds are set out in this Schedule.*
2. *Paragraph 2.17 is changed by deleting “and Alberta”.*
3. This change becomes effective on October 31, 2014.