

**GENERAL RULING/ORDER 33-901
SUITABILITY REQUIREMENTS**

IN THE MATTER OF
THE SECURITIES ACT, 1988

AND

IN THE MATTER OF
THE SUITABILITY REQUIREMENTS

(Section 160)

WHEREAS an application has been received by the Saskatchewan Securities Commission (the "Commission") from the staff of the Commission for an order pursuant to section 160 of *The Securities Act, 1988* (the "Act") that the provisions of subsection 26(4) of *The Securities Regulations* (the "Regulations") do not apply to certain members of the Investment Dealers Association of Canada (the "IDA");

AND WHEREAS it has been represented to the Commission that:

1. Subsection 26(4) of the Regulations requires dealers to make inquiries in order to determine the general investment needs and objectives of each client, and the suitability of a proposed purchase or sale for that client (the "Suitability Requirement");
2. The Suitability Requirement is reflected in IDA Regulation 1300.1 which requires that:

"Every member shall use due diligence:

 - (a) *to learn the essential facts relative to every customer and to every order or account accepted;*
 - (b) *to ensure that the acceptance of any order for any account is within the bounds of good business practice; and*
 - (c) *to ensure that recommendations made for any account are appropriate for the client and in keeping with his investment objectives."*
3. The Commission has recognized the IDA as a self-regulatory organization ("SRO") pursuant to section 21 of the Act under General Ruling/Order 11-902 dated July 17, 2000;
4. As a condition of recognition the IDA has agreed not to implement a new rule, amendment, or repeal an existing rule unless the Commission has approved it in writing;
5. The IDA has requested that Commission and other securities regulatory authorities which have recognized it as an SRO (the "Recognizing Regulators") to approve amendments to Regulations 1300, 1800.5 and 1900.4 and the adoption of proposed Policy No. 9 "Minimum

Requirements for Members Seeking Approval under Regulations 1300.1(e) for Suitability Relief for Trades not Recommended by the Member”;

6. The amendments to Regulations 1300, 1800.5 and 1900.4 and proposed Policy No. 9 collectively limit the application of the Suitability Requirement to securities that have been recommended by dealers, provided that the dealers comply with certain requirements (the “New Suitability Regime”);
7. The Commission, along with the Recognising Regulators, has approved the amendments to Regulations 1300, 1800.5 and 1900.4 and the introduction of Policy No. 9;
8. It is necessary to waive the application of subsection 26(4) for members of the IDA which comply with the New Suitability Regime;

AND WHEREAS the Commission is of the opinion that it would not be prejudicial to the public interest to make this order;

IT IS HEREBY ORDERED pursuant to section 160 of the Act that the provisions of subsection 26(4) of the Regulations shall not apply to members of the IDA who comply with the requirements of the New Suitability Regime.

Dated at Regina, Saskatchewan this 12th day of July, 2001.

“*Marcel de la Gorgendière*”
Marcel de la Gorgendière, Q.C.
Chairperson