

IIROC Rule

**RULE 1200
DEFINITIONS**

1201. Definitions

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(2) The following terms have the meanings set out when used in the *IIROC requirements*:

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“advisory account”	An account which is subject to a suitability determination where: (i) the client is responsible for all investment decisions but is able to rely on advice given by a <i>Registered Representative</i> , and (ii) the <i>Dealer Member</i> and the <i>Registered Representative</i> are responsible for all advice given.
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“carrying broker”	A <i>Dealer Member</i> that carries client accounts for another <i>Dealer Member</i> , which includes the clearing and settlement of trades, the maintenance of <i>records</i> of client transactions and accounts, and the custody of client cash and securities, in accordance with the requirements set out in Rule 2400.
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“correspondence”	Any <i>advertisement</i> or business related communication, including any written or electronic communication, prepared for distribution to a single current or prospective client, but not for distribution to multiple clients or the general public.
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“direct electronic access account”	An account which is not subject to suitability determination (other than as required by clauses 3402(3)(i) and
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	<p>3403(4)(i)) where:</p> <ul style="list-style-type: none"> (i) the client has been provided with direct electronic access within the meaning of National Instrument 23-103, (ii) the <i>Dealer Member</i> provides no recommendations to purchase, sell, hold or exchange any security, including any class of security or security of a class of issuer, and (iii) the <i>Dealer Member</i> complies with the Universal Market Integrity Rule requirements applicable to the direct electronic access service offering and the requirements of NI 23-103.
“discretionary account”	<p>An account which is subject to the suitability determination and over which the client has given discretionary authority where:</p> <ul style="list-style-type: none"> (i) the <i>Dealer Member</i> has not solicited the discretionary authority, (ii) the discretionary authority is accepted to accommodate a client who is frequently or temporarily unavailable to authorize trades, (iii) the discretionary authority has not been renewed, and (iv) the term of the discretionary authority does not exceed 12 months.
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“equity security”	<p>An interest, investment or security in a corporation in respect of which the holder has no legal right to demand payment until the corporation or its board of directors has passed a resolution declaring a dividend or other distribution or a winding up of the corporation.</p>
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“managed account”	<p>An account which is subject to a suitability determination where:</p> <ul style="list-style-type: none"> (i) investment decisions are made on a continuing basis by a <i>Portfolio Manager</i> or an <i>Associate Portfolio Manager</i> or a third party hired by the <i>Dealer Member</i>, and (ii) the <i>Dealer Member</i>, or a third party hired by the <i>Dealer Member</i>, and the <i>Portfolio Manager</i> or <i>Associate Portfolio Manager</i> are responsible for all

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	investment decisions made.
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"order execution only account"	An account which is not subject to a suitability determination (other than as required by clauses 3402(3)(i) and 3403(4)(i)) where: <ul style="list-style-type: none"> (i) the client is solely responsible for making all investment decisions, and (ii) the <i>Dealer Member</i> provides no recommendation to purchase, sell, hold or exchange any security, including any class of security or security of a class of issuer.
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"securities related business"	Any business or activity (whether or not carried on for gain) engaged in, directly or indirectly, which constitutes trading or advising in securities or exchange contracts (including <i>futures contracts</i> and <i>futures contract options</i>) for the purposes of <i>securities laws</i> , including for greater certainty, offers and sales pursuant to exemptions under <i>securities laws</i> .
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"trade name"	A name a <i>Dealer Member</i> or <i>Approved Person</i> uses to conduct business and includes a group name under which a <i>Dealer Member</i> and its <i>affiliates</i> conduct business.
"trading strategy"	A broad general approach to investments including matters such as the use of specific products, leverage, frequency of trading or a method of selecting particular investments but does not include specific trade or sectoral weighting recommendations.
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**RULE 1400
STANDARDS OF CONDUCT**

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1403. Applicability

- (1) For purposes of *IIROC requirements*:
 - (i) *Dealer Members* are responsible for all acts and omissions of their *employees, partners, Directors and officers*, and
 - (ii) *non-Dealer Member* users and subscribers to a *Marketplace* for which *IIROC* is the regulation services provider are responsible for all acts and omissions of their employees, partners, directors, and officers.
- (2) In addition to complying with all *IIROC requirements*:
 - (i) an *Approved Person* must avoid any act or omission that would cause their *Dealer Member* to violate any *IIROC requirements*, and
 - (ii) an employee, partner, director or officer of a *non-Dealer Member* user or subscriber of a *Marketplace* for which *IIROC* is the regulation services provider must avoid any act or omission that would cause the user or subscriber to violate any *IIROC requirements*.

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1404. Policies and procedures

- (1) A *Dealer Member* must establish, maintain and apply written policies and procedures regarding the conduct of its business activities and operations.
- (2) A *Dealer Member* must establish, maintain and apply written policies and procedures that establish a system of controls and supervision sufficient to provide reasonable assurance the *Dealer Member*, its *employees* and *Approved Persons* comply with *IIROC requirements* and *securities laws*. A *Dealer Member* may establish more stringent policies and procedures than those needed to comply with such requirements.

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IIROC Rule**1407. Training**

- (1) A *Dealer Member* must provide training to its *Approved Persons* on compliance with *IIROC requirements, securities laws, and applicable laws* including, without limitation, the obligations relating to conflicts of interest, know-your-client, account appropriateness, product due diligence, know-your-product, and suitability determination.

