

**IN THE MATTER OF THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, NEWFOUNDLAND,  
NOVA SCOTIA AND ONTARIO**

**AND**

**IN THE MATTER OF  
THE MUTUAL RELIANCE REVIEW SYSTEM  
FOR EXEMPTIVE RELIEF APPLICATIONS**

**AND**

**IN THE MATTER OF  
HSBC INVESTDIRECT (CANADA) INC.**

**MRRS DECISION DOCUMENT**

**WHEREAS** the local securities regulatory authority or regulator (the “Decision Maker”) in each of the provinces of British Columbia, Alberta, Saskatchewan, Newfoundland, Nova Scotia and Ontario (collectively, the “Jurisdictions”) has received an application from HSBC InvestDirect (Canada) Inc. (the “Filer”) for:

1. a decision under the securities legislation of the Jurisdictions (the “Legislation”) that the requirements of the Legislation requiring the Filer and its registered salespersons, partners, officers and directors (“Registered Representatives”) to make inquiries of each client of the Filer as are appropriate, in view of the nature of the client’s investments and of the type of transaction being effected for the client’s account, to determine (a) the general investment needs and objectives of the client and (b) the suitability of a proposed purchase or sale of a security for the client (such requirements, the “Suitability Requirements”) do not apply to the Filer and its Registered Representatives; and
2. a decision under the Legislation, other than the securities legislation of Newfoundland and Nova Scotia, that the requirements of the Investment Dealers Association of Canada (the “IDA”), in particular IDA Regulation 1300.1(b), 1800.5(b) and 1900.4, requiring the Filer and its Registered Representatives to make inquiries of each client of the Filer as are appropriate, in view of the nature of the client’s investments and of the type of transaction being effected for the client’s account, to determine (a) the general investment needs and objectives of the client and (b) the suitability of a proposed purchase or sale of a security for the client (such requirements, the “IDA Suitability Requirements”) do not apply to the Filer and its Registered Representatives;

**AND WHEREAS** under the Mutual Reliance Review System for Exemptive Relief

Applications (the “System”), the Ontario Securities Commission is the principal regulator for this application;

**AND WHEREAS** the Filer has represented to the Decision Makers that:

1. the Filer is a corporation incorporated under the *Canada Business Corporations Act*;
2. the head office of the Filer is located in Ontario and the Filer has executive officers or Registered Representatives registered in each Jurisdiction;
3. the Filer is registered under the Legislation as an investment dealer and is a member of the IDA;
4. the Filer and its Registered Representatives will not, except as provided in 11 below, provide advice or recommendations regarding the purchase or sale of any security and the Filer has adopted policies and procedures to ensure the Filer and its Registered Representatives will not, with such exception, provide advice or recommendations regarding the purchase or sale of any security;
5. when the Filer provides trade execution services to clients it would, in the absence of this Decision, be required to comply with the Suitability Requirements and IDA Suitability Requirements;
6. clients who request the Filer or its Registered Representatives to provide advice or recommendations or advice as to suitability will be referred to a registered dealer or adviser that provides those services;
7. the Filer does not and will not compensate its Registered Representatives on the basis of transactional values;
8. each existing client of the Filer will be advised of the Decision of the Decision Makers and requested to acknowledge that:
  - (a) no advice or recommendation will be provided by the Filer or its Registered Representatives regarding the purchase or sale of any security, and
  - (b) the Filer and its Registered Representatives will no longer determine the general investment needs and objectives of the client or the suitability of a proposed purchase or sale of a security for the client; (both (a) and (b) shall constitute the “Client Acknowledgement”);
9. each existing client of the Filer will be advised that he or she has the option of transferring his or her account or accounts to another registered dealer at no cost to the client if the client does not wish to provide a Client Acknowledgement (the “Account Transfer Option”);

10. the Client Acknowledgement will provide the client with sufficient detail and will explain to each client the significance of not receiving either investment advice or a recommendation from the Filer, including the significance of the Filer not determining the general investment needs and objectives of the client or the suitability of a proposed purchase or sale of a security for the client;
11. the Filer and its Registered Representatives continue to comply, for eight months following the date of this Decision, with their Suitability Requirements and IDA Suitability Requirements for existing client accounts for which no Client Acknowledgement is received;
12. after the date eight months following the date of this Decision, the Filer will not permit a transaction in an account for which a Client Acknowledgement has not been received unless the transaction is a sale for cash or a transfer of assets to another account;
13. all prospective clients of the Filer will be advised and required to acknowledge that:
  - (a) no advice or recommendations will be provided by the Filer or its Registered Representatives regarding the purchase or sale of any security, and
  - (b) the Filer and its Registered Representatives will not determine the general investment needs and objectives of the client or the suitability of a proposed purchase or sale of a security for the client, (both (a) and (b) shall constitute the "Prospective Client Acknowledgement"),prior to the Filer opening an account for such prospective client; and
14. the Filer has adopted policies and procedures to ensure:
  - (a) that evidence of all Client Acknowledgements and Prospective Client Acknowledgements is established and retained pursuant to the record keeping requirements of the Legislation and the IDA,
  - (b) all client accounts of the Filer are appropriately designated as being a client account to which a Client Acknowledgement or Prospective Client Acknowledgement has been received or being a client account to which a Client Acknowledgement has not been received, and
  - (c) for any existing client of the Filer who does not provide a Client Acknowledgement and chooses to exercise the client's Account Transfer Option, the Filer will transfer the client's account to another registered dealer in an expeditious manner and at no cost to the client;

