

**SASKATCHEWAN LOCAL INSTRUMENT 33-502
REQUIREMENTS FOR SALE OF CERTAIN SECURITIES**

PART 1 - INTERPRETATION

1 Subject to Part 4, in this local instrument, “**seller**” means a partner, director, officer and salesperson of a registered dealer.

PART 2 - SELLING EXEMPT SECURITIES

“Interpretation

“2 In this Part:

(a) “**exempt security**” means a security traded pursuant to the exemptions in:

(i) sections 2.4, 2.5, 2.9, 2.10, 2.12, 2.13, 2.19, 2.30, 2.35, 2.38 and 3.3 of NI 45-106; and

(ii) section 2.3 of NI 45-106 where the trade is to a person or company mentioned in clauses (j), (k), (l) and (m) in the definition of “accredited investor” in section 1.1 of NI 45-106; and

(b) “**NI 45-106**” means National Instrument 45-106 *Prospectus and Registration Exemptions*.

Prohibitions

3 No registered dealer and none of its sellers shall trade an exempt security if any of the sellers of the registered dealer is a promoter of the issuer of the exempt security.

Prior authorization of seller required

4 No seller of a registered dealer shall trade an exempt security unless the registered dealer has given the seller written authorization before the proposed sale to trade the exempt security on behalf of the registered dealer.

Proficiency requirements

5 A seller shall successfully complete the Canadian Securities Course before the seller trades an exempt security.

Know your client and suitability

6 A seller shall:

(a) learn the essential facts with respect to an individual who proposes to purchase an exempt security; and

(b) ensure that the proposed purchase of the exempt security is appropriate for that individual and in keeping with the individual's investment objectives.

Disclosure

7 A seller who proposes to trade an exempt security shall ensure that the proposed purchaser of the exempt security understands:

- (a) the main attributes of the exempt security and the risks involved;
- (b) what the market for the exempt security is expected to be;
- (c) any resale restrictions that apply to the exempt security; and
- (d) the dollar amount of the compensation that the seller will receive from the trade and its percentage of the total purchase price.

Registered dealer obligations

8 A registered dealer shall ensure that each of its sellers complies with sections 6 and 7.

PART 3 - DISCLOSURE OF SALES CHARGES IN SCHOLARSHIP PLAN SECURITIES

Interpretation

9 In this Part, “**scholarship plan security**” means an interest in a scholarship or education plan or trust.

Disclosure

10(1) A seller who proposes to trade a scholarship plan security shall provide written disclosure that complies with this section to the purchaser.

(2) The written disclosure required by this section must be in point form and must contain the following information:

- (a) the fact that a purchaser must pay a sales charge;
- (b) the amount of sales charge per unit;
- (c) the total number of units purchased;
- (d) the total sales charge;
- (e) the fact that the sales charge is deducted from early deposits;
- (f) the fact that a purchaser has the right to withdraw from the plan within 60 days after signing the subscription without paying any sales charge; and
- (g) the fact that the sales charge will be deducted from a purchaser's contributions if he withdraws from the plan after 60 days.

Explanation

11(1) The seller shall explain to the purchaser the information contained in the written disclosure mentioned in section 10 at the time the purchaser subscribes for the scholarship plan securities.

(2) The seller must be satisfied that the purchaser understands the information before the seller trades a scholarship plan security to the purchaser.

PART 4 - SALE OF LABOUR SPONSORED INVESTMENT FUND SECURITIES

Interpretation

“12 In this Part:

(a) “**labour-sponsored venture capital fund security**” means a security issued by:

(i) a labour-sponsored venture capital corporation as defined in *The Labour-sponsored Venture Capital Corporations Act*, (Saskatchewan); or

(ii) a registered labour-sponsored venture capital corporation as defined in the *Income Tax Act* (Canada);

(b) “**seller**” does not include a partner, director, officer or salesperson of a registered investment dealer.”

Proficiency requirements

13 Before a seller trades a labour-sponsored venture capital fund security, the seller shall complete either:

(a) the Canadian Securities Course;

(b) the Labour Sponsored Investment Funds course offered by The Investment Funds Institute of Canada; or

(c) a course approved by the Director for the purpose of this section.

Disclosure

14(1) A seller who proposes to trade a labour-sponsored venture capital fund security shall provide to the proposed purchaser the written disclosure that complies with this section.

(2) The written disclosure required by this section must be in point form and must contain the following information:

(a) that venture capital investing involves certain risks that investors do not have with other mutual funds and what those risks are;

- (b) that investors should read the prospectus, especially the section discussing risk factors before they decide to invest;
 - (c) that an investment in a venture capital fund is appropriate only if an investor can absorb a loss of some or all of the money he or she invests;
 - (d) that a venture capital investment involves a longer term commitment than is typical for other types of mutual funds and why;
 - (e) that investors will be subject to certain conditions when they invest, including:
 - (i) the fact that venture capital funds may restrict total redemptions to a certain percentage of total assets in any one year and what that percentage is;
 - (ii) the fact that, if investors redeem their shares within the minimum investment term, they will have to repay their tax credits and what the minimum investment term is;
 - (iii) the fact that investors will be charged an early redemption fee, including what the fee is and over what period the fee will be charged, and the period that must expire before there is no redemption fee.
- (3) The seller shall explain the information contained in the written disclosure to the purchaser at the time the purchaser subscribes for the labour-sponsored venture capital fund securities.
- (4) The seller must be satisfied that the purchaser understands the information before the seller trades a labour-sponsored venture capital fund security to the purchaser.

Suitability

15(1) Before a seller of a registered dealer trades a labour-sponsored venture capital fund security to a purchaser, a manager of the registered dealer who has successfully completed a required examination mentioned in subsection (2) must review the proposed trade to ensure that the trade of the security is appropriate for that purchaser and in keeping with the purchaser's investment objectives.

- (2) For the purposes of subsection (1), the manager must have successfully completed either:
- (a) the Partners', Directors' and Officers' Examination offered by the Canadian Securities Institute; or
 - (b) the Officers', Partners' and Directors' Examination and the Labour Sponsored Investment Funds course, both offered by The Investment Funds Institute of Canada.