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**RULE 2200
DEALER MEMBER ORGANIZATION****2216. Shared office premises**

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- (15) Non-registered personnel employed by the *Dealer Member* or representatives of the *financial services entity* may not provide the following services on behalf of the *Dealer Member*:
- (i) opening accounts,
 - (ii) distributing or receiving order forms for securities transactions,
 - (iii) assisting clients to complete order forms for securities transactions,
 - (iv) giving recommendations or any advice on any activity,
 - (v) completing know-your-client information on an account application, other than biographical information, and
 - (vi) soliciting securities transactions.
- (16) Non-registered personnel employed by the *Dealer Member* or representatives of the *financial services entity* may provide the following services on behalf of the *Dealer Member*:
- (i) advertising the *Dealer Member's* services and products,
 - (ii) delivering or receiving clients' securities,
 - (iii) arranging client appointments or informing of deficiencies on completed forms,
 - (iv) providing the status, balances, and holdings of client accounts,
 - (v) providing quotes and other market information,
 - (vi) contacting the public, inviting the public to seminars, and forwarding non-securities information,
 - (vii) distributing account applications, subject to subsection 2216(17), and
 - (viii) receiving completed account applications to forward to the *Dealer Member* for approval.
- (17) At the *shared office premises*, a manager, assistant manager or credit officer of the *financial services entity* who has a high degree of knowledge about the client's financial affairs may help the client to complete the account application, if:

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- (i) no *Approved Person* is available,
 - (ii) the client's *Registered Representative, Portfolio Manager or Associate Portfolio Manager* complies with *IIROC requirements* relating to know-your-client and suitability determination by reviewing the account application with the client before any trade is conducted or a recommendation is made to a client, and
 - (iii) a *Supervisor* has approved the account application before any trade is conducted for a client.
- (18) A mutual fund sales *person* may only accept orders for accounts at the dealer which they are registered with and may not:
- (i) offer, or advise clients on, equities or other transactions for which specific proficiency is required, or
 - (ii) communicate those client orders to a qualified *person*.

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2281. Trade names

- (1) If a *Dealer Member* carries on business under a *trade name*, the *trade name* must be owned by the *Dealer Member*, an *Approved Person* of the *Dealer Member* or an *affiliate* of the *Dealer Member*.
- (2) An *Approved Person* must not conduct any business under a *trade name* that is not owned by the *Dealer Member* or its *affiliate* without the *Dealer Member's* prior consent.
- (3) A *Dealer Member* or *Approved Person* must not use a *trade name* that any other *Dealer Member* uses unless:
 - (i) the *Dealer Members* are *related companies* or *affiliate companies*, or
 - (ii) the relationship with the other *Dealer Member* is that of *introducing broker* and *carrying broker*.
- (4) A *Dealer Member* or *Approved Person* must not use a deceptive or misleading *trade name*.

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RULE 2300
PRINCIPAL AND AGENT RELATIONSHIPS

2303. Written agreement between the Dealer Member and IIROC

- (1) Before engaging any *agents* to conduct *securities related business*, a *Dealer Member* must enter into a written agreement with *IIROC*.
- (2) The written agreement must contain terms describing the *Dealer Member's* responsibility:
 - (i) for the *agent's* conduct, including the *agent's* compliance with *IIROC requirements* and *securities laws*, and
 - (ii) to clients for the *agent's* acts and omissions relating to the *Dealer Member's* business.
- (3) *IIROC* must be satisfied with the form of the written agreement.
- (4) The written agreement must be in a form similar to the following:

“Agreement between a Dealer Member and IIROC

1. Recitals

- (i) As a Dealer Member of the Investment Industry Regulatory Organization of Canada (**IIROC**), the Dealer Member agrees it is subject to IIROC requirements.
- (ii) Section 2303 of the IIROC Rules “Written agreement between the Dealer Member and IIROC” requires the Dealer Member to make this agreement with IIROC.
- (iii) This agreement is in addition to and does not alter IIROC requirements or any other agreement between the Dealer Member and IIROC.

2. Agreement with the Agent

- (i) The Dealer Member must enter into a written agreement with each of its agents as required by section 2304 of the IIROC Rules “Written agreement between the Dealer Member and its agents” and any successor rules relating to principal and agent relationships.
- (ii) The agreement must require that the agent complies with all applicable laws and IIROC requirements.

3. Supervision of the Agent

The Dealer Member must treat each of its agents as employees with respect to:

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- (i) administration of IIROC requirements,
- (ii) supervision of the agent under IIROC requirements, and
- (iii) ensuring its agents comply with all applicable laws and IIROC requirements.

4. Written Disclosure of Respective Responsibilities to Clients

The Dealer Member or the agent must disclose to clients at the time of opening an account:

- (i) the list of *securities related business* activities conducted by the agent for which the Dealer Member is responsible, and
- (ii) that the Dealer Member is not responsible for any other business activity conducted by the agent.

5. Disclosure to Clients

The disclosure to clients must be made using the following language in the account application:

“If your investment advisor is an agent of [the Dealer Member name], [Dealer Member name] is irrevocably liable to you for any acts and omissions of your investment advisor with regard to [Dealer Member name] business as if the investment advisor were an employee of [Dealer Member name]. By continuing to deal with our firm, you accept our offer of indemnity.”

6. Disclosure by Agent

Where the disclosure described in 4(i) and (ii) is made by the agent, the Dealer Member must ensure that the agent has made the disclosure directly to the clients.

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2304. Written agreement between the Dealer Member and its agents

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(7) The written agreement must contain the following minimum terms:

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(v) Supervision of the *agent* by the *Dealer Member*

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The *Dealer Member* agrees to be:

- (a) responsible for the supervision of the *agent's* conduct to provide reasonable assurance of the *agent's* compliance with *IIROC requirements* and the requirements of any other *securities regulatory authority* to which the *Dealer Member* is subject, and
- (b) liable to clients (and other third parties) for the *agent's* conduct as if they were an *employee*.

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RULE 2500

DEALER MEMBER DIRECTORS AND EXECUTIVES, AND APPROVAL OF INDIVIDUALS

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2550. Introduction

- (1) Part B of Rule 2500 sets out the approval criteria for *Approved Persons*.
- (2) Part B of Rule 2500 requirements are complementary to section 9204, which discuss *individual* approval applications.

2551. Individual approval

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- (5) A *Dealer Member* must ensure that, when dealing with the public, its *Approved Persons* use titles and designations that accurately indicate:
 - (i) the type of business that they have been approved by *IIROC* to conduct, and
 - (ii) the role that they carry out or has been approved by *IIROC* to carry out.