**AND WHEREAS** under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

**AND WHEREAS** each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

**THE DECISION** of the Decision Makers under the Legislation is that the Suitability Requirements contained in the Legislation shall not apply to the Filer and its Registered Representatives so long as:

1. except as permitted by 5 below, the Filer and its Registered Representatives do not provide any advice or recommendations regarding the purchase or sale of any security;
2. clients who request the Filer or its Registered Representatives to provide advice or recommendations or advice as to suitability are referred to a registered dealer or adviser that provides those services;
3. the Filer does not compensate its Registered Representatives on the basis of transactional values;
4. each existing client of the Filer is advised of the Decision of the Decision Makers and requested to make a Client Acknowledgement or transfer his or her account to a registered dealer or adviser that provides advice or recommendations if the client does not wish to make a Client Acknowledgement;
5. the Filer and its Registered Representatives continue to comply, for eight months following the date of this Decision, with their Suitability Requirements and IDA Suitability Requirements for client accounts for which no Client Acknowledgement is received;
6. commencing eight months following the date of this Decision, the Filer will not permit transactions in an account for which a Client Acknowledgement has not been received unless the transaction is a sale for cash or a transfer of assets to another account;
7. each prospective client of the Filer is advised of the Decision of the Decision Makers and required to make a Prospective Client Acknowledgement prior to the Filer or its Registered Representatives opening an account for such prospective client;
8. evidence of all Client Acknowledgements and Prospective Client Acknowledgements is established and retained pursuant to the record keeping requirements of the Legislation and the IDA;
9. for any client who elects to exercise the client's Account Transfer Option, the Filer transfers such account or accounts to another registered dealer in an expeditious manner and at no cost to the client;

10. the Filer accurately identifies and distinguishes client accounts for which a Client Acknowledgement or Prospective Client Acknowledgement has been provided and client accounts for which no Client Acknowledgement has been provided; and
11. if an IDA rule addressing the IDA Suitability Requirements comes into effect, the Decision with respect to the Suitability Requirements will terminate one year following the date such rule comes into force, unless the Decision Maker determines otherwise.

November 10th, 2000.

“William R. Gazzard”

**THE DECISION** of the Decision Makers, other than Newfoundland and Nova Scotia, is that the IDA Suitability Requirements do not apply to the Filer and its Registered Representatives so long as:

1. except as permitted by 5 below, the Filer and its Registered Representatives do not provide any advice or recommendations regarding the purchase or sale of any security;
2. clients who request the Filer or its Registered Representatives to provide advice or recommendations or advice as to suitability are referred to a registered dealer or adviser that provides those services;
3. the Filer does not compensate its Registered Representatives on the basis of transactional values;
4. each existing client of the Filer is advised of the Decision of the Decision Makers and requested to make a Client Acknowledgement or transfer his or her account to another registered dealer if the client does not wish to make a Client Acknowledgement;
5. the Filer and its Registered Representatives continue to comply, for eight months following the date of this Decision, with the Suitability Requirements and IDA Suitability Requirements for client accounts for which no Client Acknowledgement is received;
6. commencing eight months following the date of this Decision, the Filer will not permit transactions in an account for which a Client Acknowledgement has not been received unless the transaction is a sale for cash or a transfer of assets to another account;
7. each prospective client of the Filer is advised of the Decision of the Decision Makers and required to make a Prospective Client Acknowledgement prior to the Filer or its Registered Representative opening an account for such prospective client;

8. evidence of all Client Acknowledgements and Prospective Client Acknowledgements is established and retained pursuant to the record keeping requirements of the Legislation and the IDA;
9. for any client who elects to exercise the client's Account Transfer Option, the Filer transfers such account or accounts to another registered dealer in an expeditious manner and at no cost to the client;
10. the Filer accurately identifies and distinguishes client accounts for which a Client Acknowledgement or Prospective Client Acknowledgement has been provided and client accounts for which no Client Acknowledgement has been provided; and
11. if an IDA rule addressing the IDA Suitability Requirements comes into effect, the Decision with respect to the IDA Suitability Requirements will terminate one year following the date such rule comes into force, unless the Decision Maker determines otherwise.

November 10<sup>th</sup>, 2000.

"Robert W. Davis"

"Morley Carscallen"