

Connecting you coast to coast



Did you know?

1) Exempt Market Dealers (EMD) can trade a broad range of securities in any industry.

EMDs may act as a dealer or underwriter for any securities that are prospectus exempt and as a dealer for any investment funds that are prospectus qualified or prospectus exempt (without requiring registration as a mutual fund dealer). EMD clients are typically purchasers who (i) qualify as accredited investors, (ii) purchase a minimum of \$150,000 of a security, (iii) purchase pursuant to the offering memorandum exemption or (iv) purchase a security under any one of the other 15 prospectus exemptions that are available (i.e. friends, family and business associates, etc.) according to the securities regulations of each province or territory.

2) Each EMD, and the registered representatives who work for it, must pass a background check and be properly trained.

Before an EMD firm is registered it must pass background checks, submit comprehensive business information to securities regulators and comply with ongoing personal, financial and professional disclosure obligations. Prior to registration with an EMD, any individual dealing representative must pass specific qualification exams or achieve certain professional designations and clear a background check by securities regulators.

3) EMD's are a comprehensive dealer registration category.

EMD's must comply with the full regulatory requirements for a dealer, including:

- Proficiency for its registered individuals and chief compliance officer
- Minimum capital and excess working capital
- Annual audited financial statements
- Books and records
- Compliance systems and internal controls
- Disclosure of referral arrangements
- Policies and procedures manuals
- Trade confirmations and regular client statements
- Establish procedures for complaint handling
- Provide an independent dispute resolution service



Registered EMD's hold client assets in separate trust fund accounts for the client's safety and security.

4) EMDs must have comprehensive insurance.

A registered EMD must maintain insurance or bonding so as to further protect the safety of an investor's assets. This insurance must include coverage for any loss through dishonest or fraudulent acts of employees, loss of money or securities either on premises or in transit through robbery, burglary, theft, hold-up or other fraudulent means and forgery or alterations to any cheques, bank drafts, promissory notes or any securities or other written instruments.

5) EMD firms must know the products they sell, and the clients they sell them to.

EMDs must follow the same "Know Your Client" procedures as any other registered dealer. This ensures that each client's profile is understood and confirmed prior to an EMD recommending any purchase or sale of an exempt security. EMD representatives are also required to make certain that any investment in a security is suitable for each client by considering the particular investment as well as each individual client's investment goals and concerns.

6) Supervision of Dealing Representatives.

EMD representatives are supervised by the firm's Ultimate Designated Person and Chief Compliance Officer, which are registered with securities regulators and are required for each registered EMD. These individuals are responsible for promoting compliance with securities legislation, and for supervising all registerable activities.

7) Choosing an EMD?

Investors can check whether a firm or individual is properly registered in the province they are doing business in by consulting the website of their local provincial securities regulator. The securities regulators will also have information on the firm or dealer, as well as general investment information to help educate and guide individuals. You can find a link to the website of each provincial and territorial securities regulator in Canada on the EMDA website at www.emdacanada.com.

8) Complaint Resolution.

EMDs are required to document and respond in a fair and effective manner to each complaint made to the firm about any product or service. Each EMD is also required to provide the investor with access, at the firm's expense, to independent dispute resolution or mediation service, should it be required.

www.EMDAcanada.com