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2552. Compliance with the proficiency requirements or other conditions

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- (2) *IIROC* will automatically suspend an *Approved Person* if they do not complete all required post-approval courses in they *Approved Persons* category as set out in Rule 2600.
- (3) *IIROC* will reinstate an *Approved Person* once they have passed the required post-approval courses and *IIROC* has been notified.

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**RULE 3100
DEALING WITH CLIENTS****3101. Introduction**

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- (2) Rule 3100 is divided into the following parts:

Part A - Business Conduct

[section 3102]

Part B - Conflicts of interest

[sections 3110 through 3118]

Part C - Best execution of client orders

[sections 3119 through 3129]

Part A – BUSINESS CONDUCT**3102. Business conduct**

- (1) *A Dealer Member* must ensure that it handles its clients' business within the bounds of ethical conduct, consistent with just and equitable principles of trade, and in a manner that is not detrimental to the interests of the investing public and the securities industry.
- (2) *A Dealer Member* must take reasonable steps to ensure that all orders or recommendations for any account are within the bounds of good business practice.

3103. – 3109. Reserved.**Part B – CONFLICTS OF INTEREST****3110. Responsibility to identify conflicts of interest**

- (1) *A Dealer Member* must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable:
- (i) between the *Dealer Member* and the client, and
 - (ii) between each *Approved Person* acting on the *Dealer Member's* behalf and the client.
- (2) *An Approved Person* must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable, between the *Approved Person* and the client.
- (3) If an *Approved Person* identifies a material conflict of interest under subsection 3110(2), the *Approved Person* must promptly report that conflict of interest to the *Dealer Member*.

IIROC Rule**3111. Approved Person responsibility to address conflicts of interest**

- (1) An *Approved Person* must address all material conflicts of interest between the client and the *Approved Person* in the best interest of the client.
- (2) An *Approved Person* must avoid any material conflict of interest between the client and the *Approved Person* if the conflict is not, or cannot be, otherwise addressed in the best interest of the client.
- (3) An *Approved Person* must not engage in any trading or advising activity in connection with a material conflict of interest identified by the *Approved Person* under subsection 3110(2) unless,
 - (i) the conflict has been addressed in the best interest of the client, and
 - (ii) the *Dealer Member* has given the *Approved Person* its consent to proceed with the activity.

3112. Dealer Member responsibility to address conflicts of interest

- (1) A *Dealer Member* must address all material conflicts of interest between the *Dealer Member* and the client, including each *Approved Person* acting on its behalf, in the best interest of the client.
- (2) A *Dealer Member* must avoid any material conflict of interest between the client and the *Dealer Member*, including each *Approved Person* acting on its behalf, if the conflict is not, or cannot be, otherwise addressed in the best interest of the client.
- (3) A *Dealer Member* must adequately supervise how all material conflicts of interest between the client and the *Approved Person* are addressed by its *Approved Persons* pursuant to section 3111.

3113. Responsibility to disclose conflicts of interest

- (1) A *Dealer Member* must disclose in writing all material conflicts of interest identified under subsections 3110(1) and 3110(2) to the client whose interests are affected by the conflicts of interest if a reasonable client would expect to be informed of those conflicts of interest.
- (2) The information required to be disclosed to the client under subsection 3113(1) must:
 - (i) include a description of:
 - (a) the nature and extent of the conflict of interest,
 - (b) the potential impact on and risk that the conflict of interest could pose to the client, and
 - (c) how the conflict of interest has been, or will be, addressed,
 - (ii) be presented in a manner that, to a reasonable person, is prominent, specific and written in plain language,
 - (iii) be disclosed:

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- (a) before opening an account for the client if the conflict has been identified at that time, or
 - (b) in a timely manner, upon identification of a conflict that must be disclosed under subsection 3113(1) that has not previously been disclosed to the client.
- (3) For greater certainty, a *Dealer Member* and an *Approved Person* do not satisfy subsections 3111(1) or 3112(1) solely by providing disclosure to the client.

3114. Conflicts of interest policies and procedures

- (1) A *Dealer Member's* policies and procedures must specifically address identifying, disclosing and avoiding or otherwise addressing material conflict of interest situations.
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**RULE 3200
KNOW-YOUR-CLIENT AND CLIENT ACCOUNTS****3201. Introduction**

- (1) Rule 3200 sets out *Dealer Members'* obligations when opening new account and maintaining existing accounts. Rule 3200 is divided into seven parts as follows:

Part A - Know-Your-Client and Client Identification Requirements:

sets out *Dealer Members'* obligation to know and identify each client and to learn and remain informed of the essential facts about each client, account and order accepted.

[sections 3202 through 3209]

Part B - Requirements for Client Accounts:

sets out the general account opening and updating procedures that, subject to certain exceptions specified within the requirements, are applicable to all accounts. [sections 3210 through 3222]

Part C - Advisory Accounts:

sets out requirements that apply where the account is an *advisory account*.

[section 3230]

Part D - Order Execution Only Accounts:

sets out requirements that apply where the account is an *order execution only account*.

[sections 3240 and 3241]

Part E - Margin Accounts:

sets out requirements that apply where the account is a margin account.

[sections 3245 through 3247]

Part F - Additional Account Opening Requirements for Options, Futures Contract and Futures Contract Options Trading:

sets out additional account opening and updating procedures for *options*, *futures contracts* and *futures contract options trading account*.

[sections 3250 through 3260]

Part G - Discretionary Accounts and Managed Accounts:

sets out requirements that apply where the account is either a *discretionary account* or a *managed account*.

[sections 3270 through 3281]

- (2) Rule 3200 applies to *Dealer Members* in addition to all other *IIROC requirements*. No part of Rule 3200, unless otherwise specified, shall be interpreted to grant a *Dealer Member* an exemption for complying with other *IIROC requirements*.

