

## APPLICATION FOR REGISTRATION AS A DEALER

This document describes the basic requirements for registration in Alberta as a Scholarship Plan or Mutual Fund Dealer. Nothing in this document should be taken as legal advice. The service of a solicitor familiar with securities matters is recommended to assist with an application.

Please note that regulation of Investment Dealers has been delegated to the Investment Dealers Association ("IDA"). Applications for registration as an Investment Dealer should be made directly to the IDA.

In order to efficiently review the application for registration, we suggest that you complete and attach the document checklist to your initial filing. This list does not preclude requests for additional clarification and information as necessary for registration.

<b>Registration Process</b>	
<p><b>(A). If the firm has never enrolled on the NRD system:</b> enrolment with the NRD administrator will be required concurrently with preparing applications for registration. The three NRD enrolment forms, fees and other information that is required to be completed in order to enrol with the NRD administrator may be found in the Filer Manual chapter 3 located on the NRD website: <a href="http://www.nrd-info.ca">www.nrd-info.ca</a>. For additional assistance, call the NRD administrator help line: 1-800-219-5381.</p>	
<p><b>(B). If the firm has enrolled on the NRD system:</b> there is no need to enrol again.</p>	
<p><b>(C). For all firms:</b> Once enrolment has been confirmed by the NRD Administrator to the Chief AFR, a <b>letter of intent</b> to submit an application of registration specifying <b>the registration category</b> for which application will be made must be faxed on (403) 297-4113 to the attention of Patti Norman, Assistant Manager, Registration. The completed <b>NRD Form 1 - Enrolment of Firm Filer</b>, must accompany this letter.</p> <p>This information is required in order to allow the ASC to set up the firm's information so that 33-109F4s (old Form 4s) may be electronically submitted as part of the firm's application for registration.</p>	
<p><b>(D) For all firms:</b> The following documents must be submitted as part of the application for registration once <b>(A)</b> to <b>(C)</b> has been completed.</p> <p>Please be advised that processing of your application will be expedited if all required documents are submitted at the same time.</p>	
<b>Documents:</b>	<b>Enclosed</b>
1. <b>Form 3:</b> An officer or partner must sign the Form 3 not more than 10 business days before the form is delivered to the Commission.	☐
2. A list of all <b>officers and directors</b> of the firm should be attached with the Form 3 and confirmation that Form 33-109F4s have been/will be submitted for all individuals.	☐
3. <b>33-109F4 (old Form 4s):</b> Confirmation that forms have been/will be electronically completed for each advisor, officer, partner, director and shareholders (who hold greater than 10% of the firm's shares) seeking registration and submitted on NRD to the ASC.	☐
4. If the firm is applying in multi jurisdictions <b>at the same time</b> , we require a list of all jurisdictions and registration categories for which application is being concurrently made.	☐

