

THE COMMISSIONER OF CORPORATIONS HEREBY ADOPTS
THE FOLLOWING CHANGES IN THE REGULATIONS UNDER THE
CORPORATE SECURITIES LAW OF 1968
AS SET FORTH IN CHAPTER 3, TITLE 10,
CALIFORNIA CODE OF REGULATIONS
EFFECTIVE: June 23, 2001

1. Adopt Section 260.105.40 to read:

260.105.40. Certain Canadian Tax-Deferred Retirement Savings Accounts and Canadian Residents. The offer and sale of Canadian securities to or for a "Canadian Retirement Account", as defined by 17 CFR 230.237(a)(2) or 17 CFR 7d-2(a)(2), respectively, or to or for a Canadian resident temporarily resident in or visiting California with whom the Canadian broker-dealer had a bona fide broker-dealer-client relationship before the Canadian resident entered the United States are exempt from the qualifications requirements of Sections 25110, 25120 and 25130 of the Code; provided, that the offer and sale of such Canadian securities are exempt from registration under the Securities Act of 1933. For the purposes of this section, "Canadian securities" means any security issued by an issuer organized under the laws of Canada or its provinces or territories.

Note: Authority cited: Sections 25105 and 25610, Corporations Code. Reference: Section 25105, Corporations Code.

2. Adopt Section 260.204.10 to read:

260.204.10. Certain Canadian Broker-Dealers; Agents. (a) A broker-dealer that is resident in Canada and has no office or other physical presence in this state is not subject to the certification requirements of Section 25210 and may effect transactions in Canadian securities in this state; provided, the broker-dealer is effecting transactions in securities with or for, or inducing or attempting to induce the purchase or sale of any security by: (1) a Canadian resident who is temporarily resident in or visiting this state, with whom the Canadian broker-dealer had a bona fide broker-dealer-client relationship before the Canadian resident entered the United States; or (2) a “Canadian Retirement Account”, as defined by 17 CFR 230.237(a)(2) or 17 CFR 7d-2(a)(2), respectively, of which the holder or contributor thereto is a permanent or temporary resident or visitor in this state.

(b) An agent who will be representing a Canadian broker-dealer effecting transactions in securities under this rule may, subject to the provisions of this rule, effect transactions in securities in this state as permitted for the broker-dealer in subsection (a).

(c) A Canadian broker-dealer may effect transactions in securities under this rule only if: (1) registered as a broker or dealer in good standing in the jurisdiction from which it is effecting transactions into this state; and (2) a member of a self-regulatory organization or stock exchange in Canada.

(d) An agent representing a Canadian broker-dealer effecting transactions in securities in this state is required to be registered in good standing in the jurisdiction from which he or she is effecting transactions into this state.

(e) A Canadian broker-dealer effecting transactions in securities under this rule shall: (1) maintain its provincial or territorial registration and its membership in a self-regulatory organization or stock exchange in good standing; (2) provide the Commissioner upon request with its books and

records relating to its business in the state as a broker-dealer in reliance upon this exemption; and (3) in connection with its reliance upon this exemption, disclose to its clients in the state that the broker-dealer and its agents are not subject to the certification requirements under the Code.

(f) An agent of a Canadian broker-dealer effecting transactions in securities under this section shall maintain his or her provincial or territorial registration in good standing.

(g) A Canadian broker-dealer or agent may only effect transactions in securities in this state: (1) as permitted in subsection (a) or (b); (2) with or through (i) the issuers of the securities involved in the transactions, (ii) other broker-dealers, and (iii) banks, savings institutions, trusts companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts, or other financial institutions or institutional buyers, whether acting for themselves or as trustees; and (3) as otherwise permitted by the Code.

(h) A Canadian broker-dealer and an agent of a Canadian broker-dealer shall not be entitled to rely on the exemption under this rule if that person: (1) has been convicted within ten years preceding the transaction for which the exemption is to be relied upon of (i) a felony or misdemeanor of which fraud is an essential element or (ii) a felony or misdemeanor involving the purchase or sale of securities or arising out of conduct incident to doing business as a broker-

dealer or agent; or (2) is subject to an order, judgment, or decree issued by a self-regulatory organization, administrative body or court of competent jurisdiction (i) finding a violation of an investment-related law or rule of which fraud is an essential element and (ii) enjoining, restraining, suspending, revoking, censuring, or barring the broker-dealer or agent, as the case may be, from engaging in or continuing any conduct or practice in connection with the sale or purchase of securities.

(i) For purposes of this section, "Canadian securities" means any security issued by an issuer organized under the laws of Canada or its provinces or territories.

(j) For purposes of this section, registration with the Bureau des services financiers in Quebec shall be deemed to be membership in a self-regulatory organization or stock exchange in Canada.

Note: Authority cited: Sections 25204 and 25610, Corporations Code. Reference: Sections 25204 and 25210, Corporations Code.

3. Adopt Section 260.204.11 to read:

260.204.11. Pacific Exchange, Inc. An exemption from the provisions of Section 25210 of the Code is hereby granted, as being necessary and appropriate in the public interest, to any persons who are members of the Pacific Exchange, Inc. that do not carry public customer accounts but conduct proprietary or firm trading activity or act as agents for other broker-dealers through

the facilities of the Pacific Exchange, Inc. with other broker-dealer members of the Pacific Exchange, Inc.

Note: Authority cited: Sections 25204 and 25610, Corporations Code. Reference: Sections 25204 and 25610, Corporations Code.

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