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Part A - KNOW-YOUR-CLIENT AND CLIENT IDENTIFICATION REQUIREMENTS

3202. Know-Your-Client

- (1) A *Dealer Member* must take reasonable steps to learn and remain informed of the essential facts relative to every order, account and client it accepts, and to:
 - (i) establish the identity of a client and, if the *Dealer Member* has any cause for concern, make reasonable inquiries as to the reputation of the client,
 - (ii) establish whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded,
 - (iii) ensure it has collected sufficient information regarding all of the following to enable it to meet its obligations under Rule 3400:
 - (a) the client's:
 - (I) personal circumstances,
 - (II) financial circumstances,
 - (III) investment needs and objectives,
 - (IV) investment knowledge,
 - (V) risk profile, and
 - (VI) investment time horizon, and
 - (iv) establish the creditworthiness of the client if the *Dealer Member* is financing the client's acquisition of a security.
- (2) A *Dealer Member* must complete an account application for each new client in accordance with the requirements set out in Rule 3200.
- (3) Within a reasonable time after receiving the information collected under subsection 3202(1), a *Dealer Member* must take reasonable steps to have a client confirm the accuracy of such information.

3208. Exemptions from Know-Your-Client

- (1) Clause 3202(1)(iii) and subsection 3209(4) do not apply in respect to:
 - (i) an *order execution only account*,
 - (ii) a *direct electronic access account*,
 - (iii) an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account, or
 - (iv) an account held by an *institutional client*.

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3209. Primary responsibility, delegation and obligation to keep current

- (1) Compliance with the *IIROC requirements* relating to know-your-client is primarily the responsibility of the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* assigned to the client account.
- (2) The responsibility in subsection 3209(1) must not be delegated to any other person.
- (3) A *Dealer Member* must take reasonable steps to keep current the information required under Part A of Rule 3200, including updating the information within a reasonable time after the *Dealer Member* becomes aware of a significant change in the client's information required under section 3202,
- (4) A *Dealer Member* must review the information collected under clause 3202(1)(iii) no less frequently than once every 36 months, except for a *managed account* and a *discretionary account* which must be reviewed no less frequently than once every 12 months.

3211. Account appropriateness

- (1) Before a *Dealer Member* opens an account for a *person*, the *Dealer Member* must determine, on a reasonable basis and putting the *person's* interest first, that:
 - (i) it would be appropriate for the *person* to become a client of the *Deleter Member*, and
 - (ii) the scope of products, services and account relationships which the *person* would have access to within the account are appropriate for the *person*.
- (2) Clause 3211(1)(ii) does not apply in respect to:
 - (i) an *order execution only account*, or
 - (ii) a *direct electronic access account*.
- (3) Subsection 3211(1) does not apply in respect to:
 - (i) an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account, or
 - (ii) an account held by a *Dealer Member, regulated entity, exempt market dealer, portfolio manager, bank, trust company or insurance company*.

IIROC Rule**3213. Account opening policies and procedures**

- (1) A *Dealer Member's* policies and procedures must specifically address:
 - (i) collecting and maintaining accurate, complete and up-to-date information about each client and updating that information where there are significant changes, and
 - (ii) ensuring the completion of *client account records* when opening new accounts.
- (2) A *Dealer Member* must:
 - (i) have policies and procedures to specifically address that documents supporting *client account records* are received within a reasonable time after opening an account,
 - (ii) have a system for recording pending account documentation and following up where it is not received within a reasonable time,
 - (iii) take specific action to obtain required documents that have not been received within 25 *business days* of opening the account, unless a shorter period is prescribed,
 - (iv) have policies and procedures independent of the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* for verifying significant changes to client information, and
 - (v) have a system in place to record the review and approval by the *designated Supervisor*.

3214. Opening new client accounts

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- (5) If a designated Supervisor does not approve a new account after the initial trade, the *Dealer Member* must restrict the account to only liquidating trades, transfers out, paying out funds or delivering securities to the client. These account restrictions must remain in place until the designated Supervisor has provided final approval of the account.
- (6) Before opening a new account for an *employee* of another *Dealer Member*, the *Dealer Member* must obtain written approval from the other *Dealer Member*, and must designate the account as *non-client account*.

3215. Updating client accounts

- (1) The *Dealer Member's* policies and procedures must specifically address that any significant changes to client information are approved in the same manner that an account application is approved for a new account.
- (2) If a client's *Registered Representative, Portfolio Manager or Associate Portfolio Manager* changes, the *Dealer Member's* procedures must require that:

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- (i) the new *Registered Representative, Portfolio Manager or Associate Portfolio Manager* verify the client information in the account application with the client as soon as practicable to ensure the information is correct, and
 - (ii) the new *Registered Representative, Portfolio Manager or Associate Portfolio Manager* and the *designated Supervisor* acknowledge, in writing, that the account application was reviewed and, if necessary, updated.
- (3) Subject to subsection 3215(4), if the client's account application was approved within the past 36 months, the *Dealer Member* may use a copy of a client's current account application to record any changes to a client's information, but must have the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* and their *Supervisor* initial any changes.
- (4) If the client's *managed account or discretionary account* application was approved within the past 12 months, the *Dealer Member* may use a copy of a client's current *managed account or discretionary account* application to record any changes to a client's information, but must have the *Portfolio Manager or Associate Portfolio Manager* and their *Supervisor* initial any changes.
- (5) The *Dealer Member* must restrict the access of *Registered Representatives, Portfolio Managers and Associate Portfolio Managers* and other *persons* to its systems in such a manner so as to ensure that material client information cannot be changed without the required approval.