<p><b>5. Fees:</b> Fees for application for registration of the company: \$1,150. This should be sent in cheque form at the time of filing the Form 3 and other required documentation.</p> <p>Fees for application for registration of individuals of \$288 per individual will be electronically transferred from the applicant's account as described in the Filer Manual. There are no fees payable for non-trading individuals.</p>	
<p><b>6. Business Plan:</b> This should include a detailed description of activities planned in Alberta, client market targeted, number of resident and non-resident sales persons expected to apply for registration in the next year, financial projections and details of affiliations with related companies.</p>	
<p><b>7. Original audited financial statements</b> made up at a date not more than 90 days prior to the date of the application. The audit report must have a manually executed signature of the auditor (i.e., not a photocopy or signature plate impression) and the balance sheet must have manually executed signatures of two directors or the sole director.</p> <p>In situations where audited financials are made up to a date that is more than 90 days from the application period we may consider accepting them if recent unaudited interim statements are available for review. Any decision will be subject to a review of all required information.</p>	
<p><b>8. Postponement and Subordination Agreement</b> in the attached format. This will be required in situations where long-term debt is due to shareholders or affiliates and repayment would likely cause a working capital deficiency.</p>	
<p><b>9. Audited Statement of Adjusted Liabilities</b> as at the Financial Statement date. The attached form may be used.</p>	
<p><b>10. Minimum Net Fee Capital:</b> Provide clarification on how the firm will monitor capital so as to ensure minimum net free capital pursuant to section 23 of the ASC Rules is continuously maintained. The attached form may be used to calculate net free capital.</p>	
<p><b>11. Management Report and Auditors Report on compliance with National Instrument 81-102 Parts 9-11.</b> In the case of business start-ups, an audit opinion letter commenting on the suitability of procedures/controls and their compliance with National Instrument 81-102 Parts 9-11 is required.</p>	
<p><b>12. A letter from the bonding company</b> addressed to the ASC confirming terms of the Financial Institution bond and attaching a copy of the bond (s.25 of the ASC Rules)</p>	
<p><b>13. An original signed surety bond</b> for a minimum of \$25,000 in accordance with Form 19 (s. 25(2) (b) of the ASC Rules).</p>	
<p><b>14. Certified copy of director's resolution</b> referring to section 25 of the ASC Rules This resolution must be clear that (a) full consideration has been given to the amount of bonding and insurance necessary to cover insurable risks in the firm's business and (b) either (i) the minimum amount of coverage required by the ASC Rules is sufficient or (ii) the minimum amount of coverage required by the ASC Rules is not sufficient and state an amount of coverage that would be adequate. (s. 25(4) of the ASC Rules).</p>	
<p><b>15. Copy of company's policy and procedure manual</b> for our review (s.30 of the ASC Rules).</p>	
<p><b>16. An "Acknowledgement of Responsibility Form"</b> as attached must be completed by the individual designated as the Alberta Trading Officer.</p>	
<p><b>17. Detailed explanation of how the applicant intends to comply with the requirements of:</b></p> <ul style="list-style-type: none"> <li>• s. 29 of the ASC Rules on Records to be maintained.</li> <li>• s. 39 of the ASC Rules on Client Statements.</li> </ul>	
<p><b>18. A copy of the "New Client Application Form".</b> This form must meet the requirements of ASC Policy 3.1. If additional forms are used to assess suitability and collect "Know Your Client " information, this must be included.</p>	
<p><b>19. Copy of the Certificate of Registration</b> with Alberta Corporate Registry.</p>	

20. Notarized copy of the <b>Articles of Incorporation</b> .	
21. Copy of the <b>standard sales representative agreement and any other agreements between the firm and the individuals applying for registration (e.g., Branch Manager agreements, Trading Officer agreements)</b> .	
22. Disclosure of <b>referral arrangements</b> that will be potentially used for Alberta clients.	
23. Copy of the <b>letter of direction to the applicant's auditor</b> (section 58(1)(b) of the ASC Rules).	
24. Information on the <b>Alberta office</b> that has been established including address and confirmation that this is not a residential office.	
<p>25. <b>If the firm is applying for registration as a Mutual Fund Dealer:</b> provide confirmation of membership in the Mutual Fund Dealers Association ("MFDA"). A copy of the MFDA review report detailing issues requiring follow up is required along with the firm's response.</p> <p>If the firm in the process of applying with the MFDA, provide a copy of the application form and the preliminary review letter or any other correspondence in regard to the application for membership with the MFDA.</p>	

## Sample Letter of Direction to a Registrant's Auditors

*(date)*

*(Firm Name)*

*(Address)*

Attention: *(Partner or Manager)*

Dear Sirs:

**Re: Section 58 of the Alberta Securities Commission (General) Rules**

Please accept this as your direction to conduct any audit requested by the Alberta Securities Commission. *(Registrant Name)* will pay all costs related to any audit or audit procedures that you are directed to conduct.

