

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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SENATE BILL 275
Judiciary I Committee Substitute Adopted 3/29/01

Short Title: Canadian Dealers/Salesmen Registration. (Public)

Sponsors:

Referred to:

March 1, 2001

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE A LIMITED REGISTRATION PROCEDURE FOR
3 CANADIAN SECURITIES DEALERS AND SALESMEN.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** Article 5 of Chapter 78A of the General Statutes is amended
6 by adding a new section to read:

7 **"§ 78A-36.1. Limited registration of Canadian dealers and salesmen.**

8 (a) A dealer that is a resident of Canada and that has no office or other physical
9 presence in this State may effect transactions in securities with or for, or induce or
10 attempt to induce the purchase or sale of any security by:

11 (1) A person from Canada who is residing in this State temporarily and
12 with whom the Canadian dealer had a bona fide dealer-client
13 relationship before the person entered the United States; or

14 (2) A person from Canada who is a resident of this State and whose
15 transactions are in a self-directed tax advantaged retirement plan in
16 Canada of which the person is the holder or contributor.

17 This subsection only applies to dealers that are registered in accordance with this
18 section.

19 (b) A salesman who will be representing a Canadian dealer registered under this
20 section may effect transactions in securities in this State as permitted for the dealer in
21 subsection (a) of this section, only if the salesman is registered in accordance with this
22 section.

23 (c) A Canadian dealer may register under this section provided that it meets all of
24 the following conditions:

25 (1) The dealer files an application in the form required by the jurisdiction
26 in which it has its head office.

27 (2) The dealer files a consent to service of process.

1 (3) The dealer is registered as a dealer in good standing in the jurisdiction
2 from which it is effecting transactions into this State and files evidence
3 thereof.

4 (4) The dealer is a member of a self-regulatory organization, the Bureau
5 des services financiers or a stock exchange in Canada.

6 (d) A salesman who will be representing a Canadian dealer registered under this
7 section in effecting transactions in securities in this State may register under this section
8 provided that the salesman meets all of the following conditions:

9 (1) The salesman files an application in the form required by the
10 jurisdiction in which the dealer has its head office.

11 (2) The salesman files a consent to service of process.

12 (3) The salesman is registered in good standing in the jurisdiction from
13 which the salesman is effecting transactions into this State and files
14 evidence thereof.

15 (e) If no denial order is in effect and no proceeding is pending under G.S. 78A-
16 39, registration becomes effective on the thirtieth day after an application is filed, unless
17 the registration is made effective earlier.

18 (f) A Canadian dealer registered under this section shall meet all of the following
19 conditions:

20 (1) The dealer maintains its provincial or territorial registration and its
21 membership in a self-regulatory organization, the Bureau des services
22 financiers or a stock exchange in good standing.

23 (2) The dealer provides the Administrator, upon request, with its books
24 and records relating to its business in this State as a dealer.

25 (3) The dealer informs the Administrator forthwith of any criminal action
26 taken against it or of any finding or sanction imposed on the dealer as
27 a result of any self-regulatory or regulatory action involving fraud,
28 theft, deceit, misrepresentation, or similar conduct.

29 (4) The dealer discloses to its clients in this State that the dealer and its
30 agents are not subject to the full regulatory requirements under this
31 Article.

32 (g) A salesman of a Canadian dealer registered under this section shall meet all
33 of the following conditions:

34 (1) The salesman maintains the salesman's provincial or territorial
35 registration in good standing.

36 (2) The salesman informs the Administrator forthwith of any criminal
37 action taken against the salesman or of any finding or sanction
38 imposed on the salesman as a result of any self-regulatory or
39 regulatory action involving fraud, theft, deceit, misrepresentation, or
40 similar conduct.

41 (h) Renewal applications for Canadian dealers and salesmen under this section
42 shall be filed before December 31 of each year and may be made by filing the most
43 recent renewal application, if any, filed in the jurisdiction in which the dealer has its
44 head office, or if no such renewal application is required, the most recent application

1 filed pursuant to subdivision (c)(1) of this section or subdivision (d)(1) of this section,
2 as applicable.

3 (i) Every applicant for registration or renewal of registration under this section
4 shall pay the fee for dealers and salesmen as required in this Chapter.

5 (j) Every Canadian dealer or salesman registered under this section may effect
6 transactions in this State only:

7 (1) As permitted in subsection (a) or (b) of this section, and

8 (2) With or through:

9 a. The issuers of the securities involved in the transactions;

10 b. Other dealers; and

11 c. Banks, savings institutions, trust companies, insurance
12 companies, investment companies, as defined in the Investment
13 Company Act of 1940, pension or profit-sharing trusts, or other
14 financial institutions or institutional buyers, whether acting for
15 themselves or as trustees.

16 (k) Article 2 of this Chapter applies to Canadian dealers and salesmen registered
17 under this section.

18 (l) Except as otherwise provided in this section, Canadian dealers or salesmen
19 registered under this section and acting in accordance with the limitations set out in
20 subsection (j) of this section are exempt from all of the requirements of this Chapter. A
21 registration under this section may be denied, suspended, or revoked pursuant to G.S.
22 78A-39 only for a breach of Article 2 of this Chapter or this section."

23 **SECTION 2.** This act is effective when it becomes law.