3216. Relationship Disclosure

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- (5) **Content of relationship disclosure information**
- (i) The relationship disclosure information must be entitled "Relationship Disclosure".
 - (ii) Subject to clauses 3216(5)(iii), the relationship disclosure information must contain the following:
 - (a) a general description of the types of products and services the *Dealer Member* will offer to the client including:
 - (I) a description of the restrictions on the client's ability to liquidate or resell a security, and
 - (II) a statement of the investment fund management expense fees or other ongoing fees the client may incur in connection with a security or service the *Dealer Member* provides,
 - (b) a general description of any limits on the products and services the *Dealer Member* will offer to the client including:
 - (I) whether the firm will primarily or exclusively provide proprietary

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- products to the client, and
- (II) whether there will be other limits on the availability of products or services,
- (c) a description of the account relationship that states:
- (I) whether the account opened is an *advisory account*, a *managed account* or an *order execution only account*,
 - (II) whether the client is responsible for making investment decisions and, if so, the manner in which the client will instruct the *Dealer Member* to effect transactions for the account, and
 - (III) whether recommendations or advice will be provided to the client and, if so, the responsibilities and obligations of the *Dealer Member* and its *employees* for any recommendations or advice provided to the client,
- (d) a description of the process used by the *Dealer Member* to determine suitability, including:
- (I) a description of the approach used by the *Dealer Member* to assess the client's personal and financial circumstances, investment needs and objectives, investment time horizon, risk profile and investment knowledge,
 - (II) a statement that the client will be provided with a copy of the "know-your-client" information that is obtained from the client and documented at time of account opening and when there are significant changes to the information,
 - (III) a statement that the *Dealer Member* will determine that any investment action it takes, recommends or decides on, for the client is suitable for the client's investment portfolio and puts the client's interest first, including when:
 - (A) securities are received into or delivered out of the client's account by way of deposit, withdrawal or transfer ,
 - (B) there is a change in the *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* responsible for the account,
 - (C) the *Dealer Member* becomes aware of a change in the *retail client's* information collected in accordance with subsection 3202(1) that could result in the *retail client's* account not satisfying subsection 3402(1),
 - (D) the *Dealer Member* becomes aware of a change in a security in the *retail client's* account that could result in the account not satisfying subsection 3402(1), or
 - (E) the *Dealer Member* reviews the *retail client's* information in

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- accordance with subsection 3209(4),
- (IV) a statement indicating whether or not the suitability of the investments held in the account will be reviewed in the case of other triggering events not described in paragraph 3216(5)(ii)(d)(III) and, in particular, in the event of significant market fluctuations,
 - (e) a description of the client account reporting that the *Dealer Member* will provide, including:
 - (I) a statement indicating when trade confirmations and account statements will be sent to the client,
 - (II) a description of the *Dealer Member's* minimum obligations to provide performance information to the client and a statement indicating when account position cost and account activity information will be provided to the client, and
 - (III) a statement indicating whether or not the provision of account percentage return information will be an option available to the client as part of the account service offering,
 - (f) a statement indicating that any *Dealer Member* and *Approved Person* existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable, which are not avoided, will be addressed in the best interest of the client and will be disclosed, where required, to the client in a timely manner, upon identification of the conflict,
 - (g) a general description of any benefits received, or expected to be received, by the *Dealer Member* or the *Approved Person*, from a person or company other than the *Dealer Member's* client, in connection with the client's purchase or ownership of a security through the *Dealer Member*,
 - (h) a description of all account service fees and charges the client will or may incur relating to the general operation of the account,
 - (i) a description of all charges the client will or may incur in making, disposing and holding investments by type of investment product,
 - (j) a general explanation of the potential impact on a client's investment returns from each of the fees and charges described in 3216(5)(ii)(a)(II), and 3216(5)(ii)(h) and (i), including the effect of compounding over time,
 - (k) a listing of the account documents required to be provided to the client with respect to the account,
 - (l) a description of the *Dealer Member's* complaint handling procedures and a statement that the client will be provided with a copy of an *IIROC* approved complaint handling process brochure at time of account opening, and
 - (m) a general explanation of how investment performance benchmarks might be used to assess the performance of a client's investments and any options for benchmark information that might be made available to the client by the

IIROC Rule

Dealer Member.

- (iii) For *order execution only accounts*, the *Dealer Member* does not have to provide the relationship disclosure information required under sub-clause 3216(5)(ii)(d), provided that disclosure is made in compliance with the requirements in section 3241.

(6) **Review of relationship disclosure materials**

- (i) The relationship disclosure information provided to the client must be approved by a partner, *Director, officer or designated Supervisor*. This approval must occur regardless of the form the relationship disclosure information takes. If the document is a standardized document, the *designated Supervisor* must ensure that the correct document is used in each client circumstance. If the relationship disclosure information is a customized for each client, the *designated Supervisor* must approve each document.

3218. Pre-trade disclosure of charges

- (1) Before a *Dealer Member* accepts an instruction from a *retail client* to purchase or sell a security in an account other than a *managed account*, the *Dealer Member* must disclose to the client:
 - (i) the charges the client will be required to pay, directly or indirectly, in respect of the purchase or sale, or a reasonable estimate if the actual amount of the charges is not known to the firm at the time of disclosure,
 - (ii) in the case of a purchase to which deferred charges apply, that the client might be required to pay a deferred sales charge on the subsequent sale of the security and the fee schedule that will apply,
 - (iii) whether the firm will receive trailing commissions in respect of the security , and
 - (iv) whether there are any investment fund management expense fees or other ongoing fees that the client may incur in connection with the security.

3220. Record keeping

IIROC Rule

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- (4) A *Dealer Member* must maintain a record of *persons* with trading authorization over one or more client accounts and must ensure that such record is sufficient to allow the *Dealer Member* to identify any *persons* with trading authorization for multiple clients or client accounts.
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3240. Rules applicable to order execution only accounts

- (1) For the purposes of Rule 3200, a *Dealer Member* that opens an *order execution only account* for a *retail client* must comply with the applicable requirements in Parts A, B, D, E and F of Rule 3200.
- (2) For the purposes of Rule 3200, a *Dealer Member* that opens an *order execution only account* for an *institutional client* must:
 - (i) comply with the applicable requirements in Parts A, B,D, E and F of Rule 3200, with the exception of sections 3216 through 3219, and
 - (ii) ensure the sub-account files of an *institutional client* refer to the documentation contained in the master file to which it is related.