Yours truly,

*(Officer Name)*

*(Office)*

*(Registrant Name)*

## Acknowledgement of Responsibility

To: The Alberta Securities Commission

I, \_\_\_\_\_, \_\_\_\_\_ of  
(name) (title)

\_\_\_\_\_ (the "Company") acknowledge  
(company or firm)

that I am the person designated by the Company under Section 30(3) of the Alberta Securities Commission (General) Rules (the "Rules") as responsible for the operations of the Company in Alberta.

I confirm on behalf of the Company that the Company and its officers and directors understand the restrictions on managing client accounts, handling client funds and securities which are set out in sections 17(2), 30(1), 30(3) and 31 of the Rules. I also confirm on behalf of the Company that procedures will be followed to ensure that it complies with these restrictions.

\_\_\_\_\_  
(name)

\_\_\_\_\_  
(title)

\_\_\_\_\_  
(company or firm)

Note: The individual signing this must be registered (i.e. be a "Trading Officer" or an "Advising Officer") or an applicant for registration in Alberta.

POSTPONEMENT AND SUBORDINATION AGREEMENT

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(hereinafter called the "Lender")

- and -

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(hereinafter called the "Debtor")

POSTPONEMENT AND SUBORDINATION

WHEREAS the Debtor is engaged in business as a \_\_\_\_\_ and such business is carried on in the City/Town of \_\_\_\_\_, Province of \_\_\_\_\_.

WHEREAS ON THE \_\_\_\_ DAY OF \_\_\_\_\_, 20 \_\_\_\_, the Debtor borrowed from the Lender a sum of \$ \_\_\_\_\_, repayable with interest at the rate of \_\_\_\_\_ per annum (hereinafter called the "loan"), the sum being needed for the carrying on of the business of the Debtor;

NOW THEREFORE, this agreement witnesses that, in consideration of \$1 paid by the parties to each other, receipt of this sum being acknowledged by each of the parties, the parties agree as follows:

1. The loan and all monies payable in respect thereof are hereby declared to be subordinate to, and the repayment of the loan, and all monies repayable in respect thereof, is hereby postponed to all claims of other present and future creditors of the Debtor, to the extent that all such creditors shall in the event of the dissolution, winding-up, liquidation, insolvency or bankruptcy of the Debtor be paid their existing claims in full in priority to the claims of the Lender and before the Lender shall have any claim upon any property belonging or which belonged to the Debtor or shall have any right to receive any payment in respect to the loan.
2. Without the prior written consent of the Executive Director of the Alberta Securities Commission, the Lender will not demand or accept payment of and the Debtor will not repay the loan or any part thereof provided that this requirement shall not apply to the payment of interest at the rate herein before mentioned as and when it becomes due and payable.
3. During the term of this agreement, any loan or advance or posting of security for a loan or advance by the Debtor to the Lender, shall be deemed to be a payment on account of the loan which is the subject of this agreement.

4. In this agreement "Debtor" shall include every successor thereof and every successor to the Debtor or of any such successor or to any part of such business and every firm which contains the Debtor or any partner thereof.
5. This agreement shall be binding upon and enure to the benefit of the parties hereto and their respective legal representatives.

DATED AT \_\_\_\_\_, in the Province of \_\_\_\_\_,  
the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

In the Presence of:

Name: \_\_\_\_\_

On behalf of: \_\_\_\_\_  
(Lender)

Name: \_\_\_\_\_

On behalf of: \_\_\_\_\_  
(Debtor)

## NOTICE

A breach of this postponement and subordination agreement will be considered by the Alberta Securities Commission sufficient cause for immediate suspension of registration.

This form should be executed in triplicate with one duly executed copy to be delivered to the Alberta Securities Commission.



## AUDITORS' REPORT

TO: The Alberta Securities Commission

We have audited the following financial statement:

Statement of Adjusted Liabilities

of \_\_\_\_\_ as at \_\_\_\_\_ 20 \_\_\_\_\_  
*(firm)* *(date)*  
and \_\_\_\_\_ 20\_\_\_\_\_. This financial statement is the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the statement of adjusted liabilities is presented fairly, in all material aspects, in accordance with the applicable instructions for that statement.

\_\_\_\_\_  
*(date)*

*(signature)*

\_\_\_\_\_  
*(place of issue)*

NET FREE CAPITAL CALCULATION  
MUTUAL FUND DEALER

Company name: \_\_\_\_\_

Date of Financial Information: \_\_\_\_\_

A.	Working Capital	\$	
	Current Assets		
	Less: Current Liabilities		
	Working Capital		===== A
B.	Capital Required		
	1. On Adjusted Liabilities <sup>1</sup> (A/L) – the greater of (a) and (b) below:		
	(a) 10% of the first \$2,500,000 of A/L		
	8% of the next \$2,500,000 of A/L		
	7% of the next \$2,500,000 of A/L		
	6% of the next \$2,500,000 of A/L		
	5% of A/L in excess of \$10,000,000		
		\$ _____	
	(b) \$25,000		
	The greater of line (a) and \$25,000		B.1
	2. Deductible under Brokers Blanket Bond		_____ B.2
	Total Capital Required (line B.1 + line B.2)		=====
C.	Excess Net Free Capital (line A – line B)	\$	=====

Balance in trust account \$ _____		Total receipts into trust account \$ _____
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Total trust liabilities \$ _____		Total payments from trust account \$ _____
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<sup>1</sup> Adjusted liabilities are calculated in accordance with the definition in Section 14 of the ASC (General) Rules. For most mutual fund dealers, the following calculation gives the same result as the complete definition:

Total liabilities	\$	
Less: Cash		
Trust fund assets		_____
	\$	=====

**STATEMENT OF ADJUSTED LIABILITIES**

(as at \_\_\_\_\_ with comparative figures as at \_\_\_\_\_)

REFERENCE	CURRENT <u>YEAR</u>	PREVIOUS <u>YEAR</u>
1. Total liabilities .....	\$ _____	\$ _____
<b>Add:</b>		
2. Outstanding future commitments .....	_____	_____
3. Subtotal .....	_____	_____
<b>Deduct:</b>		
4. Cash .....	_____	_____
Funds deposited in trust for RRSP and other similar accounts .....	_____	_____
Amount receivable on demand under a standby subordinated loan agreement with a Canadian chartered bank.....	_____	_____
5. Variable deposits with clearing corporations .....	_____	_____
6. Market value of securities owned [long] having a margin rate of 5% or less and other securities owned covered by sales commitments to defined financial institutions [Note] .....	_____	_____
7. Accrued interest relating to securities in line 6 above.....	_____	_____
8. Debit balances with defined financial institutions.....	_____	_____
9. Active debit balances with member's own approved affiliated/related companies [subject to the audit requirements of one of the Joint Regulatory Bodies].....	_____	_____
10. The market value of securities having a margin rate of 5% or less [not exceeding the debit balance thereof], included in:		
(a) joint accounts .....	_____	_____
(b) clients' accounts .....	_____	_____
(c) brokers' and dealers' accounts .....	_____	_____
(d) secured loans receivable .....	_____	_____
<i>Do not duplicate deductions made under items 8 &amp; 9</i>		
11. Margin deposits receivable from options and futures clearing corporations operating in Canada.....	_____	_____
12. Total deductions .....	_____	_____
13. <b>ADJUSTED LIABILITIES</b> .....	\$ _____	\$ _____

(see notes and instructions on facing page)

## NOTES AND INSTRUCTIONS

If filing on a modified capital calculation basis, total liabilities and the deduction on line 6 above must be calculated using settlement date basis.

For purposes of lines 6 and 10 only, stripped coupons, residual debt instruments and mortgage-backed securities should be regarded as having a margin rate equivalent to the margin rate of the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates provided that the maturity date of the coupon or other evidence of interest shall be the payment date of the interest.

**Line 11** - This item represents the cash portion of the deposits lodged with options and futures clearing corporations which relate to positions carried by the firm.