3241. Order execution only account services

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- (2) A *Dealer Member* approved by IIROC to provide *order execution only account services* must, prior to opening an *order execution only account*:
 - (i) provide the following written disclosures to the client:
 - (a) a statement confirming that the *Dealer Member* will not provide any recommendations to the client and that the client is solely responsible for making all investment decisions in the *order execution only account*,
 - (b) a statement confirming that the *Dealer Member* will not be responsible for making a suitability determination for the client, as set out in sections 3402 or 3403 (other than as required by clauses 3402(3)(i) and 3403(4)(i)) and, in particular, that the *Dealer Member* will not consider the client's personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon , nor other similar factors,

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and

- (c) a statement confirming that the *Dealer Member* will not be responsible for making a determination that the products and account types offered by the *Dealer Member* in the *order execution only account* are appropriate for the client,

and

- (ii) obtain a positive acknowledgement from the client, and each beneficial owner of the account, confirming that the client, and each beneficial owner, has received and understood the disclosures described in clause 3241(2)(i).

3252. Additional requirements when opening an options account

- (1) Before entering an initial *options* trade in an account, a *Dealer Member* must:
 - (i) obtain a completed *options* account application from the client,
 - (ii) obtain a signed *options* trading agreement from the client,
 - (iii) provide the client with the most recent *options* disclosure statement or similar disclosure document, and
 - (iv) record the *designated Supervisor's* approval of each client account in writing.
- (2) The *designated Supervisor* must determine whether the risk characteristics of the strategies the client intends to use are appropriate for the client and in keeping with their personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon and puts the client's interest first. If they are not, the *designated Supervisor* should restrict the account from using inappropriate strategies and note on the *option* account approval any trading restrictions imposed and communicate those restrictions to the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* assigned to the account.

3257. Additional requirements when opening a futures contract or futures contract option account

IIROC Rule

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- (2) The *designated Supervisor* must determine whether the risk characteristics of the strategies the client intends to use are appropriate for the client and in keeping with their personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon and puts the client's interest first. If they are not, the *designated Supervisor* should restrict the account from using inappropriate strategies and note, on the *futures contract* account application or the *futures contract option* application, any trading restrictions imposed and communicate those restrictions to the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* assigned to the account.
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3278. Managed account agreement

- (1) The *managed account* agreement must:
 - (i) describe or refer to the client's personal and financial circumstances, investment knowledge, investment time horizon, investment needs and objectives and risk profile that are applicable to the *managed account* or *accounts*,
 - (ii) describe any investment restrictions imposed by the client, where permitted by the *Dealer Member*, and
 - (iii) set out the terms of termination in accordance with subsection 3278(2).
- (2) The *managed account* agreement may only be terminated by written notice:
 - (i) by the client, effective on receipt by the *Dealer Member*, except for transactions entered prior to receipt of the notice, or
 - (ii) by the *Dealer Member*, effective not less than 30 days from the date the *Dealer Member* delivered the notice to the client.
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3280. Conflicts of interest

- (1) A *responsible person* or a *Dealer Member* must not trade for their or the *Dealer Member's* own account, or knowingly permit or arrange any *associate* or *affiliate* to trade, in reliance upon information relating to trades made or to be made in a *managed*

IIROC Rule

account.

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3282. - 3299. Reserved.

IIROC Rule

RULE 3300

PRODUCT DUE DILIGENCE AND KNOW-YOUR-PRODUCT

3301. Product Due Diligence

- (1) A *Dealer Member* must not make securities available to clients unless the *Dealer Member* has taken reasonable steps to:
 - (i) assess the relevant aspects of the securities, including the securities' structure, features, risks, initial and ongoing costs and the impact of those costs,
 - (ii) approve the securities to be made available to clients, and
 - (iii) monitor the securities for significant changes.
- (2) An *Approved Person* must not purchase securities for, or recommend securities to, a client unless the securities have been approved by the *Dealer Member* to be made available to clients under subsection 3301(1).

3302. Know-Your-Product

- (1) An *Approved Person* of a *Dealer Member* must not purchase or sell securities for, or recommend securities to, a client unless the *Approved Person* takes steps to understand the securities, including the securities' structure, features, risks, initial and ongoing costs and the impact of those costs.
- (2) For purposes of subsection 3302(1), the steps required to understand the security are those that are reasonable to enable the *Approved Person* to meet their obligations under Rule 3400

3303. Exemptions from Product Due Diligence and Know-Your-Product

- (1) Section 3301 does not apply in respect to an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account.
- (2) Section 3302 does not apply in respect to:
 - (i) an *order execution only account*,
 - (ii) a *direct electronic access account*, or
 - (iii) an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account.

3304. - 3399. Reserved.

IIROC Rule

**RULE 3400
SUITABILITY DETERMINATION****3401. Introduction**

- (1) Rule 3400 sets out a *Dealer Member's* suitability determination obligations in dealing with clients.

3402. Retail client suitability determination requirements

- (1) Before a *Dealer Member* purchases, sells, withdraws, exchanges or transfers-out securities for a *retail client's* account, takes any other investment action for a client, makes a recommendation or exercises discretion to take any such action, the *Dealer Member* must determine, on a reasonable basis, that the action satisfies the following criteria:
 - (i) the action is suitable for the *retail client*, based on the following factors:
 - (a) the *retail client's* information collected in accordance with section 3202,
 - (b) the *Dealer Member's* assessment of and an *Approved Person's* understanding of the security required in accordance with Rule 3300,
 - (c) the impact of the action on the *retail client's* account, including the concentration of securities within the account and the liquidity of those securities,
 - (d) the potential and actual impact of costs on the *retail client's* returns, and
 - (e) a consideration of a reasonable range of alternative actions available to the *Registered Representative, Portfolio Manager, or Associate Portfolio Manager* through the *Dealer Member* at the time the determination is made, and
 - (ii) the action puts the *retail client's* interest first.
- (2) A *Dealer Member* must review the *retail client's* account and the securities in the *retail client's* account to determine whether the criteria in subsection 3402(1) are met, and take reasonable steps, within a reasonable time, after any of the following events:
 - (i) securities are received or delivered into the client's account by way of deposit or transfer-in,
 - (ii) a *Registered Representative, Portfolio Manager or Associate Portfolio Manager* is designated as responsible for the account,
 - (iii) the *Dealer Member* becomes aware of a change in the *retail client's* information collected in accordance with subsection 3202(1) that could result in a security or the *retail client's* account not satisfying subsection 3402(1),
 - (iv) the *Dealer Member* becomes aware of a change in a security in the *retail client's* account that could result in the security or account not satisfying subsection 3402(1), or

IIROC Rule

- (v) the *Dealer Member* reviews the *retail client's* information in accordance with subsection 3209(4).
- (3) A *Dealer Member* must determine, on a reasonable basis and putting the *retail client's* interest first, that:
 - (i) it is suitable for the *retail client* to be a client of the *Dealer Member*, and
 - (ii) the scope of products, services and account relationships which the retail client has access to within the account are suitable for the retail client.
- (4) When making a suitability determination pursuant to subsection 3402(1), a *Dealer Member* must determine, on a reasonable basis, that the *retail client's* investment portfolio that would result from the investment action the *Dealer Member* takes, recommends or exercises discretion to take is suitable for the *retail client* and puts the *retail client's* interest first.
- (5) Despite subsection 3402(1), if a *Dealer Member* receives an instruction from a *retail client* to take an action that, if taken, does not satisfy subsections 3402(1), the *Dealer Member* may carry out the *retail client's* instruction if the *Dealer Member* has:
 - (i) informed the *retail client* of the basis for the determination that the action will not satisfy subsection 3402(1) and advised the client against proceeding with the order,
 - (ii) recommended to the *retail client* an alternative action that satisfies subsection 3402(1), and
 - (iii) received recorded confirmation of the *retail client's* instruction to proceed with the action despite the determination referred to in clause 3402(5)(i).

3403. Institutional client suitability determination requirements

- (1) Subject to the applicable exemptions set out in section 3404, a suitability determination must be made for an institutional client:
 - (i) before any order is accepted from the client, and
 - (ii) before a recommendation is made to the client to purchase, sell, exchange or hold a security.
- (2) When a suitability determination must be made for an institutional client pursuant to subsection 3403(1), a *Dealer Member* must make a determination whether the client is sufficiently sophisticated and capable of making its own investment decisions in order to determine the level of suitability owed to that institutional client. In making a determination whether a client is capable of independently evaluating investment risk and is exercising independent judgment, relevant considerations include:
 - (i) any written or oral understanding that exists between a *Dealer Member* and its client regarding the client's reliance on the *Dealer Member*,
 - (ii) the presence or absence of a pattern of acceptance of the *Dealer Member's* recommendations,

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- (iii) the use by a client of ideas, suggestions, market views and information obtained from other Dealer Members, market professionals or issuers particularly those relating to the same type of securities,
 - (iv) the use of one or more investment dealers, portfolio managers or other third party advisors,
 - (v) the general level of experience of the client in financial markets,
 - (vi) the specific experience of the client with the type of instrument under consideration, including the client's ability to independently evaluate how market developments would affect the security and ancillary risks such as currency rate risk, and
 - (vii) the complexity of the securities involved.
- (3) Once each suitability determination has been made and:
- (i) the Dealer Member has reasonable grounds for concluding that the institutional client is capable of making an independent investment decision and independently evaluating the investment risk, then the Dealer Member's suitability obligation is fulfilled for that transaction, or
 - (ii) the Dealer Member does not have reasonable grounds for concluding that the institutional client is capable of making an independent investment decision and independently evaluating the investment risk, then the Dealer Member must take steps to ensure that the institutional client fully understands the investment product, including the potential risks.
- (4) A Dealer Member must determine, on a reasonable basis and putting the *institutional client's* interest first, that:
- (i) it is suitable for the *institutional client* to be a client of the Dealer Member, and
 - (ii) the scope of products, services and account relationships which the *institutional client* has access to within the account are suitable for the *institutional client*.

3404. Exemptions from the suitability determination requirements

- (1) Other than clause 3402(3)(i) and 3403(4)(i), sections 3402 or 3403 do not apply in respect to:
 - (i) an *order execution only account*, or
 - (ii) a *direct electronic access account*.
- (2) Sections 3402 and 3403 do not apply in respect to an account maintained at a Dealer Member who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another Dealer Member, portfolio manager, exempt market dealer or their respective clients, for that account.
- (3) Other than subsection 3403(4), section 3403 does not apply in respect to:
 - (i) an account held by a Dealer Member, regulated entity, exempt market dealer,

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- portfolio manager, bank, trust company or insurance company, or
- (ii) an account held by an *institutional client* that:
 - (a) is also a “permitted client”, as defined in National Instrument 31-103,
 - (b) is not a client described in clause 3404(3)(i), and
 - (c) has waived, in writing, the protections offered to them under subsections 3403(1) and 3403(2).
 - (4) Subsection 3403(4) does not apply to an account held by an *institutional client* who is a *Dealer Member, regulated entity, exempt market dealer, portfolio manager, bank, trust company or insurance company*.

3405. Reserved.

3406. Primary responsibility and delegation

- (1) Compliance with *IIROC requirements* relating to suitability determination is primarily the responsibility of the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* assigned to the client account.
- (2) *Registered Representatives, Portfolio Managers and Associate Portfolio Managers* must not delegate their responsibility for suitability assessment obligations to any other *person*.

3407 - 3499. Reserved.

IIROC Rule

RULE 3600
COMMUNICATIONS WITH THE PUBLIC

3601. Introduction

- (1) A *Dealer Member's* policies and procedures must specifically address communication with the public and the *Dealer Member* must monitor compliance with these policies and procedures to provide reasonable assurance the *Dealer Member*, its *employees* and *Approved Persons* comply with the policies and procedures.
- (2) Rule 3600 is divided into the following parts:
 - Part A – Advertisements, sales literature and correspondence
[sections 3602 and 3603]
 - Part B – Research reports
[sections 3606 through 3623]
 - Part C – Misleading Communications
[section 3640]

Part A – ADVERTISEMENTS, SALES LITERATURE AND CORRESPONDENCE**3602. Reserved.**

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3624. – 3639. Reserved.**Part C – MISLEADING COMMUNICATIONS****3640. Misleading communications**

- (1) An *Approved Person* must not hold themselves out, and a *Dealer Member* must not hold itself or its *Approved Persons* out, including through the use of a *trade name*, in a manner that could reasonably be expected to deceive or mislead any person or company as to any of the following matters:
 - (i) the proficiency, experience, qualifications or category of registration or approval of the *Approved Person*,
 - (ii) the nature of the person's relationship, or potential relationship, with the *Dealer Member* or the *Approved Person*, or
 - (iii) the products or services provided, or to be provided, by the *Dealer Member* or the *Approved Person*.

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- (2) For greater certainty, and without limiting subsection 3640(1), an *Approved Person* who interacts with clients must not use any of the following:
- (i) if based partly or entirely on that *Approved Person's* sales activity or revenue generation, a title, designation, award, or recognition,
 - (ii) a corporate officer title, unless their *Dealer Member* has appointed that *Approved Person* to that corporate office pursuant to applicable corporate law, or
 - (iii) if the *Approved Person's Dealer Member* has not approved the use by that *Approved Person* of a title or designation, that title or designation.

3641. – 3699. Reserved.

IIROC Rule

RULE 3800
DEALER MEMBER RECORDS AND CLIENT COMMUNICATIONS

3804. General requirements to maintain records

- (1) A *Dealer Member* must maintain current *records* that:
 - (i) properly record its business activities, financial position, financial operating results and client transactions, and
 - (ii) demonstrate the *Dealer Member's* compliance with *securities laws* and *IIROC requirements*.
- (2) The *records* required under subsection 3804(1) include, but are not limited to, *records* that do the following:
 - (xi) document the opening of client accounts, including any agreements with clients and evidence that account related documents required by *IIROC requirements* have been provided to clients,
 - (xii) demonstrate compliance with know-your-client, account appropriateness, product due diligence, know-your-product and suitability determination requirements,
 - (xiii) demonstrate compliance with complaint handling requirements,
 - (xiv) document correspondence with clients,
 - (xv) document compliance, training, and supervision actions taken by the *Dealer Member*,
 - (xvi) demonstrate compliance with conflicts of interest requirements,
 - (xvii) document
 - (a) the *Dealer Member's* sales practices, compensation arrangements and incentive practices, and
 - (b) other compensation arrangements and incentive practices from which the *Dealer Member* or its *Approved Persons*, or any *affiliate* or *associate* of that *Dealer Member*, benefit, and
 - (xviii) demonstrate compliance with misleading communications requirements.

IIROC Rule
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RULE 3900
SUPERVISION

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3912. Responsibilities of the Chief Compliance Officer

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- (2) The *Chief Compliance Officer* must have access to the *Ultimate Designated Person* and the *Dealer Member's* board of directors as necessary to carry out their responsibilities.

3913. Responsibilities of the Chief Financial Officer

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- (2) The *Chief Financial Officer* must have access to the *Ultimate Designated Person* and the *Dealer Member's* board of directors as necessary to carry out their responsibilities.

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3925. Supervision by designated persons

- (1) A *Dealer Member* must effectively supervise account activity and must take reasonable steps to provide reasonable assurance of compliance with *IIROC requirements, securities laws* and *applicable laws*.

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- (4) A *Dealer Member* must appoint one or more alternate *Supervisors* as required, to the *Supervisors* designated in subsection 3925(2), to supervise the *Dealer Member's* business and to assume the responsibility of the *designated Supervisor* in their absence.

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3927. Reviews of account activity

- (1) *A Dealer Member must review account activity as required by IIROC requirements and must take reasonable steps to provide reasonable assurance that account activity complies with IIROC requirements, securities laws and other applicable laws and the Dealer Member's policies and procedures.*

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3948. Supervision of suitability determination obligations

- (1) *A Dealer Member must supervise each Registered Representative, Investment Representative, Portfolio Manager and Associate Portfolio Manager to confirm that they are complying with their responsibilities relating to the suitability determination to retail clients under Rule 3400.*

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3951. Supervision of suitability determination obligations

- (1) *A Dealer Member must supervise each Registered Representative, Investment Representative, Portfolio Manager and Associate Portfolio Manager to confirm their compliance with their responsibilities relating to the suitability determination to institutional clients under section 3403.*

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3955. Supervision of order execution only accounts

IIROC Rule

- (2) The *Dealer Member's*, or separate business unit of the *Dealer Member*, policies and procedures relating to review of client trading must specifically address the risks associated with the method of order entry and the absence of intermediation by *employees of the Dealer Member*.

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3960. Supervision of options accounts

- (4) An alternate *Supervisor* must assume all or part of the *designated Supervisor's* responsibilities if:
 - (i) the *designated Supervisor* is absent or unable to carry out their duties, or
 - (ii) a *Dealer Member's* trading activity requires additional qualified *individuals* to supervise the *Dealer Member's option* contract business.

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3962. Supervision of retail options accounts

- (1) The *designated Supervisor* is responsible for ensuring that all recommendations made for an account are and continue to be suitable for the client and put the client's interest first.

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IIROC Rule

3964. Supervision of futures contract and futures contract options accounts

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- (4) An alternate *Supervisor* must assume all or some of the *designated Supervisor's* responsibilities if:
 - (i) the *designated Supervisor* is absent or unable to carry out their duties, or
 - (ii) a *Dealer Member's* trading activity requires additional qualified *individuals* to supervise the *Dealer Member's futures contract* and *futures contract options* business.

3967. Supervision of retail futures contract and futures contract options accounts

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- (1) The *designated Supervisor* is responsible for:
 - (i) reviewing and approving client loss limits when they are set annually, taking into consideration previous losses, and
 - (ii) ensuring that all recommendations made for an account are and continue to be suitable for the client and put the client's interest first.

3971. Supervision of managed accounts

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- (2) In addition to meeting the *Dealer Member's* general supervisory obligations and any relevant obligations relating to trading in securities, *debt securities*, *options*, *futures contracts* and *futures contract options*, the *Dealer Member's* policies and procedures dealing with the supervision of *managed accounts* must specifically address:

