

Attachment C – Revised Proposed Amendments to the IROC Rules (Blackline) - comparison of the Revised Proposed Amendments to the initial publication for comments

RULE 1200 | DEFINITIONS

1201. Definitions

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

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“acceptable institution”	The same meaning as set out in Form 1, General Notes and Definitions.
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“acceptable securities location”	The same meaning as set out in Form 1, General Notes and
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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, <i>securities</i> and precious metals bullion, in accordance with the requirements set out in Rule 2400.
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“derivative”	An option, swap, futures contract, forward contract, futures contract option , contract for difference or any other financial
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	or commodity contract or instrument whose market price, value, delivery obligations, payment obligations or settlement obligations are derived from, referenced to or based on an underlying interest, including a value, price, rate, variable, index, event, probability or thing.
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“designated Supervisor”	<p>A <i>Supervisor</i> that the <i>Dealer Member</i> makes responsible for a supervisory role defined in the <i>IIROC requirements</i>, including a <i>Supervisor</i> responsible for:</p> <ul style="list-style-type: none"> (i) the supervision of futures contracts and futures contract options trading accounts under Part F of Rule 3200, (ii) the supervision of options trading accounts under Part F of Rule 3200, (iii) the supervision of <i>discretionary accounts</i> under Part G of Rule 3200, (iv) the opening of new accounts and the supervision of account activity under Part B of Rule 3900, (v) the supervision of <i>managed accounts</i> under Part G of Rule 3900, (vi) the pre-approval of <i>advertising, sales literature</i> and <i>correspondence</i> under Part A of Rule 3600, and (vii) the supervision of <i>research reports</i> under Part B of Rule 3600.
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<u>“direct electronic access account”</u>	<p><u>An account which is not subject to suitability determination (other than as required by clauses 3402(3)(i) and 3403(4)(i)) where:</u></p> <ul style="list-style-type: none"> <u>(i) the client has been provided with direct electronic access within the meaning of National Instrument 23-103,</u> <u>(ii) the <i>Dealer Member</i> provides no recommendations to purchase, sell, hold or exchange any <i>security</i>, including any class of security or security of a class of issuer, or transact in any <i>derivative</i> and</u> <u>(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.</u>
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<p>“hedger”</p>	<p>A non-<i>individual</i> that:</p> <ul style="list-style-type: none"> (i) is exposed to one or more risks as a necessary part of its business activities, (ii) seeks to hedge each risk by engaging in a securities or derivatives transactions where: <ul style="list-style-type: none"> (a) the underlying interest for the transactions is the same as or materially related to the underlying interest for the risk, (b) the intended effect of the transactions is to: <ul style="list-style-type: none"> (I) eliminate or reduce the risk related to fluctuations in the <i>market value</i> of the underlying interest or position being hedged, or (II) substitute the risk associated with one currency for the risk associated with another currency, provided the aggregate amount of currency risk to which the hedger is exposed is not increased by the substitution, <u>and</u> (c) the positions resulting from the transactions have a high degree of negative correlation with the underlying interest or position being hedged, and (d) there are reasonable grounds to believe that the <i>market value</i> changes in the positions resulting from the transactions will completely or materially offset <i>market value</i> changes in the underlying interest or position being hedged.
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<p>“institutional client”</p>	<p><u>A person who is:</u></p> <ul style="list-style-type: none"> (i) an <i>acceptable counterparty</i>, (ii) an <i>acceptable institution</i>, (iii) a <i>regulated entity</i>, (iv) a registrant under <i>securities law</i>, other than an <i>individual</i> registrant, (v) a non-<i>individual</i> with total <i>securities</i> and precious metals bullion under administration or management exceeding \$10 million,
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	<p>(vi) an <i>individual</i> with total <i>securities</i> and precious metals bullion under administration or management exceeding \$10 million who requests and consents to being classified as an institutional client, or</p> <p>(vii) a <i>hedger</i> who requests and consents to being classified as an institutional client for accounts with qualifying hedging activities and hedge positions.</p>
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“Investment Representative”	An <i>individual</i> , approved by <i>IIROC</i> , to trade in, but not advise on, <i>securities</i> or <i>derivatives</i> , on the <i>Dealer Member’s</i> behalf, including where that <i>individual</i> deals only in mutual funds.
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“listed derivative”	A <i>derivative</i> that is traded on a <i>marketplace</i> pursuant to standardized terms and conditions set out by that <i>marketplace</i> and whose trades are cleared and settled by a clearing agency.
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“manipulative and deceptive activities”	<p>Any manipulative or deceptive methods, act or practice in connection with any order or trade on a <i>marketplace</i>, and includes the entry of an order or the execution of a trade that would create or could reasonably be expected to create:</p> <p>(i) a false or misleading appearance of trading activity in or interest in the purchase or sale of a <i>security</i>, <u>or transaction in a derivative</u>, or</p> <p>(ii) an artificial ask price, bid price or sale price for the <i>security</i>, or the transaction in a <i>derivative</i>, <u>or the transaction in a derivative</u>, or a related <i>security</i>.</p>
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<p>“market value”</p>	<p><u>(i)</u> For the purposes of the monthly, quarterly, and annual reporting of values for <i>securities, derivatives</i> and precious metals bullion:</p> <p><u>(i)a)</u> quoted on an active market, the published price quotation using:</p> <p><u>(a)</u> for listed <i>securities</i>, the last bid price of a long <i>security</i> and, correspondingly, the last ask price of a short <i>security</i>, as shown on a consolidated pricing list or <i>marketplace</i> quotation sheet as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be,</p> <p><u>(b)</u> for unlisted investment funds, the net asset value provided by the manager of the fund on the relevant date,</p> <p><u>(c)</u> for all other unlisted <i>securities</i> (including unlisted <i>debt securities</i>) and precious metals bullion, a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or, in the case of <i>debt securities</i>, based on a reasonable yield rate,</p> <p><u>(d)</u> for money market fixed date repurchases (no borrower call feature), the price determined by applying the current yield for the <i>security</i> to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date,</p> <p><u>(e)</u> for money market open repurchases (no borrower call feature), the price determined as of the reporting date or the date the commitment first becomes open, whichever is the later. The value is to be determined as in sub-clause (i)(d) <u>paragraph (i)(a)(IV)</u> of this definition and the commitment price is to be determined in the same manner using the yield stated in the repurchase commitment, and</p> <p><u>(f)</u> for money market repurchases with borrower call features, the borrower call price,</p>
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	<p>(gVII) for <i>listed derivatives</i>, the market value or settlement price on the relevant date or last trading day prior to the relevant date,</p> <p>(hVIII) for <i>over-the-counter derivatives</i>, a value determined as reasonable by considering:</p> <p>(iA) the market value or settlement price of the equivalent <i>listed derivative</i>, if available; and</p> <p>(iiB) values from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date,</p> <p>and after making any adjustments considered by the <i>Dealer Member</i> to be necessary to accurately reflect the market value,</p> <p>(iib) where a reliable price cannot be determined:</p> <p>(a) the value determined by using a valuation technique that includes inputs other than published price quotations that are observable for the <i>security, derivative</i> or precious metals bullion, either directly or indirectly, or</p> <p>(b) where no observable market data-related inputs are available, the value determined by using unobservable inputs and assumptions, or</p> <p>(c) where insufficient recent information is available or there is a wide range of possible values and <i>cost</i> (defined in subsection 3802(1)) represents the best value estimate within that range:</p> <p>(iA) <i>cost</i>, and</p> <p>(iiB) where the market value information is being included in a client report or account statement, the <i>Dealer Member</i> must include the following notification or a notification that is substantially similar:</p> <p style="padding-left: 40px;">“There is no active market for this [security/derivative/ precious metals bullion] so we have estimated its market value.”</p> <p>(iic) where a value cannot be reliably determined</p>
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	<p>under clauses (i) <u>subclauses (i)(a)</u> and (ii)(i)(b) of this definition:</p> <p>(a) no value shall be reported, and</p> <p>(b) where the market value information is being included in a client report or account statement, the <i>Dealer Member</i> must include the following notification or a notification that is substantially similar:</p> <p style="text-align: center;">“Market value not determinable.”</p> <p>(ii) For the purposes of the daily and intra-day reporting of values of <u>for securities, derivatives</u> and precious metals bullion:</p> <p>(i) that are quoted on an active market, the value determined according to clause (i) <u>subclause (i)(a)</u> of this definition,</p> <p>(ii) where a reliable price cannot be determined and:</p> <p>(a) the position has been recently valued in accordance with the Dealer Member’s valuation policies and procedures, the last value calculated for the position, or</p> <p>(b) the position has not been recently valued, the value and, if applicable, disclosure determined according to clause (ii) <u>subclause (i)(b)</u> of this definition,</p> <p>(iii) where a value cannot be reliably determined under clauses (iv) <u>subclauses (ii)(a)</u> and (v)(ii)(b) above, the value and, if applicable, disclosure determined according to clause (iii) <u>subclause (i)(c)</u> of this definition.</p>
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<p>“order execution only account”</p>	<p>An account which is not subject to a suitability obligation <u>determination (other than as required by clauses 3402(3)(i) and 3403(4)(i))</u> where:</p> <p>(i) the client is solely responsible for making all investment decisions, and</p> <p>(ii) the Dealer Member provides no recommendation to purchase, sell, hold or exchange any security, including any class of security or security of a class of issuer, <u>or transact in any derivative.</u></p>
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“over-the-counter derivative”	Any <i>derivative</i> other than a <i>listed derivative</i> .
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“Registered Representative”	An <i>individual</i> , approved by <i>IIROC</i> , to trade, or advise on trades, in <i>securities</i> or <i>derivatives</i> with the public in Canada, on the <i>Dealer Member’s</i> behalf, including where that <i>individual</i> deals only in mutual funds or only with <i>institutional clients</i> .
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“sales literature”	Any written or electronic communication for client use which contains a recommendation relating to a <i>security</i> <u>or <i>derivative</i></u> , or <i>trading strategy</i> (defined in section 3602) , but does not include: <ul style="list-style-type: none"> (i) any communication that is an <i>advertisement</i> or <i>correspondence</i>, or (ii) preliminary prospectuses and prospectuses.
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“securities laws”	Any laws about trading, distributing, advising or any other related activities in <i>securities</i> or <i>derivatives</i> in Canada enacted by the government of Canada or any province or territory in Canada and all regulations, rules, orders, judgments and other regulatory directions relating to such laws.
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<u>"securities and derivatives related business"</u>	<u>Any business or activity (whether or not carried on for gain) engaged in, directly or indirectly, which constitutes trading or advising in securities or derivatives for the purposes of securities laws, including for greater certainty, offers and sales pursuant to exemptions under securities laws.</u>
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<u>"security"</u>	<u>A security as defined within the relevant securities law other than a derivative.</u>
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"segregation"	A practice whereby a <i>Dealer Member</i> holds in trust client securities and precious metals bullion that are: <ul style="list-style-type: none"> (i) held free and clear of any charge, lien, claim or encumbrance of any kind, (ii) ready for delivery to a client on demand, and (iii) held separate from the <i>Dealer Member's</i> own security holdings.
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RULE 1400 | STANDARDS OF CONDUCT

1402. Standards of conduct

- (2) Without limiting the generality of the foregoing, any business conduct that:
 - (i) is negligent,
 - (ii) fails to comply with a legal, regulatory, contractual or other obligation, including the rules, requirements, and policies of a *Regulated Person*,

(iii) displays an unreasonable departure from standards that are expected to be observed by a *Regulated Person*, or

(iv) is likely to diminish investor confidence in the integrity of *securities* or *derivatives* markets,

may be conduct that contravenes one or more of the standards set forth in subsection 1402(1).

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1403. Applicability

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(3) For purposes of section 1402, the obligation of *Regulated Persons* that are non-*Dealer Member* users or subscribers of a *Marketplace* for which *IIROC* is the regulation services provider is limited to the obligation to transact business openly and fairly when trading on a *Marketplace* or otherwise dealing in *securities* or derivatives that are eligible to be traded on a *Marketplace*.

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RULE 2200 | DEALER MEMBER ORGANIZATION

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PART A.3 - NON-SECURITIES OR NON-DERIVATIVES BUSINESS AND SHARED PREMISES

2215. Business other than securities or derivatives

- (1) A *Dealer Member* must obtain approval from the *applicable District Council* before carrying on any business other than *Dealer Member related activities*.
- (2) A *Dealer Member* or a *Dealer Member's holding company* may, without approval, own an interest in a corporation (other than the *Dealer Member*) that carries on non-*securities* or non-derivatives business if:
 - (i) the *Dealer Member* is not responsible for any of that corporation's liabilities, and

- (ii) the *Dealer Member* and its *holding company* give *IIROC* notice before acquiring an interest in the non-*securities or non-derivatives* corporation.
- (3) A *District Council* may delegate its authority under this section to a subcommittee of the *District Council* or to *IIROC* staff.

2216. Shared office premises

- (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 or derivatives* transactions,
 - (iii) assisting clients to complete order forms for *securities or derivatives* 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 or derivatives* transactions.

PART C - NOTIFICATION REQUIREMENTS

2245. Introduction

- (1) *IIROC* ~~will~~may review proposed changes in a *Dealer Member's* business, listed in section 2246, to ensure:
 - (i) the *Dealer Member* is adequately prepared to make the change without unduly impacting its clients,
 - (ii) the change is carried in accordance with *IIROC's requirements*, and
 - (iii) the change is in the public interest.

2246. Dealer Member’s notice of changes to IIROC

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- (2) A *Dealer Member* must notify *IIROC* in writing before [making](#) any material change to its business activities.
- (3) A *Dealer Member* must notify in writing and receive written approval from *IIROC* before:
 - (i) offering *retail clients* any highly-leveraged *securities* or *derivatives*, or
 - (ii) offering *retail clients* previously approved highly-leveraged *securities* or *derivatives* that are to be based on a new ~~underlier~~[underlying interest](#).

2247. IIROC informs Dealer Member about review when necessary

- (1) A *Dealer Member* must not make any of the changes listed in subsection 2246(1) if, within the [20-day](#) notice period, *IIROC* informs the *Dealer Member* that it will be submitting the proposed change to the *applicable District Council* for approval.
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RULE 2300 | PRINCIPAL AND AGENT RELATIONSHIPS

2302. Principal and agent relationships

- (1) An *individual* who conducts ~~agent~~[securities and derivatives](#) related ~~activities~~[business](#) on behalf of a *Dealer Member* must be an *employee* (which includes an *agent*) of the *Dealer Member*.
- (2) A *Dealer Member* must not allow a corporation or other non-*individual* entity to conduct ~~agent~~[securities and derivatives](#) related ~~activities~~[business](#) on its behalf.

2303. Written agreement between the Dealer Member and IIROC

- (1) Before engaging any *agents* to conduct ~~agent~~[securities and derivatives](#) related ~~activities~~[business](#), a *Dealer Member* must enter into a written agreement with *IIROC*.
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(4) The written agreement must be in a form similar to the following:

“Agreement between a Dealer Member and IIROC

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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 ~~agent~~securities and derivatives related activitiesbusiness 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.

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2304. Written agreement between the Dealer Member and its agents

- (1) The Dealer Member and the agent who conducts ~~agent~~securities and derivatives related activitiesbusiness must enter into a written agreement.

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

- (iv) Conduct of the agent’s business
 - (a) The agent agrees to conduct all business in the Dealer Member’s name, subject to sections 2281 through 2283 relating to the use of trade names.
 - (b) The agent agrees to conduct all ~~agent~~securities and derivatives related activitiesbusiness through the Dealer Member.

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(vi) Written disclosure to clients

If the *Dealer Member* and the *agent* have agreed that the *agent* will advise the clients directly:

- (a) the list of ~~agent~~securities and derivatives related ~~activities~~business conducted by the *agent* for which the *Dealer Member* is responsible, and
- (b) that the *Dealer Member* is not responsible for any other business activity conducted by the *agent*,

the *Dealer Member* agrees to be responsible for ensuring that the *agent* has done so.

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(ix) Access to premises

The *agent* agrees to give the *Dealer Member* unrestricted access to the premises where the *agent* conducts ~~agent~~securities and derivatives related ~~activities~~business on the *Dealer Member's* behalf.

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(xi) Insurance

The *Dealer Member* agrees to maintain financial institution bond and insurance policies that cover the *agent's* conduct relating to the ~~agent~~securities and derivatives related ~~activities~~business they conduct for the *Dealer Member*.

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PART A - DEALER MEMBER DIRECTORS AND EXECUTIVES

2502. General requirements for Directors

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(2) At least 40% of the *Dealer Member's Directors* must:
(i) either:
(a) be *actively engaged in the business of the Dealer Member* and spend the majority of their time in the *securities or derivatives* industry, except those on active government service, or who for health reasons are prevented from such active engagement, or

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2503. General requirements for Executives

- (1) A *Dealer Member's Executives* must:
(i) be either:
(a) *actively engaged in the business of the Dealer Member* and spend the majority of their time in the *securities or derivatives* industry, except those on active government service, or who for health reasons are prevented from such active engagement, or

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PART B - APPROVAL OF INDIVIDUALS

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2551. Individual approval

- (1) An *individual* is not permitted to act as an *Approved Person* and a *Dealer Member* is not permitted to allow an *individual* to act as an *Approved Person* unless:
- (i) the *Dealer Member* is registered or licensed (or exempt from such registration or licensing) in the appropriate category under *securities laws* in each jurisdiction in which clients of the *Dealer Member* reside or in which the *Dealer Member* carries on ~~*Dealer Member*~~*securities and derivatives related activities**business*,
 - (ii) the *individual*, if required to do so under *securities laws*, is registered or licensed (or exempt from such registration or licensing) in the appropriate category under *securities laws* in each jurisdiction in which clients of the *individual* reside or in which the *individual* carries on ~~*Dealer Member*~~*securities and derivatives related activities**business*, and
 - (iii) the *individual* is approved by IIROC in the appropriate *Approved Person* category, before the *individual* begins working in that role.
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2553. Approval of Registered Representatives, Investment Representatives, Portfolio Managers and Associate Portfolio Managers and their obligations

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- (2) A *Registered Representative*, *Investment Representative*, *Portfolio Manager* or *Associate Portfolio Manager* may not conduct on behalf of a *Dealer Member*, and a *Dealer Member* may not permit the *Approved Person* to conduct on its behalf, the type of business as set out in clause 2553(2)(iv) and deal with a type of

customer as set out in clauses 2553(2)(i) and (ii), unless the *Dealer Member* complies with the following:

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(iv) The *Dealer Member* must notify *IIROC* which of its *individuals* approved as a *Registered Representative, Investment Representative, Portfolio Manager* or *Associate Portfolio Manager* will deal in or advise in:

- (a) only mutual funds, government or government-guaranteed debt instruments, and deposit instruments issued by a federally regulated bank, trust company, credit union or *caisse populaire*, except those for which all or part of the interest or return is indexed to the performance of another financial instrument or index,
- (b) options or similar ~~derivative~~derivatives contracts,
- (c) futures contracts, forward contracts, contracts for difference, futures contract options or similar ~~derivative~~derivatives contracts, other than in any province where approval is required, and
- (d) general *securities* business; including equities, fixed income and other investment products not listed above.

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(7) An *Associate Portfolio Manager* must not advise on *securities* or derivatives unless, before giving the advice, the advice has been pre-approved by the *Portfolio Manager*.

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RULE 2600 | PROFICIENCY REQUIREMENTS AND EXEMPTIONS FROM PROFICIENCIES

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PART A - PROFICIENCY REQUIREMENTS

2602. Proficiency requirements for Approved Persons and approved investors

- (1) An *Approved Person* must not perform an activity that requires approval unless the *Approved Person* has the education, training and experience that a reasonable person would consider necessary to perform the activity competently, including understanding the structure, features and risks of each *security, derivative* and precious metals bullion the *Approved Person* recommends.
- (2) The *Dealer Member* must ensure that an *individual* does not perform an activity that requires *IIROC* approval unless the *individual* has the education, training and experience that a reasonable person would consider necessary to perform the activity competently, including understanding the structure, features and risks of each *security, derivative* and precious metals bullion the *individual* recommends.
- (3) Each applicant in an *Approved Person* category or *approved investor* category must meet the proficiency requirements set out below for that category unless an exemption has been granted from the applicable proficiency requirements before *IIROC* will grant approval. Unless otherwise stated, the Canadian Securities Institute administers the courses and examinations noted below.

Registered Representatives Representative and Investment Representatives Representative
<ul style="list-style-type: none"> • Registered Representatives Representative dealing with <i>retail clients</i> (other than a Registered Representatives Representative dealing in <i>derivative</i> contracts or only in mutual funds)
<ul style="list-style-type: none"> • Registered Representatives Representative dealing with <i>institutional clients</i> (other than a Registered Representatives Representative dealing in <i>derivative</i> contracts or only in mutual funds)
<ul style="list-style-type: none"> • Registered Representatives Representative dealing in options or similar <i>derivative</i> contracts with <i>retail clients</i>
<ul style="list-style-type: none"> • Registered Representatives Representative dealing in options or similar <i>derivative</i> contracts with <i>institutional clients</i>
<ul style="list-style-type: none"> • Registered Representatives Representative dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivative</i> contracts with <i>retail</i> or <i>institutional clients</i>
<ul style="list-style-type: none"> • Registered Representatives Representative dealing only in mutual funds
<ul style="list-style-type: none"> • Investment Representatives Representative dealing with <i>retail clients</i> (other than an Investment Representatives Representative dealing in <i>derivative</i> contracts or only in mutual funds)

<ul style="list-style-type: none"> • Investment Representatives Investment Representative dealing with <i>institutional clients</i> (other than an Investment Representatives Investment Representative dealing in <i>derivative</i> contracts or only in mutual funds)
<ul style="list-style-type: none"> • Investment Representatives Investment Representative dealing in options or similar <i>derivative</i> contracts with <i>retail clients</i>
<ul style="list-style-type: none"> • Investment Representatives Investment Representative dealing in options or similar <i>derivative</i> contracts with <i>institutional clients</i>
<ul style="list-style-type: none"> • Investment Representatives Investment Representative dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivative</i> contracts with <i>retail</i> or <i>institutional clients</i>
<ul style="list-style-type: none"> • Investment Representatives Investment Representative dealing only in mutual funds
Associate Portfolio Managers Manager and Portfolio Managers Manager
<ul style="list-style-type: none"> • Associate Portfolio Managers Associate Portfolio Manager providing discretionary portfolio management for <i>managed accounts</i>
<ul style="list-style-type: none"> • Portfolio Managers Portfolio Manager providing discretionary portfolio management for <i>managed accounts</i>
Traders Trader
<ul style="list-style-type: none"> • Traders Trader
<ul style="list-style-type: none"> • Traders Trader on the Montréal Exchange
Supervisors Supervisor – Retail or Institutional
<ul style="list-style-type: none"> • Supervisors Supervisor of <i>Registered Representatives</i> or <i>Investment Representatives</i> (other than supervising <i>derivative</i> contracts)
<ul style="list-style-type: none"> • Supervisors Supervisor of <i>Registered Representatives</i> or <i>Investment Representatives</i> dealing with clients in options or similar <i>derivative</i> contracts
<ul style="list-style-type: none"> • Supervisors Supervisor of <i>Registered Representatives</i> or <i>Investment Representatives</i> dealing with clients in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivative</i> contracts
Designated Supervisors Supervisor
<ul style="list-style-type: none"> • <i>Supervisor</i> designated to be responsible for the opening of new accounts and supervision of account activity
<ul style="list-style-type: none"> • <i>Supervisor</i> designated to be responsible for the supervision of <i>discretionary accounts</i>
<ul style="list-style-type: none"> • <i>Supervisor</i> designated to be responsible for the supervision of <i>managed accounts</i>
<ul style="list-style-type: none"> • <i>Supervisor</i> designated to be responsible for the supervision of option and similar <i>derivative</i> contract accounts

<ul style="list-style-type: none"> • <i>Supervisor</i> designated to be responsible for the supervision of futures contract, forward contract, contracts for difference, futures contract option and similar <i>derivative</i> contract accounts
<ul style="list-style-type: none"> • <i>Supervisor</i> designated to be responsible for the pre-approval of <i>advertising, sales literature</i> and <i>correspondence</i>
<ul style="list-style-type: none"> • <i>Supervisor</i> designated to be responsible for the supervision of <i>research reports</i>
Executives Executive and Directors Director
<ul style="list-style-type: none"> • <i>Executive</i> (including <i>Ultimate Designated Person</i>)
<ul style="list-style-type: none"> • <i>Director</i>
<ul style="list-style-type: none"> • <i>Chief Financial Officer</i>
<ul style="list-style-type: none"> • <i>Chief Compliance Officer</i>
Approved investors investor
<ul style="list-style-type: none"> • <i>approved</i>Approved investor

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
Registered RepresentativesRepresentative and Investment RepresentativesRepresentative			
(i) <i>Registered RepresentativesRepresentative</i> dealing with retail clients (other than a <i>Registered RepresentativesRepresentative</i> dealing in <i>derivative</i> contracts or only in mutual funds)	Canadian Securities Course or, Level I or any higher level of the CFA Program administered by the CFA Institute, and Conduct and Practices Handbook Course and <ul style="list-style-type: none"> • 90-day training program after completion of the Canadian Securities Course or CFA Program Level I or any higher level. The <i>Dealer Member</i> must employ the applicant full time during this program. OR	<ul style="list-style-type: none"> • Wealth Management Essentials Course within 30 months after approval date as a <i>Registered Representative</i> 	<ul style="list-style-type: none"> • Six months of supervision and supervisory reporting from initial approval date as a <i>Registered Representative</i>

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	New Entrants Course, if previously registered with a <i>recognized foreign self-regulatory organization</i> in a similar capacity within three years before requesting approval		
(ii) <i>Registered Representatives</i> dealing with institutional clients (other than a <i>Registered Representative</i> dealing in derivative contracts or only in mutual funds)	<ul style="list-style-type: none"> • Canadian Securities Course or, Level I or any higher level of the CFA Program administered by the CFA Institute, and Conduct and Practices Handbook Course OR <ul style="list-style-type: none"> • New Entrants Course, if previously registered with a <i>recognized foreign self-regulatory organization</i> in a similar capacity within three years before requesting approval 		
(iii) <i>Registered Representatives</i> dealing in options or similar derivative contracts with retail clients	<ul style="list-style-type: none"> • The proficiency requirements of a <i>Registered Representative</i> dealing with <i>retail clients</i> under clause 2602(3)(i), AND <ul style="list-style-type: none"> • Both the Derivatives Fundamentals Course and the Options Licensing Course 		

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p>or</p> <p>Derivatives Fundamentals and Options Licensing Course</p> <p>or</p> <p>New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options or similar <i>derivative</i> contracts within three years before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</p>		
<p>(iv) <i>Registered RepresentativesRepresentative</i> dealing in options or similar <i>derivative</i> contracts with <i>institutional clients</i></p>	<ul style="list-style-type: none"> • The proficiency requirements of a <i>Registered Representative</i> dealing with <i>institutional clients</i> under clause 2602(3) (ii), <p>AND</p> <ul style="list-style-type: none"> • Both the Derivatives Fundamentals Course and the Options Licensing Course <p>or</p>		

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p>Derivatives Fundamentals and Options Licensing Course</p> <p>or</p> <p>New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options or similar <i>derivative</i> contracts within three years before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</p>		
<p>(v) <i>Registered RepresentativesRepresententative</i> dealing in <i>futures contracts, forward contracts, contracts for difference, futures contract options or similar derivative contracts with retail clients or institutional clients</i></p>	<ul style="list-style-type: none"> • Futures Licensing Course, and Conduct and Practices Handbook Course <p>AND</p> <ul style="list-style-type: none"> • Derivatives Fundamentals Course <p>or</p> <p>Derivatives Fundamentals and Options Licensing Course</p> <p>or</p> <p>Series 3 Examination administered by the Financial Industry</p>		

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	Regulatory Authority (on behalf of the National Futures Association), if previously registered with the National Futures Association in a similar capacity and dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivative</i> contracts within three years before requesting approval		
(vi) <i>Registered Representatives</i> Representative dealing only in mutual funds	<ul style="list-style-type: none"> • Canadian Securities Course or Canadian Investment Funds Course administered by the Investment Funds Institute of Canada or Investment Funds in Canada Course 	<ul style="list-style-type: none"> • Canadian Securities Course and Conduct and Practices Handbook Course within 270 days of initial approval, and • 90-day training program within 18 months of initial approval 	<ul style="list-style-type: none"> • The <i>individual</i> must upgrade to <i>Registered Representative</i> within 18 months of initial approval
(vii) <i>Investment Representatives</i> Representative dealing with retail clients (other than an <i>Investment Representatives</i> Representative dealing in derivative contracts or only in mutual funds)	<ul style="list-style-type: none"> • Canadian Securities Course, or Level I or any higher level of the CFA Program administered by the CFA Institute, and Conduct and Practices Handbook Course and 30-day training program after completing the 		<ul style="list-style-type: none"> • Six months of supervision and supervisory reporting from initial approval date as an <i>Investment Representative</i>

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p>Canadian Securities Course or Level I or any higher level of the CFA Program. The <i>Dealer Member</i> must employ the applicant full-time during this program</p> <p>OR</p> <ul style="list-style-type: none"> • New Entrants Course, if previously registered with a <i>recognized foreign self-regulatory organization</i> in a similar capacity within three years before requesting approval 		
<p>(viii) <i>Investment Representatives</i>Representative dealing with <i>institutional clients</i> (other than an <i>Investment Representatives</i>Representative dealing derivative contracts or only in mutual funds)</p>	<p>Canadian Securities Course, or Level I or any higher level of the CFA Program administered by the CFA Institute, and Conduct and Practices Handbook Course</p> <p>OR</p> <p>New Entrants Course, if previously registered with a <i>recognized foreign self-regulatory organization</i> in a similar capacity within three years before requesting approval</p>		
<p>(ix) <i>Investment Representatives</i>Representative dealing in options or similar derivative contracts with retail clients</p>	<ul style="list-style-type: none"> • The proficiency requirements of an <i>Investment Representative</i> dealing with <i>retail clients</i> under clause 2602(3)(vii), <p>AND</p>		

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<ul style="list-style-type: none"> • Both the Derivatives Fundamentals Course <i>and</i> the Options Licensing Course or Derivatives Fundamentals and Options Licensing Course, or New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options or similar <i>derivative</i> contracts within three years before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority 		
(x) <i>Investment RepresentativesRepres entative</i> dealing in options or similar <i>derivative</i> contracts with <i>institutional clients</i>	<ul style="list-style-type: none"> • The proficiency requirements for an <i>Investment Representative</i> dealing with <i>institutional clients</i> under clause 2602(3)(viii), AND • Both the Derivatives Fundamentals Course and 		

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p>the Options Licensing Course</p> <p>or</p> <p>Derivatives Fundamentals and Options Licensing Course</p> <p>or</p> <p>New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options or similar <i>derivative</i> contracts within three years before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</p>		
(xi) <i>Investment Representatives</i> Representative dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivative</i> contracts with <i>retail clients</i> or <i>institutional clients</i>	<ul style="list-style-type: none"> • Futures Licensing Course, and • Conduct and Practices Handbook Course <p>AND</p> <ul style="list-style-type: none"> • Derivatives Fundamentals Course <p>or</p> <p>Derivatives Fundamentals and Options Licensing Course</p> <p>or</p>		

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association) , if previously registered with the National Futures Association in a similar capacity and dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivative</i> contracts within three years before requesting approval		
(xii) <i>Investment Representatives</i> Representative dealing only in mutual funds	<ul style="list-style-type: none"> • Canadian Securities Course or Canadian Investment Funds Course administered by the Investment Funds Institute of Canada or Investment Funds in Canada Course 	<ul style="list-style-type: none"> • Canadian Securities Course and Conduct and Practices Handbook Course within 270 days of initial approval, and • 30-day training program within 18 months of initial approval 	<ul style="list-style-type: none"> • The <i>individual</i> must upgrade to <i>Investment Representative</i> within 18 months of initial approval
Associate Portfolio ManagersManager and Portfolio ManagersManager			
(xiii) <i>Associate Portfolio Managers</i> Manager providing discretionary portfolio management for <i>managed accounts</i>	<ul style="list-style-type: none"> • Conduct and Practices Handbook Course, AND Canadian Investment Manager Designation 		<ul style="list-style-type: none"> • Two years of relevant investment management experience acceptable to <i>IIFOC</i>

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p>or</p> <p>Chartered Investment Manager Designation</p> <p>or</p> <p>CFA Level I or any higher level of the CFA Program administered by the CFA Institute</p> <p>AND</p> <p>If managing options or similar <i>derivative</i> contract accounts:</p> <ul style="list-style-type: none"> • Both the Derivatives Fundamentals Course and the Options Licensing Course <p>or</p> <p>Derivatives Fundamentals and Options Licensing Course</p> <p>or</p> <p>New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in <i>options</i> or similar <i>derivative</i> contracts within three years before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the</p>		<p>within three years before requesting approval</p>

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p>Financial Industry Regulatory Authority</p> <p>AND</p> <p>If managing futures contract, forward contract, contracts-for difference, futures contract option or similar <i>derivative</i> contract accounts:</p> <ul style="list-style-type: none"> • Futures Licensing Course, <p>AND</p> <p>Derivatives Fundamentals Course</p> <p>or</p> <p>Derivatives Fundamentals and Options Licensing Course</p> <p>or</p> <p>Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association) , if previously registered with the National Futures Association in a similar capacity and dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivative</i> contracts within</p>		

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	three years before requesting approval		
(xiv) <i>Portfolio Managers</i> Manager providing discretionary portfolio management for <i>managed accounts</i>	<ul style="list-style-type: none"> • Conduct and Practices Handbook Course, <p>AND</p> <p>Canadian Investment Manager Designation</p> <p>or</p> <p>Chartered Investment Manager Designation</p> <p>or</p> <p>CFA Charter administered by the CFA Institute</p> <p>AND</p> <p>If managing options or similar <i>derivative</i> contract accounts:</p> <ul style="list-style-type: none"> • Both the Derivatives Fundamentals Course and the Options Licensing Course <p>or</p> <p>Derivatives Fundamentals and Options Licensing Course</p> <p>or</p> <p>New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options within three years before requesting approval,</p>		<p>If Canadian Investment Manager Designation or Chartered Investment Manager Designation is completed:</p> <ul style="list-style-type: none"> • at least four years of relevant investment management experience; one year of which was gained within the three years before requesting approval acceptable to <i>IIROC</i> <p>or</p> <p>If CFA Charter is completed, at least one year of relevant investment management experience within the three years before requesting approval acceptable to <i>IIROC</i></p>

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p>and</p> <p>Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</p> <p>AND</p> <p>If managing futures contract, forward contract, contracts for difference, futures contract option or similar <i>derivative</i> contract accounts:</p> <ul style="list-style-type: none"> • Futures Licensing Course <p>AND</p> <ul style="list-style-type: none"> • Derivatives Fundamentals Course <p>or</p> <p>Derivatives Fundamentals and Options Licensing Course</p> <p>or</p> <p>Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association) if previously registered with National Futures Association in a similar capacity and dealing in futures contracts, forward</p>		

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	contracts, contracts for difference, futures contract options or similar <i>derivative</i> contracts within three years before requesting approval		
TradersTrader			
(xv) Traders Trader	<ul style="list-style-type: none"> • Trader Training Course, unless otherwise determined by the Marketplacemarketplace on which the TradersTrader will be trading 		
(xvi) Traders Trader on the Montréal Exchange	<ul style="list-style-type: none"> • Proficiency requirements determined to be acceptable by the Montréal Exchange 		
SupervisorsSupervisor – Retail or Institutional			
(xvii) Supervisors Supervisor of Registered Representatives or Investment Representatives (other than supervising <i>derivative</i> contracts)	<ul style="list-style-type: none"> • Investment Dealer Supervisors Course <p>AND</p> <ul style="list-style-type: none"> • Canadian Securities Course <p>or</p> <ul style="list-style-type: none"> • CFA Level I or any higher level of the CFA Program administered by the CFA Institute <p>and</p> <ul style="list-style-type: none"> • Conduct and Practices Handbook Course <p>or</p> <ul style="list-style-type: none"> • New Entrants Course, if previously registered with a <i>recognized foreign self-</i> 		<ul style="list-style-type: none"> • Two years of relevant experience working for an investment dealer <p>or</p> <ul style="list-style-type: none"> • Two years of relevant experience working for a Mutual Fund Dealer, portfolio manager or entity governed by a <i>recognized foreign self-regulatory organization</i> <p>or</p>

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p><i>regulatory organization or an investment dealer within three years before requesting approval</i></p>		<p>Such other equivalent experience acceptable to the <i>applicable District Council</i></p>
<p>(xviii) SupervisorsSupervisor of Registered Representatives or Investment Representatives dealing with clients in options or similar derivative contracts</p>	<ul style="list-style-type: none"> • Options Supervisors Course, and Conduct and Practices Handbook Course <p>AND</p> <ul style="list-style-type: none"> • Both the Derivatives Fundamentals Course and the Options Licensing Course <p>or</p> <p>Derivatives Fundamentals and Options Licensing Course,</p> <p>or</p> <p>New Entrants Course, if previously registered with the Financial Industry Regulatory Authority or an investment dealer and dealing in <i>options</i> or similar <i>derivative</i> contracts within three years before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</p>		<ul style="list-style-type: none"> • Two years of relevant experience working for an investment dealer <p>or</p> <p>Two years of relevant experience working for an entity governed by a <i>recognized foreign self-regulatory organization</i></p> <p>or</p> <p>Such other equivalent experience acceptable to the <i>applicable District Council</i></p>

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
(xix) Supervisors Supervisor <i>of Registered Representatives or Investment Representatives</i> dealing with clients in <i>futures contracts, forward contracts, contracts for difference, futures contract options or similar derivative contracts</i>	<ul style="list-style-type: none"> • Canadian Commodity Supervisors Exam and Futures Licensing Course and Conduct and Practices Handbook Course AND • Derivatives Fundamentals Course or Derivatives Fundamentals and Options Licensing Course or Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association), if previously registered with National Futures Association or an investment dealer and dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivative</i> contracts within three years before requesting approval 		<ul style="list-style-type: none"> • Two years of relevant experience working for an investment dealer or Two years of relevant experience working for an entity governed by a <i>recognized foreign self-regulatory organization</i> or Such other equivalent experience acceptable to the <i>applicable District Council</i>
Designated SupervisorsSupervisor			

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
(xx) Supervisors Supervisor designated to be responsible for the opening of new accounts and supervision of account activity	<ul style="list-style-type: none"> Investment Dealer Supervisors Course 		<ul style="list-style-type: none"> Two years of relevant experience working for an investment dealer or Two years of relevant experience working for an entity governed by a <i>recognized foreign self-regulatory organization</i> or Such other equivalent experience acceptable to the <i>applicable District Council</i>
(xxi) Supervisors Supervisor designated to be responsible for the supervision of <i>discretionary accounts</i>	<ul style="list-style-type: none"> Investment Dealer Supervisors Course 		<ul style="list-style-type: none"> Two years of relevant experience working for an investment dealer or Two years of relevant experience working for an entity governed by a <i>recognized foreign self-regulatory organization</i> or

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
			Such other equivalent experience acceptable to the <i>applicable District Council</i>
(xxii) Supervisors Supervisor designated to be responsible for the supervision of <i>managed accounts</i>	<ul style="list-style-type: none"> • Canadian Investment Manager Designation or Chartered Investment Manager Designation or CFA Charter administered by the CFA Institute <p>AND</p> <ul style="list-style-type: none"> • If supervising options and similar <i>derivative</i> contract accounts, the applicable proficiencies, as specified under clause 2602(3)(xviii) <p>AND</p> <ul style="list-style-type: none"> • If supervising futures contract, forward contract, contracts for difference, futures contract option and similar <i>derivative</i> contract accounts, the applicable proficiencies, as specified under clause 2602(3)(xix) 		<ul style="list-style-type: none"> • If completed Canadian Investment Manager Designation or Chartered Investment Manager Designation: at least four years of relevant investment management experience; one year of which was gained within the three years before requesting approval or If completed CFA Charter: at least one year of relevant investment management experience within the three years before requesting approval

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
(xxiii) Supervisors Supervisor designated to be responsible for the supervision of option and similar <i>derivative</i> contract accounts	<ul style="list-style-type: none"> • Options Supervisors Course, and Both the Derivatives Fundamentals Course and the Options Licensing Course or Derivatives Fundamentals and Options Licensing Course or New Entrants Course, if previously registered with the Financial Industry Regulatory Authority or an investment dealer and dealing in options within three years before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority 		<ul style="list-style-type: none"> • Two years of relevant experience working for an investment dealer or Two years of relevant experience working for an entity governed by a <i>recognized foreign self-regulatory organization</i> or Such other equivalent experience acceptable to the <i>applicable District Council</i>
(xxiv) Supervisors Supervisor designated to be responsible for the supervision of futures contract, forward contract, contracts for difference, futures contract option and	<ul style="list-style-type: none"> • Canadian Commodity Supervisors Exam and Futures Licensing Course, AND • Derivatives Fundamentals Course or 		<ul style="list-style-type: none"> • Two years of relevant experience working for an investment dealer or Two years of relevant supervisory or compliance experience working

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
similar <i>derivative</i> contract accounts	Derivatives Fundamentals and Options Licensing Course or Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association) if previously registered with the National Futures Association or an investment dealer and dealing in futures within three years before requesting approval		for an entity governed by a <i>recognized foreign self-regulatory organization</i> or Such other equivalent experience acceptable to the <i>applicable District Council</i>
(xxv) Supervisors Supervisor designated to be responsible for the pre- approval of <i>advertising, sales literature and correspondence</i>	<ul style="list-style-type: none"> • Investment Dealer Supervisors Course 		<ul style="list-style-type: none"> • Two years of relevant experience working for an investment dealer or Two years of relevant experience working for an entity governed by a <i>recognized foreign self- regulatory organization</i> or Such other equivalent experience acceptable to the

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
			<i>applicable District Council</i>
(xxvi) Supervisors Supervisor designated to be responsible for the supervision of <i>research reports</i>	<ul style="list-style-type: none"> • Three levels of the CFA or CFA Charter administered by the CFA Institute or Other appropriate qualifications acceptable to the <i>applicable District Council</i> 		<ul style="list-style-type: none"> • Two years of relevant experience working for an investment dealer or Two years of relevant experience working for an entity governed by a <i>recognized foreign self- regulatory organization</i> or Such other equivalent experience acceptable to the <i>applicable District Council</i>
ExecutivesExecutive and DirectorsDirector			
(xxvii) <i>Executive (including Ultimate Designated Person)</i>	<ul style="list-style-type: none"> • Partners, Directors and Senior Officers Course AND • If seeking approval in a trading or advising category, the applicable proficiency requirements in that category AND • If seeking approval as a <i>Supervisor</i>, the applicable proficiency requirements in that category 		

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
(xxviii) <i>Director</i>	<p>An industry <i>Director</i> must complete:</p> <ul style="list-style-type: none"> • Partners, Directors and Senior Officers Course, <p>AND</p> <ul style="list-style-type: none"> • If seeking approval in a trading or advising category, the applicable proficiency requirements in that category, <p>AND</p> <ul style="list-style-type: none"> • If seeking approval as a <i>Supervisor</i>, the applicable proficiency requirements in that category <p>A non-industry <i>Director</i> that owns or controls a voting interest of 10% or more, directly or indirectly, must complete:</p> <ul style="list-style-type: none"> • The Partners, Directors and Senior Officers Course 		
(xxix) <i>Chief Financial Officer</i>	<ul style="list-style-type: none"> • Partners, Directors and Senior Officers Course <p>and</p> <p>Chief Financial Officers Qualifying Examination</p> <p>AND</p> <ul style="list-style-type: none"> • If seeking approval in a trading or advising category, the applicable proficiency requirements in that category, <p>AND</p>		<ul style="list-style-type: none"> • A financial accounting designation, finance related university degree or diploma or equivalent work experience as may be acceptable to <i>IROC</i>

Approved Persons Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<ul style="list-style-type: none"> If seeking approval as a <i>Supervisor</i>, the applicable proficiency requirements in that category 		
(xxx) <i>Chief Compliance Officer</i>	<ul style="list-style-type: none"> Partners, Directors and Senior Officers Course, and Chief Compliance Officers Qualifying Examination <p>AND</p> <ul style="list-style-type: none"> If seeking approval in a trading or advising category, the applicable proficiency requirements in that category, <p>AND</p> <p>If seeking approval as a <i>Supervisor</i>, the applicable proficiency requirements in that category</p>		<ul style="list-style-type: none"> Five years working for an investment dealer or registered advisor, with at least three years in a compliance or supervisory capacity <p>or</p> <p>Three years providing professional services in the securities industry, with at least 12 months experience working at an investment dealer or registered advisor in a compliance or supervisory capacity</p>
Approved investor			
(xxxi) approved Approved <i>investor</i> (under subsections 2555(2) and 2555(3))	<ul style="list-style-type: none"> Partners, Directors and Senior Officers Course 		

PART B - EXEMPTIONS FROM PROFICIENCY REQUIREMENTS

2628. Course validity and exemptions from rewriting courses

(6) An *individual* is exempt from rewriting the courses as set out in the table below if the *individual* has met the current status criteria and exemption criteria.

Course	Individual's current status	Exemption criteria
.	.	.
Derivatives Fundamentals Course	<ul style="list-style-type: none"> • an applicant for approval or <i>Approved Person</i> who will be dealing with clients in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivative</i> contracts or supervising <i>Approved Persons</i> who deal with such clients 	<ul style="list-style-type: none"> • applicant seeking approval or filing a notice within three years of passing the Futures Licensing Course or the Canadian Commodity Supervisors Exam
Derivatives Fundamentals Course	<ul style="list-style-type: none"> • an applicant for approval or an <i>Approved Person</i> dealing with clients, in <i>options</i> or similar <i>derivative</i> contracts, or supervising <i>Approved Persons</i> who deal with such clients 	<ul style="list-style-type: none"> • applicant seeking approval or filing a notice within three years of completing the Options Licensing Course or the Options Supervisors Course
.	.	.

RULE 2700 | CONTINUING EDUCATION REQUIREMENTS FOR APPROVED PERSONS

PART A - THE CONTINUING EDUCATION PROGRAM AND CONTINUING EDUCATION REQUIREMENTS

2704. Continuing education requirements

- (1) In each *continuing education program* cycle, a *continuing education participant* must meet the continuing education requirements for the applicable *Approved Person* category, regardless of product type, as set out in the following table.

Approved Person Category	Client Type	Compliance course requirement	Professional development requirement
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.	.	.	.
.	.	.	.
<i>Supervisor</i> designated to be responsible for the supervision of option and similar <i>derivative</i> contract accounts	<i>retail client</i> or <i>institutional client</i>	Yes	No
<i>Supervisor</i> designated to be responsible for the supervision of futures contract, forward contract, contracts for difference, futures contract option and similar <i>derivative</i> contract accounts	<i>retail client</i> or <i>institutional client</i>	Yes	No
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.	.	.	.
.	.	.	.

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RULE 3100 | DEALING WITH CLIENTS

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PART B – CONFLICTS OF INTEREST

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3118. Tied selling

- (1) A *Dealer Member* must not require a client to purchase, use or invest in any product, service ~~or~~ security or derivative as a condition, or on terms that would appear to a reasonable person to be a condition, of supplying, continuing to supply or selling a product, service ~~or~~ security or derivative.
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PART C – BEST EXECUTION OF CLIENT ORDERS AND TRANSACTIONS

3119. Definitions

- (1) The following terms have the meaning set out below when used in sections 3119 through 3129:
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“over-the-counter security”	A <i>security</i> , other than: (i) a <i>listed security</i> , (ii) a <i>foreign exchange-traded security</i> , (iii) a <i>security</i> that is undergoing a primary market transaction (iv) a <i>derivative</i> .
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3120. Best execution obligation

- (1) A *Dealer Member's* policies and procedures must specifically address achieving *best execution* for client orders and transactions.

3121. Best execution factors for listed security and listed derivative orders

- (1) The policies and procedures for achieving *best execution* of client orders in *listed securities, foreign-exchange traded securities* and *listed derivatives* must address the following broad factors:
 - (i) the price of the *security or derivative*,
 - (ii) the speed of execution of the client order,
 - (iii) the certainty of execution of the client order, and
 - (iv) the overall cost of the transaction, when costs are passed on to clients.
- (2) In addition to the broad factors listed in subsection 3121(1), the policies and procedures for *best execution* of client orders for *listed securities* and *foreign-exchange traded securities* must address the following specific factors:
 - (i) the considerations taken into account when determining appropriate routing strategies for client orders,
 - (ii) the considerations for fair pricing of *Opening Orders* when determining where to enter an *Opening Order*,
 - (iii) the considerations when not all ~~Marketplaces~~marketplaces are open and available for trading,
 - (iv) how order and trade information from all appropriate ~~Marketplaces~~marketplaces, including unprotected ~~Marketplaces~~marketplaces and *foreign organized regulated markets*, is taken into account,
 - (v) the factors related to executing client orders on unprotected ~~Marketplaces~~marketplaces, and
 - (vi) the factors related to sending client orders to a foreign intermediary for execution.
- (3) The policies and procedures for *best execution* must address the factors used to achieve *best execution* when manually handling a client order ~~and transaction~~ for trades on a ~~Marketplace~~marketplace, including the following “prevailing market conditions”:
 - (i) the direction of the market for the *security* or derivative,
 - (ii) the depth of the posted market,
 - (iii) the *last sale price* and the prices and volumes of previous trades,
 - (iv) the size of the spread, and
 - (v) the liquidity of the *security* or derivative.

- (4) In addition to the broad factors listed in subsection 3121(1), the policies and procedures for *best execution* of client orders for *listed derivatives* must consider whether the individual order is part of a multiple ~~order~~orders trading strategy and, if so, the broad factors in subsection 3121(1) must be addressed as they relate to execution of the overall strategy.

3122. Best execution factors for over-the-counter security and over-the-counter derivative transactions

- (1) The policies and procedures for achieving *best execution* of client transactions in *over-the-counter securities* and *over-the-counter derivatives* must be designed to ensure fair pricing.
- (2) ~~To~~ Subject to subsection 3122(3), to ensure fair pricing when acting as principal, a *Dealer Member* must not:

~~(i) when acting as principal:~~

- ~~(a)~~ purchase *over-the-counter securities* for its own account from a client, or
- ~~(b)~~ sell *over-the-counter securities* from its own account to a client, or
- ~~(c)~~ transact in *over-the-counter derivatives* with a client~~;~~

~~except~~

(3) Subsection 3122(2) does not apply when a transaction is executed at an aggregate price (including any mark-up or mark-down) that is fair and reasonable, taking into consideration all relevant factors, including the following:

- ~~(i)~~ in the case of a transaction in *over-the-counter securities*, the fair market value of the *securities* and of any *securities* exchanged or traded in connection with the transaction at the time of the transaction,
- ~~(ii)~~ in the case of transactions in *over-the-counter derivatives*:
- ~~(A)~~ the fair market value or settlement price of the equivalent *listed derivative*, and
- ~~(B)~~ the fair market value of the *derivatives* ~~underlier~~underlying interest and of any related *derivatives* involved in the same trading strategy, at the time of the transaction,
- ~~(iii)~~ the expense involved in effecting the transaction or transactions,
- ~~(iv)~~ the fact that the *Dealer Member* is entitled to a profit, and
- ~~(v)~~ the total dollar amount or dollar amount at risk of the transaction or transactions.

~~(4) To ensure fair pricing~~ when acting as agent~~;~~ a Dealer Member must not

~~(a)~~ purchase *over-the-counter securities*, ~~or~~

~~(b)~~ sell *over-the-counter securities*, or

~~(c)~~ transact in *over-the-counter derivatives*;

~~or~~ on behalf of a client for a commission or service charge in excess of a fair and reasonable amount, taking into consideration all relevant factors, including the following:

- ~~(i)~~ the availability of the *securities* or *derivatives* involved in the transaction,
- ~~(ii)~~ the expense involved in effecting the transaction or transactions,

- (Hiii) the value of the services rendered by the *Dealer Member*, and
- (Hiv) the amount of any other compensation received or to be received by the *Dealer Member* in connection with the transaction.

3123. Best execution process

- (1) The policies and procedures for *best execution* must specifically address the process for achieving *best execution* that includes the following:
 - (i) for the execution of all client orders and transactions:
 - (a) requiring the *Dealer Member* to consider the instructions of the client, subject to its obligations under *IROC requirements* and *securities laws*, and
 - (b) describing any material conflicts of interest that may arise when sending client orders for handling or execution or when arranging for a client transaction and how these conflicts are to be managed,and,
 - (ii) for the execution of client orders for *listed securities* and *foreign exchange-traded securities* that trade on a ~~Marketplace~~marketplace:
 - (a) describing the *Dealer Member's* order handling and routing practices for achieving *best execution*,
 - (b) taking into account order and trade information from all appropriate ~~Marketplaces~~marketplaces,
 - (c) the rationale for accessing or not accessing particular ~~Marketplaces~~marketplaces, and
 - (d) the circumstances under which a *Dealer Member* will move an order entered on one ~~Marketplace~~marketplace to another ~~Marketplace~~marketplace.

3124. Non-executing Dealer Member best execution policies and procedures

- (1) A *Dealer Member* that engages another *Dealer Member* to provide execution services on its behalf may include in its policies and procedures for *best execution* a link to the executing *Dealer Member's* *best execution* disclosure to comply with its obligations under clause 3123(1)(ii) and sections 3126 and 3129, provided that the non-executing *Dealer Member's* policies and procedures for *best execution* specifically address the following:
 - (i) the non-executing *Dealer Member* must conduct an initial review of the *best execution* disclosure of the executing *Dealer Member* and a review when material changes are made to the disclosure, to provide reasonable assurance that the executing *Dealer Member's* policies and procedures for *best execution* are complete and appropriate for its clients,

- (ii) the non-executing *Dealer Member* must obtain an annual attestation from the executing *Dealer Member* that it has complied with and tested its policies and procedures on *best execution* in accordance with sections 3119 through 3129, and
- (iii) the non-executing *Dealer Member* must follow-up with the executing *Dealer Member* if it identifies trade execution results that are inconsistent with the executing *Dealer Member's best execution* disclosure and document the results of its inquiry.

3125. Sending orders in bulk to foreign intermediaries

- (1) A *Dealer Member's* policies and procedures for *best execution* must not include the practice of sending client orders in *listed securities* in bulk to a foreign intermediary for execution outside of Canada, without considering other liquidity sources, including liquidity sources within Canada.

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3127. Training

- (1) A *Dealer Member* must have reasonable assurance its *employees* involved in the execution of client orders and transactions know and understand how to apply the *Dealer Member's* policies and procedures for *best execution* that they must follow.

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3128. Compliance with the Order Protection Rule

- (1) Despite any instruction or consent of the client, *best execution* of a client order for a *listed security* is subject to compliance with the Order Protection Rule under Part 6 of the *Trading Rules* by:

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3129. Disclosure of best execution policies

- (1) A *Dealer Member* must disclose to its clients in writing the following:
 - (i) a description of the *Dealer Member's* obligation under section 3120,
 - (ii) a description of the factors the *Dealer Member* considers for the purpose of achieving *best execution* of:
 - (a) client orders for *listed securities*,
 - (b) client orders for *foreign-exchange traded securities*,
 - (c) client orders for *listed derivatives*,
 - (d) client transactions in *over-the-counter securities*, and
 - (e) client transactions in *over-the-counter derivatives*.
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 - (v) a statement as to:
 - (a) whether fees are paid by the *Dealer Member* or payments or other compensation is received by the *Dealer Member* for a client order routed, or a trade resulting from a client order routed, to a ~~Marketplace~~marketplace or intermediary identified pursuant to sub-clauses 3129(1)(iii)(a) or 3129(1)(iii)(b) above,
 - (b) the circumstances under which the costs associated with the fees paid by *Dealer Member* or the compensation received by the *Dealer Member* will be passed on to the client, and
 - (c) whether routing decisions are made based on fees paid by the *Dealer Member* or payments received by the *Dealer Member*,and,
 - (vi) if providing market data as a service to clients, a description of any market data that is missing, including an explanation of the risks of trading with incomplete trading data.
- (2) A *Dealer Member* must provide separate disclosure for each class or type of client and each class or type of order or transaction if the factors and order handling and routing practices used for such clients, orders and transactions materially differ.
- (3) A *Dealer Member* must identify in the disclosure:
 - (i) the class or type of client to which the disclosure applies,
 - (ii) the class or type of *securities* or *derivatives* order or transaction to which the disclosure applies, and

- (iii) the date of the most recent changes to the disclosure.

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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 accounts and maintaining existing accounts. Rule 3200 is divided into seven parts as follows:

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Part F — Additional Account Opening and Updating Procedures for Derivatives Trading:

sets out additional account opening and updating procedures for *derivatives* trading accounts.

[sections 3250 through 3255]

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PART A – KNOW-YOUR-CLIENT AND CLIENT IDENTIFICATION REQUIREMENTS

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3207. Identification exceptions

- (1) Sections 3203, 3204 and 3206 do not apply to:
 - (i) An entity registered under *securities laws* to:

- (a) engage in the business of trading or advising in securities or derivatives, or
- (b) act as an investment fund manager,

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PART B – REQUIREMENTS FOR CLIENT ACCOUNTS

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3218. Pre-trade disclosure of charges

- (1) Before a *Dealer Member* accepts an instruction from a *retail client* to purchase or sell a *security* or precious metals bullion or to transact in *derivatives* 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, sale or transaction, 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 or other transaction to which deferred charges apply, that the client might be required to pay a deferred sales charge on the subsequent sale or closing transaction and the fee schedule that will apply, ~~and~~
 - (iii) whether the firm will receive trailing commissions, 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.
- (2) Subsection 3218(1) does not apply to a *Dealer Member* in respect of an instruction involving:
 - (i) a client for whom the *Dealer Member* purchases, sells or transacts only as directed by a registered adviser acting for the client.

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PART F – ADDITIONAL ACCOUNT OPENING AND UPDATING PROCEDURES FOR DERIVATIVES TRADING

3250. Rules applicable to derivatives trading accounts

- (1) For the purposes of Rule 3200, a *Dealer Member* that opens a *derivatives* trading account for a *retail client* must comply with the requirements in Parts A, B and F of Rule 3200, and if applicable, Parts C, D, E and G of Rule 3200.
- (2) For the purposes of Rule 3200, a *Dealer Member* that opens a *derivatives* trading account for an *institutional client* must:
 - (i) comply with the requirements in Parts A, B and F of Rule 3200, and if applicable, Parts C, D, E and G 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.
- (3) A *Dealer Member* must ensure that *persons* trading on its behalf or advising clients in *derivatives* trading accounts meet minimum proficiency requirements.

3251. Additional requirements when opening a derivatives account

- (1) Before executing an initial *derivatives* transaction in an account, whether the account is an advisory account, a discretionary account, a managed account or an order execution only account, a *Dealer Member* must:
 - (i) obtain a completed *derivatives* account application from the client,
 - (ii) obtain a completed and signed *derivatives* trading agreement from the client,
 - (iii) provide the client with the most recent *derivatives* disclosure statement or similar disclosure document, and
 - (iv) record the relevant *designated Supervisors'* approval in writing.
- (2) The relevant *designated Supervisors* must determine whether the risk characteristics of the strategies the client intends to use are appropriate for the client and in keeping with ~~his or her~~ their personal and financial circumstances, investment needs and objectives ~~and~~, investment knowledge, risk ~~tolerance~~ profile, investment time horizon and puts the client's interest first. If they are not, the *designated Supervisors* should restrict the account from using inappropriate strategies and note on the *derivatives* account approval any

trading restrictions imposed and communicate those restrictions to the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* assigned to the account.

3252. Derivatives trading agreement

- (1) A *Dealer Member's* derivatives trading agreement must define the rights and obligations of the *Dealer Member* and the client and, at a minimum, must include the following:
 - (i) the time periods during which the *Dealer Member* accepts orders for execution,
 - (ii) the *Dealer Member's* right to:
 - (a) exercise discretion in accepting orders,
 - (b) impose trading or position limits or closeout positions under specified conditions,
 - (iii) the extent of the *Dealer Member's* right to:
 - (a) use client *free credit balances* within its own business or to finance other client account debits,
 - (b) use client account assets as collateral for the clients' debit and position obligations,
 - (c) raise money on and pledge assets held in the client's account,
 - (iv) the conditions under which the *Dealer Member* may apply the client's funds, *securities* or other property in the account or any other accounts of the client to satisfy outstanding debts or margin calls,
 - (v) the *Dealer Member's* obligation to:
 - (a) if required under any applicable laws or requested to do so, provide information to regulators regarding ~~reporting,~~ position limit ~~and,~~ exercise limit requirements and reporting derivative positions or derivative transactions related data,
 - (b) obtain client consent before the *Dealer Member* may take the other side to the client's transaction, and document whether the client provides such consent,
 - (c) address situations when errors and omissions occur,
 - (vi) where discretionary authority is given to the *Dealer Member*:
 - (a) disclosures explaining the discretionary authority that has been given,
 - (b) the client's acknowledgement that is has consented to the giving of the authority,

provided the authority given is consistent with the requirements contained within Part G of Rule 3200 and unless the authority is given through the execution of a separate agreement,

- (vii) the client's cumulative loss limit ~~for derivatives trading determined on:~~subject to the conditions set out in subsection 3252(2),
 - ~~(a) a life time basis, or~~
 - ~~(b) an annual basis, provided that it is updated annually.~~
- (viii) the client's obligation to:
 - (a) comply with *IIROC requirements* and the requirements of any entity through which the *derivative* is traded, cleared, or issued, including, without limitation, reporting, position limit and exercise limit requirements,
 - (b) maintain adequate margin collateral and to pay any debts owed to the *Dealer Member*,
 - (c) pay commission or other compensation, if any,
 - (d) pay interest, if any, on account debit balances,
- (ix) the client's acknowledgement of:
 - (a) receiving the ~~current~~most recent *derivatives* risk disclosure statement,
 - (b) their obligation to inform and update the *Dealer Member* of any circumstances under which they would be considered to be an insider of a reporting issuer or any other issuer whose securities are publicly traded,
- (x) any other matter required by a *derivatives* trading, clearing or issuing entity,
- (xi) for options, futures contract options and similar *derivatives*:
 - (a) the *Dealer Member's* deadlines for a client to submit an exercise notice,
 - (b) the method the *Dealer Member* will use to distribute assignment notices,
 - (c) disclosures indicating that:
 - (I) the *Dealer Member* may set maximum limits on short positions,
 - (II) the *Dealer Member* may apply cash-only terms during the last 10 days before expiry, and

- (III) *IIROC* may impose other rules affecting existing or subsequent transactions~~;~~
- (d) the client's obligation to instruct the *Dealer Member* to close out positions before expiry,
- (xii) for futures contracts, forward contracts, contracts for difference and similar *derivatives*, disclosures indicating that the *Dealer Member* requires the client to maintain minimum margin that is the greater of:
 - (a) the amount the *derivatives exchange marketplace* or clearing house prescribes,
 - (b) *IIROC's requirements*, or
 - (c) the *Dealer Member's* requirements.

(2) The client's cumulative loss limit under clause 3252(1)(vii),

- (i) applies to an account, where the transactions involve futures contracts, forward contracts, contracts for difference, futures contract options or similar derivative contracts, or highly-leveraged securities or derivatives,
- (ii) applies to a trading account, other than a hedging account, whether the account is an advisory account, a discretionary account, a managed account or an order execution only account, and
- (iii) must, notwithstanding obligations under Rule 3400, be determined on
 - (a) a lifetime basis and validated with the client on an annual basis, or
 - (b) an annual basis and updated annually.

3253. Letter of undertaking

- (1) Instead of a *derivatives* trading agreement, a *Dealer Member* may obtain a letter of undertaking for accounts where the client is classified as an *institutional client*.
- (2) The letter of undertaking must state:
 - (i) that the client agrees to comply with *IIROC requirements*, any applicable laws, and the requirements of any entity through which the *derivative* is traded, cleared, or issued, including, without limitation, ~~reporting~~, position limit ~~and~~, exercise limit requirements and reporting derivative positions or derivative transactions related data, and
 - (ii) if the client has an account that is charged interest on a debit balance, the conditions under which transfers of the client's funds, *securities* or other property may be made between accounts, unless these conditions are acknowledged by the client in another document.

3254. Derivatives risk disclosure statement

- (1) A *Dealer Member* must:

- (i) provide each *derivatives retail client* with the most recent *derivatives* risk disclosure statement or other similar document, approved by *IROC*, before accepting an initial *derivatives* order from the client,
- (ii) obtain the client's acknowledgement of receipt of the statement or document provided under clause 3254(1)(i),
- (iii) provide each *derivatives retail client* with any amendments to the statement or document provided under clause 3254(1)(i), ~~and~~
- (iv) maintain a record of the names and addresses of all clients to whom it has provided the statement or document under clause 3254(1)(i) and any amendments under clause 3254(1)(iii) and the dates on which they were provided, and
- (v) include with the risk disclosure statement or other similar document, for each order execution only account offering over-the-counter derivatives to retail clients, a disclosure of the percentage of such accounts that were profitable for each of the four most recent quarters.

3255. Position and exercise limits

- (1) A *Dealer Member* must comply with the requirements of any entity ~~through which~~ through which the *derivative* is traded, cleared, or issued, including, without limitation, reporting, position limit and exercise limit requirements.

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RULE 3400 | SUITABILITY DETERMINATION

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3402. Retail client suitability determination requirements

~~(1) — When a suitability determination must be made~~

~~Subject to the applicable exemptions and exceptions set out in section 3404, a suitability determination must be made for a *retail client*:~~

- ~~(i) — before any order or transaction is accepted from the client,~~
- ~~(ii) — before a recommendation is made to the client to:
 - ~~(a) — purchase, sell, exchange or hold a security or precious metals bullion,
or~~
 - ~~(b) — transact in a derivative,~~~~

~~and~~

- ~~(iii) — whenever one or more of the following non-trading related triggering events occurs:
 - ~~(a) — securities, derivatives or precious metals bullion 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, or~~
 - ~~(c) — there is a material change to the client's life circumstances or objectives that has resulted in revisions to the client's "know-your-client" information as maintained by the Dealer Member.~~~~

~~(2) — How a suitability determination must be made~~

~~When a suitability determination must be made for a retail client pursuant to subsection 3402(1), a Dealer Member shall use due diligence to ensure that:~~

- ~~(i) — before any order or transaction is accepted from the client, the order or transaction and the client's investment portfolio that would result from accepting the order or transaction are suitable,~~
- ~~(ii) — before a recommendation is made to the client to :
 - ~~(a) — purchase, sell, exchange or hold a security or precious metals bullion,
or~~
 - ~~(b) — transact in a derivative,~~~~

~~the recommendation and the client's investment portfolio that would result from acting upon the recommendation are suitable, or~~

~~(iii) whenever one or more non trading related triggering events listed in clause 3402(1)(iii) occurs, the client's investment portfolio continues to be suitable,~~

~~based on factors including the client's current financial situation, investment knowledge, investment objectives and time horizon, risk tolerance and the client's current investment portfolio composition and risk level.~~

~~(3) Required actions once a suitability determination has been made~~

~~Once each suitability determination has been made, the Dealer Member must use due diligence to ensure that:~~

~~(i) the client receives appropriate advice in response to each suitability review that is conducted, and~~

~~(ii) where an order or transaction received from the client is determined to not be suitable, the Dealer Member:~~

~~(a) must advise the client against proceeding with the order or transaction, and~~

~~(b) must not proceed with the order or transaction unless the client instructs the Dealer Member to proceed notwithstanding the Dealer Member's determination that it is not suitable.~~

(1) Before a Dealer Member purchases, sells, withdraws, exchanges or transfers out securities or precious metals bullion, or transacts in derivatives 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, derivative or precious metals bullion, required in accordance with Rule 3300,

(c) the impact of the action on the retail client's account, including the concentration of securities, derivatives or precious metals bullion, within the account and the liquidity of those securities, derivatives or precious metals bullion,

(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, derivatives* or precious metals bullion, 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, derivatives* or precious metals bullion 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, derivative* or precious metals bullion, or the *retail client's* account not satisfying subsection 3402(1),

(iv) the *Dealer Member* becomes aware of a change in a *security, derivative* or precious metals bullion, in the *retail client's* account that could result in the *security, derivative* or precious metals bullion, or account not satisfying subsection 3402(1), or

(v) the *Dealer Member* reviews the *retail client's* information in accordance with subsection 3209(4).

3403. Institutional client suitability determination requirements

~~(1) When a suitability determination must be made~~

(1) Subject to the applicable exemptions and exceptions set out in section 3404, a suitability determination must be made for an *institutional client*:

(i) before any order ~~or transaction~~ is accepted from the client, and

(ii) before a recommendation is made to the client to:

~~(a)~~ purchase, sell, exchange or hold a *security* or precious metals bullion, or

~~(b)~~ transact in any *derivative*.

~~(2) How a suitability determination must be made~~

(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,
- (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, derivatives* or precious metals bullion,
- (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 ~~securities, derivatives~~ security derivative or precious metals bullion and ancillary risks such as currency rate risk, and
- (vii) the complexity of the *securities, derivatives* or precious metals bullion involved.

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3404. Exemptions from ~~and exceptions to~~ the suitability determination requirements

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- ~~(3) A *Dealer Member* has no suitability obligation and is not required to make a suitability determination when accepting or transmitting orders for a client who has been provided with direct electronic access within the meaning of National Instrument 23-103, if the *Dealer Member*:~~
 - ~~(i) determines that the direct electronic access service offering is suitable for the client,~~
 - ~~(ii) does not provide recommendations to any *retail clients* who have been provided with direct electronic access, and~~

~~(iii) complies with the Universal Market Integrity Rule requirements applicable to the direct electronic access service offering and the requirements of NI 23-103.~~

- (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, portfolio manager, bank, trust company or insurance company, or*
 - (ii) an account held by a non-individual *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.*

RULE 3500 | SALES PRACTICES

3502. Definitions

- (1) The following terms have the meaning set out below when used in Rule 3500:

3503. Client priority

- (1) A *Dealer Member* must give priority to client orders or transactions over all other orders or transactions for the same *security, derivative* or precious metals bullion at the same price.
- (2) The *Dealer Member* must not give priority to orders or transactions for an account in which the *Dealer Member* or an *employee* or *Approved Person* of the *Dealer Member* has a direct or indirect interest, other than an interest in the commission charged.

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
[section 3602]
 - Part B – Research reports
[sections 3606 through 3623]
 - Part C – Misleading Communications
[section 3640]

PART A -- ADVERTISEMENTS, SALES LITERATURE AND CORRESPONDENCE

3602. Advertising

- (1) A *Dealer Member* must not issue, participate in or knowingly allow the use of its name in any *advertisement, sales literature or correspondence* that:
 - (i) contains an untrue statement or omission of a material fact or is otherwise false or misleading,
 - (ii) contains an unjustified promise of specific results,
 - (iii) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions,
 - (iv) contains any opinion or forecast of future events which is not clearly labeled as such,
 - (v) fails to fairly present the potential risks to the client,
 - (vi) is detrimental to the interests of the public, *IIROC* or its *Dealer Members*,
or
 - (vii) fails to comply with *IIROC requirements* or any *applicable laws*.

- (2) A *Dealer Member's* policies and procedures must specifically address the review and supervision of *advertisements, sales literature* and *correspondence* relating to its business.
- (3) A *Dealer Member* must ensure that the following items are approved by a *designated Supervisor* before use or publication:
 - (i) *research reports,*
 - (ii) *market letters,*
 - (iii) *telemarketing scripts,*
 - (iv) *promotional seminar texts (excluding educational seminar texts),*
 - (v) *original advertisements* or *original template advertisements,* and
 - (vi) any material containing performance reports or summaries that is used to solicit clients.
- (4) A *Dealer Member* must ensure that all *advertising, sales literature* or *correspondence* not listed in subsection 3602(3) is reviewed in a manner appropriate to the type of material through:
 - (i) *pre-use approval,*
 - (ii) *post-use review, or*
 - (iii) *post-use sampling.*
- (5) A *Dealer Member* must provide reasonable assurance:
 - (i) its *employees* and *Approved Persons* are familiar with its policies and procedures relating to *advertisements, sales literature* and *correspondence,* and
 - (ii) its policies and procedures include specific ongoing measures to provide reasonable assurance its policies and procedures are being complied with.
- (6) A *Dealer Member* must retain copies of all *advertisements, sales literature* and *correspondence* and all *records* of supervision for the period set out in section 3803. These items must be readily available for inspection by *IIROC*.

3603. – 3605. Reserved.

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RULE 3700 | REPORTING AND HANDLING OF COMPLAINTS, INTERNAL INVESTIGATIONS AND OTHER REPORTABLE MATTERS

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PART A – REPORTING REQUIREMENTS

3702. Reporting by an Approved Person to the Dealer Member

- (1) An *Approved Person* must report to the *Dealer Member* any of the following matters within two *business days*:
- (i) if there is a change in the *Approved Person's* registration information or Form 33-109F4,
 - (ii) if the *Approved Person* has reason to believe that he or she has or may currently be contravening any *IIROC requirements, securities laws, or any applicable laws,*
 - (iii) if the *Approved Person* is the subject of a written client complaint, or
 - (iv) if the *Approved Person* becomes aware of a client complaint, in writing or other form, about another *Approved Person* involving allegations of theft^{7.2}, fraud^{7.2}, misappropriation of funds, *securities* or other property^{7.2}, forgery^{7.2}, money laundering^{7.2}, market manipulation^{7.2}, insider trading^{7.2}, misrepresentation^{7.2} or unauthorized trading.

3703. Reporting by a Dealer Member to IIROC

- (1.2) A *Dealer Member* must report to *IIROC* any of the following matters, within the time period and using the method prescribed by *IIROC*:
- (iv) any time the *Dealer Member*, or a current or former *Approved Person* is subject to one of the following in any jurisdiction inside or outside of Canada, while in the employ of the *Dealer Member* or concerning matters that occurred while in the employ of the *Dealer Member*:

- (iii) misappropriation of funds, *securities* or other property,
- (iv) forgery,
- (v) money laundering,
- (vi) market manipulation,
- (vii) insider trading,
- (viii) misrepresentation, or
- (ix) unauthorized trading.

PART E – CLIENT COMPLAINTS – RETAIL CLIENTS

3721. Application

- (1) Part E of Rule 3700 applies to complaints submitted by a *retail client* or a *person* authorized to act on behalf of a *retail client* in the following form:
 - (i) a recorded expression of dissatisfaction with a *Dealer Member* or *employee* alleging misconduct, or
 - (ii) a verbal expression of dissatisfaction with the *Dealer Member* or *employee* alleging misconduct where a preliminary investigation indicates that the allegation may have merit.
- (2) For the purpose of subsections 3720(1) and 3721(1), alleged misconduct includes, but is not limited to:
 - (i) allegations of breach of confidentiality; ~~theft~~; ~~fraud~~; misappropriation or misuse of ~~of~~ funds, *securities* or other property; ~~forgery~~; unsuitable investments; ~~misrepresentation~~; or unauthorized trading relating to the client's account,
 - (ii) other inappropriate financial dealings with clients, or
 - (iii) engaging in *Dealer Member related activities* outside of the *Dealer Member*.

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3728. Client complaint file

- (1) A *Dealer Member* must retain the following information in accordance with section 3786 for each client complaint:
- (i) the complainant’s name,
 - (ii) the date of the complaint,
 - (iii) the nature of the complaint,
 - (iv) the name of the *individual* who is subject of the complaint,
 - (v) the *securities, derivatives, other property or services* which are the subject of the complaint,
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RULE 3800 | DEALER MEMBER RECORDS AND CLIENT COMMUNICATIONS

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3802. Definitions

- (1) The following terms have the meaning set out below when used in Rule 3800:
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“security”	A security as defined within the relevant securities law other than a derivative.
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3804. General requirements to maintain records

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(2) The *records* required under subsection 3804(1) include, but are not limited to, *records* that do the following:

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- (vi) permit the identification and *segregation* of client cash, *securities*, precious metals bullion and other property,
- (vii) identify all transactions conducted on behalf of the *Dealer Member* and each of its clients, including the parties to the transaction and the terms of the purchase or sale,
- (viii) provide an audit trail for:
 - (a) client instructions, orders and transactions, and
 - (b) each trade transmitted or transaction executed for a client or by the *Dealer Member* on its own behalf,
- (ix) permit the generation of account activity reports for clients,
- (x) provide *securities, derivatives* and precious metals bullion pricing as may be required by *securities laws*,

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(xiv) document correspondence with clients, ~~and~~

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(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,

(xix) demonstrate compliance with the conditions for *temporary holds*, and

(xx) demonstrate determination undertaken to classify a client as a *hedger* and as an *institutional client*.

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3805. Trade blotters (records of original entry)

- (1) A Dealer Member must maintain blotters or other *records* of original entry by itemizing daily, the following:
 - (i) all purchases and sales of *securities* and precious metals bullion,
 - (ii) all receipts and deliveries of *securities* (including certificate numbers) and precious metals bullion,
 - (iii) all transactions in *derivatives*,
 - (iv) all receipts and disbursements of cash, and
 - (v) all other debits and credits.
- (2) The blotters or *records* of original entry must contain, at a minimum, the following:
 - (i) in the case of trades in *securities* and precious metals bullion:
 - (a) the description, class and designation of *securities* and precious metals bullion,
 - (b) the number, value or amount of *securities* and precious metals bullion and the unit and aggregate purchase or sale price (if any),
 - (c) the name or other designation of the *person* from whom or to whom the *securities* and precious metals bullion were purchased or received or sold or delivered,
 - (d) the trade dates, and
 - (e) the applicable account in which each transaction was effected,
 - (ii) in the case of transactions in futures contracts, forward contracts, contracts for difference and similar *derivative* contracts:

- (a) the contract ~~underlier~~underlying interest,
 - (b) the contract quantity bought or sold,
 - (c) if applicable, the ~~underlier~~ quantity of the underlying interest bought or sold,
 - (d) the contract delivery date,
 - (e) the price at which the contract was entered into,
 - (f) the ~~trade~~transaction dates,
 - (g) the applicable account in which each transaction was effected,
 - (h) if applicable, the name of the *derivatives* ~~exchange~~marketplace,
 - (i) if applicable, the name of the dealer, used by the *Dealer Member* as its *agent* to effect the ~~trade~~transaction, and
 - (j) if applicable, whether the transactions are opening or closing transactions (where required by the *marketplace*),
- (iii) in the case of transactions in options contracts, futures contract options and similar *derivative* contracts:
- (a) the contract ~~underlier~~underlying interest,
 - (b) the contract quantity bought or sold,
 - (c) the contract type,
 - (d) the contract premium,
 - (e) the contract exercise or striking price,
 - (f) the contract declaration date,
 - (g) the ~~trade~~transaction dates,
 - (h) the applicable account in which each transaction was effected,
 - (i) if applicable:
 - (I) the *futures contract* that is the subject of the *futures contract option*,
 - (II) the delivery month and year of the *futures contract* that is the subject of the *futures contract option*,
 - (j) if applicable, the name of the *derivatives* ~~exchange~~marketplace,
 - (k) if applicable, the name of the dealer used by the *Dealer Member* as its *agent* to effect the ~~trade~~transaction, and
 - (l) if applicable, whether the transactions are opening or closing transactions (where required by the *marketplace*).

3807. Itemized client ledger accounts

- (1) A *Dealer Member* must maintain ledger accounts (or other *records*) itemizing separately as to each cash and margin account of every client, all purchases, sales, receipts, deliveries and other transactions of *securities, derivatives* and precious metals bullion for such account and all other debits and credits to such account.
- (2) When a *Dealer Member* receives *securities* and property to margin, *guarantee*, or secure the trades or transactions of a client's account, the ledger must contain, at a minimum, the following:
 - (i) a description of the *securities, precious metals bullion* or property received,
 - (ii) the date when received,
 - (iii) the identity of any deposit institution where such *securities, precious metals bullion* or property are *segregated*,
 - (iv) the dates of deposit and withdrawal from such institutions, and
 - (v) the date of return of such *securities, precious metals bullion* or property to the client or other disposition thereof, together with the facts and circumstances of such other disposition.

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3808. Client account statements

- (1) A *Dealer Member* must send a daily statement to each *retail client* who at the end of the day has in their account:
 - (i) an open futures contract, forward contract, contract for difference or similar *derivatives* contract position, or
 - (ii) an unexpired and unexercised option contract, futures contract option or similar *derivatives* contract position,
~~in their account.~~
- (2) A *Dealer Member* must send a monthly statement to each client who:
 - (i) requests to receive a client account statement on a monthly basis, or
 - (ii) at the end of the month has in their account:
 - (a) had a transaction during the month,
 - (b) has experienced a cash or account position modification, other than dividend or interest payments,
 - ~~(c) an open futures contract, forward contract, contract for difference or similar derivatives contract position, or~~

~~(d)(c)~~ an unexpired and unexercised option contract, futures contract option or similar *derivatives* contract position, or
(d) an open futures contract, forward contract, contract for difference or similar *derivative* contract position.

~~in their account.~~

- (3) A *Dealer Member* must send a quarterly statement to each client who, at the end of the quarter has:
- (i) a debit or credit balance, or
 - (ii) one or more *securities, derivatives* or precious metals bullion (including *securities* or precious metals bullion held in *safekeeping* or in *segregation*), in their account.
- (4) The statement must include all of the following information about the client's account at the end of the period for which the statement is made:
- (i) the opening cash balance in the account,
 - (ii) all deposits, credits, withdrawals and debits made to the account,
 - (iii) the closing cash balance in the account,
 - (iv) the description and quantity of each *security, derivative* and precious metals bullion position in the account,
 - (v) for each *security, derivative* and precious metals bullion position in the account:
 - (a) where the *market value* is determinable:
 - (I) the *market value*,
 - (II) the total *market value*, and
 - (III) if applicable, the notification required pursuant to either clause ~~(ii)(i)(b)~~ or clause ~~(vi)(ii)(b)~~ of the definition of *market value* in subsection ~~1202(2)1201(2)~~
 - (b) where the *market value* is not determinable, the notification required pursuant to either clause ~~(iii)(ii)(b)~~ or clause ~~(vi)(ii)(c)~~ of the definition of *market value* in subsection ~~1202(2)1201(2)~~,
 - (vi) where the client is a *retail client* and the statement is a quarterly statement, the statement must also include:
 - (a) for each *security, derivative* and precious metals bullion position in the account:
 - (I) where the *cost* is determinable, either the *cost* or the total *cost*, and

- (II) where the *cost* is not determinable, the notification required pursuant to clause (iii) of the definition of *cost* in subsection 3802(1),

and

- (b) a notation setting out the definitions of the calculation methodologies used to calculate the individual position *cost* information included in the statement, provided that where the individual position *cost* information included in the statement is calculated using:
 - (I) the *book cost* calculation methodology, the language set out in the definition of *book cost* in subsection 3802(1) or language that is substantially similar must be used as the notation, and
 - (II) the *original cost* calculation methodology, the language set out in the definition of *original cost* in subsection 3802(1) or language that is substantially similar must be used as the notation,
 - (vii) the total *market value* of all cash, *security*, *derivative* and precious metals bullion positions in the account, and
 - (viii) where the client is a *retail client* and the statement is a quarterly statement, the total *cost* of all cash, *security*, *derivative* and precious metals bullion positions in the account.
- (5) In the case of clients with any *security*, *derivative* and precious metals bullion positions which might be subject to a deferred sales charge if they are sold, a notation identifying each position that might be subject to a deferred sales charge.
 - (6) In the case of clients with any open futures contracts, forward contracts, contracts for difference or similar *derivative* contracts, the daily and monthly statements must contain, at a minimum, the following:
 - (i) the description and quantity of each open contract, and
 - (ii) the price at which each open contract was entered into.
 - (7) In the case of clients with any unexpired and unexercised option contracts, futures contract options or similar *derivative* contracts, the daily and monthly statements must contain, at a minimum, the following:
 - (i) the description and quantity of each unexpired and unexercised contract, and
 - (ii) the exercise or striking price of each unexpired and unexercised contract.

- (8) In the case where a *Dealer Member* has acted as an agent in connection with a liquidating ~~trade~~transaction in a futures contract or similar listed *derivative* contract, the monthly statement must contain, at a minimum, the following:
- (i) the dates of the initial transaction and liquidating trade,
 - (ii) the commodity and quantity bought and sold,
 - (iii) the ~~commodity~~ futures exchangemarketplace upon which the ~~contracts~~ werecontract was traded,
 - (iv) the delivery month and year,
 - (v) the prices on the initial transaction and on the liquidating trade,
 - (vi) the gross profit or loss on the transactions,
 - (vii) the commission, and
 - (viii) the net profit or loss on the transactions.

- (9) In the case of transactions involving:
- (i) *securities* of the *Dealer Member*, or
 - (ii) *securities* of a *related issuer* of the *Dealer Member*, or
 - (iii) *securities* of a *connected issuer* of the *Dealer Member*, or
 - (iv) *securities* referenced in clauses 3808(9)(i) through 3808(9)(iii) that are in the course of a distribution to the public, or
 - (v) *derivatives* whose underlierunderlying interest is referenced in clauses 3808(9)(i) through 3808(9)(iv),

the monthly statement must indicate that the transactions involve *securities* of the *Dealer Member*, a *related issuer* of the *Dealer Member* or a *connected issuer* of the *Dealer Member* or a *derivative* whose underlierunderlying interest is a *security* of the *Dealer Member*, a *related issuer* of the *Dealer Member* or a *connected issuer* of the *Dealer Member*, as the case may be.

- (10) If a *Dealer Member* does not deposit clients' *free credit balances* in a trust bank account, the client statement must include the following notation:

"Any free credit balances (except for RRSP funds held in trust) represent funds payable on demand which, although properly recorded in our books, are not segregated and may be used in the conduct of our business."

- (11) In the case of *derivatives* transactions executed for an *institutional client* under a give-up agreement, the executing *Dealer Member* shall not be required to send a monthly statement, provided

- (i) the client, executing *Dealer Member* and *Dealer Member* responsible to clear and settle the transaction are parties to the give-up agreement

- (ii) the clearing *Dealer Member* is responsible, under the give-up agreement, for sending a monthly statement to the client, and
- (iii) the executing *Dealer Member*:
 - (a) executes the transaction in accordance with the client's instructions to give up such transaction to the clearing *Dealer Member*,
 - (b) provides limited transaction execution service to the client under the give-up agreement and does not maintain client account documentation, or receive the client's money, *securities*, margin or collateral, and
 - (c) provides the clearing *Dealer Member* a monthly invoice with details of the give-up transactions of the client and the clearing *Dealer Member* reconciles the transactions details with its own record.

3809. Report on client positions held outside of the Dealer Member

- (1) A *Dealer Member* must send a quarterly report on *outside holdings* (report to be called "Report on client positions held outside of the *Dealer Member*") to each *retail client* who, at the end of the quarter holds outside of the *Dealer Member's* control, either in book-based client name or physical client name, one or more positions:
 - (i) in *securities* issued by a scholarship plan, a mutual fund or an investment fund that is a labour sponsored investment fund corporation, or labour sponsored venture capital corporation, under *applicable laws* and the *Dealer Member* is the dealer of record for the client on the records of the issuer of the *security* or the records of the issuer's investment fund manager, and
 - (ii) in any other *security*, *derivative* or precious metals bullion positions on which the *Dealer Member* receives continuing compensation payments related to the client's ownership of the position from the issuer of the position, the investment fund manager of the issuer or any other party.
- (2) The report must include all of the following information about the client's *outside holdings* at the end of the period for which the report is made:
 - (i) the name and quantity of each position,
 - (ii) for each position where the *market value* is:
 - (a) determinable:
 - (I) the *market value*,
 - (II) the total *market value*, and

- (III) if applicable, the notification required pursuant to clause ~~(ii)~~(i)(b) of the definition of *market value* in subsection 1201(2), and
 - (b) not determinable, the notification required pursuant to clause ~~(iii)~~(i)(c) of the definition of *market value* in subsection 1201(2),
 - (iii) for each position where the *cost* is:
 - (a) determinable, either the *cost* or the total *cost*, and
 - (b) not determinable, the notification required pursuant to clause (iii) of the definition of *cost* in subsection 3802(1),
 - (iv) a notation setting out the definitions of the calculation methodologies used to calculate the individual position *cost* information included in the statement, provided that where the individual position *cost* information included in the statement is calculated using:
 - (a) the *book cost* calculation methodology, the language set out in the definition of *book cost* in subsection 3802(1) or language that is substantially similar must be used as the notation, and
 - (b) the *original cost* calculation methodology, the language set out in the definition of *original cost* in subsection 3802(1) or language that is substantially similar must be used as the notation,
 - (v) the total *market value* of all positions,
 - (vi) the total *cost* of all positions, and
 - (vii) the name of the party that holds or controls each position and a description of the way it is held.
- (3) In the case of clients with any *outside holdings* which might be subject to a deferred sales charge if they are sold, the report must include a notation identifying each position that might be subject to a deferred sales charge.
- (4) The report must indicate:
- (i) that the client's *outside holdings* are not covered by the *Canadian Investor Protection Fund*, and
 - (ii) whether the client's *outside holdings* are covered under any other investor protection fund approved or recognized by a Canadian *securities regulatory authority* and, if they are, the name of the fund.

3810. Performance report

- (1) A *Dealer Member* must send an annual performance report to each *retail client* who, at the end of the 12-month period covered by the report has:
 - (i) an account with:

- (a) a debit or credit balance, or
 - (b) one or more *security, derivative* or precious metals bullion positions (including *security* or precious metals bullion positions held in *safekeeping* or in *segregation*), or
 - (ii) holds one or more *outside holdings* for which quarterly reporting pursuant to section 3809 is required,
- and
- (iii) there is at least one position in the account or at least one *outside holding* for which quarterly reporting pursuant to section 3809 is required, for which a *market value* can be determined pursuant to either clause (i) or clause (ii) of the definition of *market value* in subsection 1201(~~21~~),
- and
- (iv) the client's account was opened at least 12 months ago.
- (2) The annual performance report must include all of the following combined information about the client's account and *outside holdings* at the end of the period for which the report is made:
- (i) the total combined *market value* of all cash, *security, derivative* and precious metals bullion positions:
 - (a) as at July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, as at the account opening date,
 - (b) as at the beginning date of the 12-month period covered by the report, and
 - (c) as at the end date of the report,
 - (ii) the total combined *market value* of all deposits and transfers in of cash, *security, derivative* and precious metals bullion positions:
 - (a) in the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date, to the end date of the report, and
 - (b) in the 12-month period covered by the report,
 - (iii) the total combined *market value* of all withdrawals and transfers out of cash, *security, derivative* and precious metals bullion positions:
 - (a) In the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date to the end date of the report, and
 - (b) In the 12-month period covered by the report,

(iv) the total combined change in *market value* of all cash, *security, derivative* and precious metals bullion positions:

(a) for the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date to the end date of the report, determined using the following formula:

Total *market value* change from account opening

= Closing *market value*
[Sub-clause 3810(2)(i)(c)]
- Account opening *market value*
[Sub-clause 3810(2)(i)(a)]
- Deposits and transfers in
[Sub-clause 3810(2)(ii)(a)]
+ Withdrawals and transfers out
[Sub-clause 3810(2)(iii)(a)], and

(b) for the 12-month period covered by the report, determined using the following formula:

Total 12-month *market value* change

= Closing *market value*
[Sub-clause 3810(2)(i)(c)]
- Account opening *market value*
[Sub-clause 3810(2)(i)(b)]
- Deposits and transfers in
[Sub-clause 3810(2)(ii)(b)]
+ Withdrawals and transfers out
[Sub-clause 3810(2)(iii)(b)],

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(5) For the purposes of this section 3810, the information in respect of cash, *security, derivative* and precious metals bullion positions of a client required to

be reported under section 3808 must be provided in a separate report for each of the client's accounts.

- (6) For the purposes of this section 3810, the information in respect of cash, *security, derivative* and precious metals bullion positions of a client required to be reported under section 3809 must be included in the report for each of the client's accounts through which these positions were transacted.
- (7) Subsections 3810(5) and 3810(6) do not apply if the *Dealer Member* sends a single report to the client that consolidates the required information for more than one of a client's accounts and any *outside holdings* of a client required to be reported under section 3809 provided:
 - (i) the client has consented in writing to receiving a consolidated report, and
 - (ii) the report that is sent specifies the accounts and *outside holdings* for which the consolidated information is being provided.
- (8) All annual performance reports that are sent to a client, whether prepared for an individual account or prepared on a consolidated account basis pursuant to subsection 3810(7), must:
 - (i) be prepared for the same 12-month period, and
 - (ii) include aggregated information for the same accounts and *outside holdings*,

as the annual fee/charge reports that are sent to the same client.

- (9) Where a *retail client* has an account with positions in futures contracts, forward contracts, contracts for difference, foreign exchange contracts and similar *derivative* contracts, the *Dealer Member* shall not be required to send an annual performance report under this section 3810, provided the *Dealer Member* sends the client a monthly or quarterly statement which includes the following information about the client's account in addition to the requirements set out under section 3808:
 - (i) the total profit or loss realized on positions exercised, expired or closed during the period covered,
 - (ii) the unrealized profit or loss for each opened position at the end of the period covered,
 - (iii) the profit or loss realized for each positions exercised, expired or closed during the period covered, and
 - (iv) a disclosure explaining to the client that for the period covered, the statement does not provide information on the changes in *market value* that occurred during the period covered, but provides the client with:
 - (a) profit or loss realized on positions exercised, expired or closed, and

(b) unrealized profit or loss for opened position at the end of the period covered.

(10) For purposes of subsection 3810(9), all deposits, credits, withdrawals and debits made in the account can be disclosed as a single net deposit or net withdrawal in the statement.

3811. Fee/charge report

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(2) The annual fee/charge report must include all of the following combined information about the client's account and *outside holdings* at the end of the period for which the report is made:

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(iv) the total amount of each type of *transaction charge* related to the purchase or sale of *securities* and precious metals bullion and transactions in *derivatives* paid by the client during the period covered by the report,

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(viii) the total amount of each type of payment, other than *trailing commissions*, that is made to the *Dealer Member* or any of its registered *individuals* by a *securities* or *derivatives* issuer or another registrant in relation to registerable services provided to the client during the period covered by the report, accompanied by an explanation of each type of payment, and

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(3) For the purposes of this section 3811, the information in respect of *security*, *derivative* and precious metals bullion positions of a client required to be reported under section 3808 must be provided in a separate report for each of the client's accounts.

(4) For the purposes of this section 3811, the information in respect of *outside holdings* of a client required to be reported under section 3809 must be included

in the report for each of the client's accounts through which these positions were transacted.

- (5) Subsections 3811(3) and 3811(4) do not apply if the *Dealer Member* sends a single report to the client that consolidates the required information for more than one of a client's accounts and any *outside holdings* of a client required to be reported under section 3809 provided:
 - (i) the client has consented in writing to receiving a consolidated report, and
 - (ii) the report that is sent specifies the accounts and *outside holdings* for which the consolidated information is being provided.
- (6) All annual fee/charge reports that are sent to a client, whether prepared for an individual account or prepared on a consolidated account basis pursuant to subsection 3811(5), must:
 - (i) be prepared for the same 12-month period, and
 - (ii) include aggregated information for the same accounts and *outside holdings*,

as the annual performance reports that are sent to the same client.

(7) Where a *retail client* has an account with positions in futures contracts, forward contracts, contracts for difference, foreign exchange contracts and similar derivative contracts, the *Dealer Member* shall not be required to send an annual fee/charge report under this section 3811, provided the *Dealer Member* sends the client a monthly or quarterly statement which includes the following information about the client's account for the period covered:

- (i) itemized transaction charge and operating charge information in accordance with this section 3811, and
- (ii) if applicable, itemized information on compensation received by the *Dealer Member* in connection with a transaction.

(8) For purposes of clause 3811(7)(ii), the following information will be acceptable where the compensation received by the *Dealer Member* relates to a bulk distribution arrangement:

- (i) a calculated product distribution compensation amount, or
- (ii) where the distribution compensation amount cannot be unbundled from the manufacturer compensation amount,
 - (I) the entire compensation amount, and
 - (II) a note explaining that the amount disclosed is the entire product compensation amount.

3813. Securities and precious metals bullion record

- (1) A *Dealer Member* must maintain a *record* or a ledger, as of the trade or settlement dates (including positions in *safekeeping*) for each long and short *security* and precious metals bullion position maintained for the *Dealer Member's* account or for the account of clients.
- (2) The *record* or ledger must contain the following:
 - (i) the location of all long positions,
 - (ii) the offsetting position to all short positions, and
 - (iii) the name or designation of the account in which each position is maintained.

3814. Derivatives record

- (1) A *Dealer Member* must maintain a *record* or ledger, as of the ~~trade~~[transaction](#) date, for each long and short *derivatives* position maintained for the *Dealer Member's* account or for the account of clients.
- (2) The *record* or ledger must contain the name or designation of the account in which each position is maintained.

3815. Memoranda of orders, transactions and other instructions

- (1) A *Dealer Member* must maintain an adequate *record* of each order, transaction or other instruction given or received for all purchases and sales of *securities* and precious metals bullion and transactions in *derivatives*, whether executed or unexecuted, showing at a minimum the following:
 - (i) the terms and conditions of the order, transaction or instruction and of any modification or cancellation thereof,
 - (ii) the account to which the order, transaction or instruction relates,
 - (iii) the time of entry of the order, transaction or instruction and, where ~~the~~ it is entered pursuant to the exercise of discretionary power of a *Dealer Member*, a statement to that effect,
 - (iv) where the order, transaction or instruction relates to an omnibus account, the component accounts within the omnibus account on whose behalf it is to be executed, and the allocation among the component accounts intended on execution,
 - (v) to the extent feasible, the time of execution or cancellation,
 - (vi) the price at which the order, transaction or instruction was executed,
 - (vii) the time of report of execution, and
 - (viii) whether the transactions are opening or closing transactions (where required by the *marketplace*).

- (2) A *Dealer Member* must record the name, sales number, or designation of the *person* placing the order, transaction or instruction, if it is placed by an *individual* other than:
 - (i) the account holder, or
 - (ii) an *individual* authorized in writing to direct orders, ~~transactions~~ or instructions for the account.

3816. Trade confirmations

- (1) A *Dealer Member* must promptly send the client a written confirmation of all purchases and sales of *securities* and precious metals bullion and transactions in *derivatives*, and copies of notices of all other debits and credits of money, *securities*, property, proceeds of loans and other items for the client's account.
- (2) The written confirmation must contain, at a minimum, the day and the *marketplace* or *marketplaces* where the trade took place, or *marketplace* disclosure language acceptable to *IIROC*; the fee or other charge, if any, levied by any *securities regulatory authority* in connection with the trade; the name of the salesperson, if any, involved in the transaction; the name of the dealer, if any, used by the *Dealer Member* as its agent to effect the trade, the settlement date of the trade:

and

 - (i) in the case of trades in *securities* and precious metals bullion:
 - (a) the quantity and description,
 - (b) the consideration,
 - (c) whether or not the *person* or company that executed the trade acted as principal or agent, and
 - (d) must maintain and make available to the client or *IIROC*, upon request, the name of the *person* or company from or to or through whom the *security* or precious metals bullion was bought or sold, if acting as an agent in a trade upon an equity *marketplace*,

and
 - (ii) in the case of transactions in futures contracts, forward contracts, contracts for difference, foreign exchange contracts and similar *derivative* contracts:
 - (a) the contract ~~underlier~~underlying interest,
 - (b) the contract quantity bought or sold,
 - (c) if applicable, the ~~underlier~~ quantity of the underlying interest bought or sold,

- (d) the contract delivery date, and
- (e) the price at which the contract was entered into,

and

(iii) in the case of transactions in options contracts, futures contract options and similar *derivative* contracts:

- (a) the contract ~~underlier~~underlying interest,
- (b) the contract quantity bought or sold,
- (c) the contract type,
- (d) the contract premium,
- (e) the contract exercise or striking price,
- (f) the contract declaration date,
- (g) if applicable:
 - (I) the futures contract that is the subject of the futures contract option,
 - (II) the date of the *futures contract* that is the subject of the *futures contract option*,

and

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(v) in the case of transactions in *over-the-counter securities* other than *debt securities* ~~and over-the-counter derivatives~~:

- (a) where the confirmation is sent to a *retail client*:
 - (I) the amount of each *transaction charge*, deferred sales charge or other charge in respect of the transaction, and
 - (II) the total amount of all charges in respect of the transaction,
- (b) where the confirmation is sent to an *institutional client*:
 - (I) the commission, if any, charged in respect of the transaction,

and

(vi) in the case of transactions in *debt securities*:

- (a) in the case of a purchase, where the *debt security* is a stripped coupon or a residual debt instrument:

- (I) the yield thereon calculated on a semi-annual basis in a manner consistent with the yield calculation for the debt instrument which has been stripped, and
- (II) the yield thereon calculated on an annual basis in a manner consistent with the yield calculation for other *debt securities* which are commonly regarded as being competitive in the market with such coupons or residuals such as guaranteed investment certificates, bank deposit receipts and other indebtedness for which the term and interest rate is fixed,

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and

(vii) in the case of transactions in:

(a) *over-the-counter securities*, other than:

~~(i)~~ *debt securities*

~~(ii)~~ or a security, ~~right or warrant~~ that is undergoing a primary market transaction, and

~~(b)~~ *over-the-counter derivatives* other than contracts with non-standardized terms that are customized to the needs of a particular client and for which there is no secondary market, and

(b) the confirmation is being sent to a *retail client*, either of the following:

~~(e)~~ the total amount of any mark-up or mark-down, commission or other service charges the *Dealer Member* applied to the transaction,

~~(d)~~ one of the following notifications or a notification that is substantially similar:

“Dealer firm remuneration has been added to the price of this security (in the case of a purchase) or deducted from the price of this security (in the case of a sale).”

“Dealer firm remuneration has been included as an adjustment to the price of this derivatives transaction.”,

and

(viii) in the case of transactions involving:

(a) *securities* of the *Dealer Member*, or

- (b) *securities* of a *related issuer* of the *Dealer Member*, or
- (c) *securities* of a *connected issuer* of the *Dealer Member*, or
- (d) *securities* referenced in sub-clauses 3816(2)(viii)(a) through 3816(2)(viii)(c) that are in the course of a distribution to the public, or
- (e) *derivatives* whose ~~underlier~~underlying interest is referenced in sub-clauses 3816(2)(viii)(a) through 3816(2)(viii)(d),

the trade confirmation must indicate that the transactions involve *securities* of the *Dealer Member*, a *related issuer* of the *Dealer Member* or a *connected issuer* of the *Dealer Member* or a *derivative* whose ~~underlier~~underlying interest is a *security* of the *Dealer Member*, a *related issuer* of the *Dealer Member* or a *connected issuer* of the *Dealer Member*, as the case may be,

and

- (ix) in the case of a *Dealer Member controlled* by or affiliated with a financial institution, the relationship between the *Dealer Member* and the financial institution shall be disclosed on each trade confirmation issued in connection with a trade in *securities* of a mutual fund sponsored by the financial institution or a corporation *controlled* by or affiliated with the financial institution, except where the names of the *Dealer Member* and the mutual fund are sufficiently similar to indicate that they are *controlled* by or *affiliated* with the same financial institution,

and

- (x) notwithstanding the provisions of this section 3816, a *Dealer Member* shall not be required to provide a confirmation to a client in respect of:
 - (a) a trade in a *managed account*, provided:
 - (I) prior to the trade, the client has consented in writing to waive the trade confirmation requirement,
 - (II) the client may terminate a waiver by notice in writing. The termination notice shall be effective upon receipt of the written notice by the *Dealer Member*, for trades following the date of receipt,
 - (III) the provision of a confirmation is not required under any *securities laws* of the jurisdiction in which the client resides or the *Dealer Member* has obtained an exemption from any such *applicable laws* by the responsible *securities regulatory authority*, and
 - (IV) where:

- (A) a *person* other than the *Dealer Member* manages the account:
 - (i) a trade confirmation has been sent to the manager of the account, and
 - (ii) the *Dealer Member* complies with section 3808, or
- (B) the *Dealer Member* manages the account:
 - (i) the account is not charged any commissions or fees based on the volume or value of transactions in the account,
 - (ii) the *Dealer Member* sends to the client a monthly statement that is in compliance with section 3808 and contains all of the information required to be contained in a confirmation under this section 3816 except:
 - (a) the day and the *marketplace* or *marketplaces* upon which the trade took place, or *marketplace* disclosure language acceptable to *IIROC*,
 - (b) the fee or other charge, if any, levied by any *securities regulatory authority* in connection with the trade,
 - (c) the name of the salesperson, if any, in the transaction,
 - (d) the name of the dealer, if any, used by the *Dealer Member* as its agent to effect the trade, and
 - (e) must maintain and make available to the client or *IIROC*, upon request, the name of the *person* or company from or to or through whom the security was bought or sold, if acting as an agent in a trade upon an equity *marketplace*,
 - (iii) the *Dealer Member* maintains the information not required to be in the monthly statement pursuant to sub-paragraph 3816(2)(x)(a)(IV)(B)(ii) and discloses to the client on the monthly statement that such information will be provided to the client on request.

- (b) a trade in a delivery against payment or receipt against payment trade account, provided:
- (I) the trade is either subject to or matched in accordance with broker-to-broker or institutional trade matching requirements under *IIROC requirements* or *securities laws*,
 - (II) the *Dealer Member* maintains an electronic audit trail of the trade under *IIROC requirements* or *securities laws*,
 - (III) prior to the trade, the client has agreed in writing to waive receipt of trade confirmations from the *Dealer Member*,
 - (IV) the client is either:
 - (A) another *Dealer Member* who is reporting or affirming trade details through an acceptable trade matching utility in accordance with sections 4751, 4753, 4754, 4755 and 4756, or
 - (B) an *institutional client* who is matching delivery against payment/ receipt against payment account trades (either directly or through a custodian) in accordance with National Instrument 24-101,
 - (V) the *Dealer Member* and the client have real-time access to, and can download into their own system from the acceptable trade matching utility's or the matching service utility's system, trade details that are similar to the prescribed information under this section 3816, and
 - (VI) for trades subject to broker-to-broker trade matching, the *Dealer Member* for the last four quarters:
 - (A) has not filed a report as required more than two reports under section 4756 informing *IIROC* that it has not met the quarterly compliant trade percentage ~~or has not filed a trade matching exception report as required under securities laws relevant to the trade, for a minimum of three consecutive; and~~
 - (B) none of the reports it filed under section 4756 informing *IIROC* that it has not met the quarterly compliant trade percentage has a quarterly compliant trade percentage of less than 85%.
 - (VII) for trades subject to institutional trade matching, the *Dealer Member* has a quarterly compliant trade percentage of

greater than or equal to 85% for at least two of the last four quarters.

A client may terminate their trade confirmation waiver, referred to in sub-clause 3816(2)(x)(b), by providing a written notice confirming this fact to the *Dealer Member*. The termination notice takes effect upon the *Dealer Member's* receipt of the notice.

- (c) a swap transaction, provided:
 - (a) the *Dealer Member* enters into a standard industry agreement with the client that is acceptable to IROC, and
 - (b) the ~~swap~~ agreement ~~confirms~~ sets out the terms for a client to receive a confirmation of a swap transaction and the key terms of the swap transaction confirmation.
- (d) a derivatives transaction where the Dealer Member is the executing broker and the transaction is executed for an institutional client under a give-up agreement, provided
 - (i) the client, executing Dealer Member and Dealer Member responsible to clear and settle the transaction are parties to the give-up agreement
 - (ii) the clearing Dealer Member is responsible, under the give-up agreement, for issuing the transaction confirmation to the client, and
 - (iii) the executing Dealer Member:
 - (A) executes the transaction in accordance with the client's instructions to give up such transaction to the clearing Dealer Member,
 - (B) provides limited transaction execution service to the client under the give-up agreement and does not maintain client account documentation, or receive the client's money, securities, margin or collateral, and
 - (C) provides the clearing Dealer Member a monthly invoice with details of the give-up transactions of the client and the clearing Dealer Member reconciles the transactions details with its own record.

3817. Options and similar derivative contracts is which the Dealer Member has an interest

- (1) A *Dealer Member* must maintain a record of all puts, calls, spreads, straddles and other options or similar derivative contracts in which the *Dealer Member* has any direct or indirect interest or which the *Dealer Member* has granted or

guaranteed, and the *record* must contain, at the minimum, an identification of the *security* or other underlying interest and the number of units involved.

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RULE 3900 | SUPERVISION

3901. Introduction

(1) Rule 3900 sets out the *Dealer Member's* obligation to supervise its business and operations. The rule is divided into ~~six~~seven parts as follows:

Part A – General supervision requirements

[sections 3904 through 3918]

Part B – Supervision of all accounts

[sections 3925 through 3927]

Part C – Supervision of retail client accounts

[sections 3945 through 3948]

Part D – Supervision of institutional client accounts

[sections 3950 and 3951]

Part E – Supervision of order execution only accounts

[section 3955]

Part F – Supervision of *derivatives* trading accounts

[sections 3960 through 3964]

Part G - Supervision of discretionary accounts and managed accounts

[sections 3970 through 3973]

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PART C – SUPERVISION OF RETAIL CLIENT ACCOUNTS

3945. Daily and monthly trade supervision

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- (2) In addition to meeting the *Dealer Member's* general supervisory obligations and any relevant obligations relating to trading, the policies and procedures relating to the supervision of *retail client* accounts must specifically address the detection of:
- (i) unsuitable trading,
 - (ii) undue concentration of *securities, derivatives* or precious metals bullion in a single account or across accounts,
 - (iii) excessive trading,
 - (iv) trading in restricted *securities* or transacting in *derivatives* whose ~~underlier~~underlying interest is a restricted *security*,
 - (v) conflict of interest between *Registered Representative, Investment Representative, Portfolio Manager* and *Associate Portfolio Manager* and client trading activity,
 - (vi) excessive transaction transfers and trade cancellations indicating possible unauthorized trading,
 - (vii) inappropriate or high risk trading strategies,
 - (viii) deterioration of the quality of client holdings in an account,
 - (ix) excessive or improper crosses of *securities, derivatives* or precious metals bullion between clients,
 - (x) improper or excessive *employee* trading,
 - (xi) front running,
 - (xii) account number changes,
 - (xiii) late payment,
 - (xiv) outstanding margin calls,
 - (xv) undisclosed short sales,
 - (xvi) *manipulative and deceptive activities*, and
 - (xvii) insider trading.
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3946. Additional supervisory responsibilities

- (1) In addition to transactional activity, the *Dealer Member's* policies and procedures must specifically address identifying, dealing with and informing the appropriate *Supervisors* of other client related matters, including:

- (i) client complaints,
- (ii) cash account violations,
- (iii) transfers of funds and positions between unrelated accounts or between *non-client accounts* and client accounts or deposits from *non-client accounts* to client accounts, and
- (iv) trading while the account is under margined.

PART D – SUPERVISION OF INSTITUTIONAL CLIENT ACCOUNTS

3950. Supervisory policies and procedures for institutional client accounts

- (2) In addition to meeting the *Dealer Member's* general supervisory obligations, including any relevant obligations relating to trading in *securities, derivatives* and precious metals bullion and the policies and procedures relating to the supervision of *institutional client* accounts must specifically address detecting improper or suspicious account activity including:
 - (i) *manipulative and deceptive activities*,
 - (ii) trading in *securities* on the *Dealer Member's* restricted list,
 - (iii) transacting in *derivatives* whose ~~underlier~~underlying interest is on the *Dealer Member's* restricted list,
 - (iv) front running by *employee* or proprietary accounts,
 - (v) trading in *securities* that have restrictions on their transfer,
 - (vi) transacting in *derivatives* whose ~~underlier~~underlying interest has restrictions on their transfer, and
 - (vii) exceeding *derivative* position or exercise limits.

PART E – SUPERVISION OF ORDER EXECUTION ONLY ACCOUNTS

3955. Supervision of order execution only accounts

- (1) A *Dealer Member* that is approved by *IIROC* to provide *order execution only accounts* within a separate legal entity or within a separate business unit must have policies and procedures in place to:
 - (i) meet the *Dealer Member's* general supervisory obligations and any relevant obligations relating to transacting in *securities, derivatives* and precious metals bullion~~–~~₂.
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PART F – SUPERVISION OF DERIVATIVES TRADING ACCOUNTS

3960. Supervision of derivatives accounts

- (1) A *Dealer Member* that transacts in or advises on *derivatives* must, where applicable:
 - (i) appoint a *designated Supervisor* to supervise its activities that involve options contracts or similar *derivative* contracts, and
 - (ii) appoint a *designated Supervisor* to supervise its activities that involve futures contracts, forward contracts, contracts for difference, futures contract options or similar *derivative* contracts.
- (2) The *designated Supervisors* must have the qualifications and experience required to supervise the *Dealer Member's derivatives* activities.
- (3) The *Dealer Member* must appoint one or more alternate *Supervisors* if necessary to ensure continuous supervision of its *derivatives* activities.
- (4) An alternate *Supervisor* must assume all or part of the *designated Supervisor's* responsibilities if:
 - (i) the relevant *designated Supervisor* is absent or unable to carry out ~~his or~~ her~~their~~ duties, or
 - (ii) a *Dealer Member's* trading activity requires additional qualified *individuals* to supervise the *Dealer Member's* ~~options~~derivatives-related activities.

3961. Responsibility of designated Supervisors for derivatives accounts

- (1) The *designated Supervisors* are responsible for:

- (i) approving new *derivatives* accounts, and
- (ii) ensuring that the handling of clients' *derivatives* account trading complies with *IROC requirements*.

3962. Supervision of retail derivatives accounts

- (1) The *designated Supervisors* for retail derivatives accounts are responsible for :
 - (i) reviewing and approving client loss limits when they are set annually or updated, 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
 - (iii) put the client's interest first.
- (2) The *Dealer Member* must ensure that *Registered Representatives, Investment Representatives, Portfolio Managers* and *Associate Portfolio Managers* only trade in or advise on those *derivatives* included in their approval category.
- (3) On a daily and monthly basis, the *designated Supervisor* must review all *derivatives* accounts that are designated as *discretionary accounts* and *managed accounts*.
- (4) The *Dealer Member* must have *policies* and procedures that specifically address notifying clients of:
 - (i) approaching expiry dates,
 - (ii) significant changes in *derivative* contracts resulting from changes in the underlying interest,
 - (iii) any changes in the *Dealer Member's* business policy, and
 - (iv) any new developments in the trading or regulation of *derivatives* that may impact clients.
- (5) The *Dealer Member* must have policies and procedures that specifically:
 - (i) require the *designated Supervisor* to approve the solicitation of clients to use *derivatives* programs, as well as clients' actual use of *derivatives*,
 - (ii) prevent a client from transacting in *derivatives* without executing a *derivatives* trading agreement with the *Dealer Member*,
 - (iii) address the handling of futures contracts, forward contracts and similar *derivative* contracts with pending delivery months,
 - (iv) ~~prevent~~ address detection of derivatives trading by a client ~~that~~ who is an insider of ~~an~~ a reporting issuer ~~or for any other issuer whose securities are~~ publicly traded ~~securities from transacting in derivatives~~ to avoid insider trading restrictions,

- (v) prevent a *retail client* from holding contracts for difference or similar *derivatives* positions representing more than 0.5% of the float of ~~an issue~~ of a reporting issuer or any other issuer whose securities are publicly traded ~~securities~~ on an intra day or short term basis, and
- (vi) prohibit the offering of contracts for difference or similar *derivatives* to a retail client that confer the right or obligation to acquire or deliver the ~~underlier~~ underlying interest or confer any other rights of shareholders, such as voting rights.

3963. Supervision of retail derivatives account trading activity

- (1) In addition to *IIROC requirements* relating to account supervision, the *Dealer Member's* policies and procedures must specifically address the review of *derivative* transactions to detect the following:
 - (i) excessive intra-day and short-term transactions,
 - (ii) transacting while the account is under-margined,
 - (iii) transacting beyond margin or credit limits,
 - (iv) cumulative losses exceeding approved client loss limits in trading accounts determined in accordance with clause 3252(1)(vii) and subsection 3252(2),
 - (v) exceeding *derivative* position or exercise limits,
 - (vi) speculative transactions in ~~hedge~~ hedging accounts,
 - (vii) transactions in *derivatives* whose ~~underlier~~ underlying interest is on the *Dealer Member's* restricted list,
 - (viii) transactions in *derivatives* whose ~~underlier~~ underlying interest has restrictions on their transfer,
 - (ix) transacting in *derivatives* to avoid insider trading restrictions,
 - (x) exposures arising out of uncovered *option* positions, and
 - (xi) exposures to delivery obligations through the holding of futures contracts, forward contracts and similar derivative contracts into the delivery month.

3964. Access to Approved Persons qualified in derivatives

- (1) The *Dealer Member's* policies and procedures must specifically address that *derivatives* clients have access, during normal business hours, to a *Registered Representative, Investment Representative, Portfolio Manager* or *Associate Portfolio Manager* qualified to deal in, where applicable:
 - (i) options contracts and similar *derivative* contracts, or

- (ii) futures contracts, forward contracts, contracts for difference, futures contract options or similar *derivative* contracts, or
- (iii) all *derivative* contracts.

3965. - 3969. Reserved.

PART G –SUPERVISION OF DISCRETIONARY ACCOUNTS AND MANAGED ACCOUNTS

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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, derivatives* and precious metals bullion, the *Dealer Member's* policies and procedures dealing with the supervision of *managed accounts* must specifically address:
 - (i) identifying when a *Portfolio Manager* or sub-~~adviser~~adviser, as described in section 3279, has contravened *managed account* conflict of interest related requirements set out in section 3280, and
 - (ii) ensuring fairness in the allocation of investment opportunities among its *managed accounts*.

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RULE 4100 | GENERAL DEALER MEMBER FINANCIAL STANDARDS – MINIMUM CAPITAL, EARLY WARNING, FINANCIAL REPORTS AND AUDITORS

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PART D - APPOINTMENT OF AUDITORS AND AUDIT REQUIREMENTS

~~4171.~~ **Definitions**

(1) The following term has the meaning set out below when used in Part D of Rule 4100:

“security”	A security as defined within the relevant securities law other than a derivative.
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~~4172.~~4171. **Approved auditors**

- (1) *IIROC* annually approves, based on adopted criteria, a list of audit firms as panel auditors eligible to perform the audit of the *Dealer Member's* fiscal year Form 1 filing.
- (2) *IIROC* may remove an audit firm from the approved list if the audit firm no longer meets the criteria referred to in subsection 4172(1).

~~4173.~~4172. **Dealer Member's auditor**

- (1) A *Dealer Member* must use an *IIROC* approved auditor to perform the audit of the *Dealer Member's* fiscal year Form 1 filing.

~~4174.~~4173. **Responsibilities of a Dealer Member's auditor**

- (1) The *Dealer Member's auditor* must:
 - (i) conduct an audit of the *Dealer Member's* fiscal year Form 1 filing, and
 - (ii) carry out procedures of sufficient scope during the audit to enable the auditor to express an opinion on the *Dealer Member's* fiscal year Form 1 filing.

~~4175.~~4174. **No limitation on scope or procedures**

- (1) Nothing in Part D of Rule 4100:
 - (i) limits the scope of the audit, or
 - (ii) allows the *Dealer Member's auditor* to omit any additional audit procedure that it considers necessary under the circumstances.

~~4176.~~4175. **Audit in accordance with Canadian Auditing Standards**

- (1) The *Dealer Member's auditor* must audit the *Dealer Member's* fiscal year Form 1 filing in accordance with Canadian Auditing Standards. The audit of a *Dealer Member* requires a substantive approach and must include a review of the accounting system and the *internal controls* for safeguarding assets.

The review must:

- (i) cover any in-house or service bureau electronic data processing operations, and

(ii) where applicable, consider and include the appropriate report based on the Canadian Standard on Assurance Engagements 3416, Reporting on Controls at a Service Organization.

- (2) Although conducted in accordance with Canadian Auditing Standards, a *Dealer Member's* substantive audit procedures must be performed as at the fiscal year-end audit date and not as of an earlier date.
- (3) A *Dealer Member's risk adjusted capital* and *early warning reserve* levels must be considered when determining materiality for the *Dealer Member's* audit.

4177, 4176. Test procedures as at the fiscal year-end date

- (1) The *Dealer Member's auditor* must conduct the test procedures in sections 4178 through 4189 as at the fiscal year-end date, which is the fiscal year-end audit date.

4178, 4177. Account for all securities, derivatives, precious metals bullion, currencies, and other like assets

- (1) The *Dealer Member's auditor* must account for all *securities, derivatives*, precious metals bullion, currencies and other like assets, including those held in *safekeeping* or in *segregation*, on hand, in a vault, or otherwise in the *Dealer Member's* physical possession.
- (2) The *Dealer Member's auditor* must physically examine all assets in the *Dealer Member's* physical possession and compare them with the *Dealer Member's records*.
- (3) If a *Dealer Member* has *employees* who are independent of its *employees* who handle or record *securities, derivatives*, precious metals bullion, currencies and other like assets, those independent *employees* may conduct all or part of the count and examination under the supervision of the *Dealer Member's auditor*.
- (4) The *Dealer Member's auditor* must test count and compare sufficient *security, derivative*, precious metals bullion, currency and other like asset counts with the independent *employees' counts*, if applicable, and with the *position records*, to be satisfied that the entire count was materially correct.
- (5) The *Dealer Member's auditor* must maintain control over the assets until the physical examination has been completed.

4179, 4178. Verify positions in transfer and in transit

- (1) On a test basis, the *Dealer Member's auditor* must verify positions in transfer and in transit between the *Dealer Member's* offices.

4180, 4179. Review the Dealer Member's position balancing and account reconciliations

- (1) The *Dealer Member's auditor* must review the *Dealer Member's*:
 - (i) balancing of all *security, derivative* and precious metals bullion positions,

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~~4181~~4180. Review bank reconciliations

- (1) The *Dealer Member's auditor* must:
- (i) obtain bank statements, cancelled cheques, and all other debit and credit memos directly from the *Dealer Member's* banks which cover a period ending at least 10 *business days* after the fiscal year-end audit date,

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~~4182~~4181. Review custodial agreements and approvals

- (1) The *Dealer Member's auditor* must:
- (i) ensure that all custodial agreements in the form prescribed by *IIROC*, are in place for *securities* and precious metals bullion lodged with *acceptable securities locations*, and
 - (ii) annually obtain evidence of a *Dealer Member's* board of directors' or authorized board committee's approval of other foreign *acceptable securities locations*. These approvals must be documented in the meeting minutes.

~~4183~~4182. Obtain written positive confirmations

- (1) The *Dealer Member's auditor* must obtain written confirmation for all accounts and *security*, precious metals bullion and *derivative* positions.
- (2) The *Dealer Member's auditor* must obtain written positive confirmation of:
- (i) all bank balances and other deposits including hypothecated *securities*,
 - (ii) all money and *security*, precious metals bullion and *derivative* positions, including with clearing houses, similar organizations, and issuers of non-certificated instruments,
 - (iii) all money and *securities* loaned or borrowed (including *subordinated debt*) and details of collateral received or pledged, if any,
 - (iv) a sample of accounts of, or with, brokers or dealers representing regular, joint, and contractual commitment positions including money and *security*, precious metals bullion and *derivative* positions,
 - (v) all accounts of *Directors* and *officers* or partners, including money and *security*, precious metals bullion and *derivative* positions,

- (vi) a sample of client, *employee*, and shareholder accounts, including money and *security*, precious metals bullion and *derivative* positions,
- (vii) a sample of the *guarantee* and guarantor accounts, in cases where a margin reduction has been taken in the accounts for which the *guarantee* has been provided during the year or as at the end of the fiscal year,
- (viii) statements from the *Dealer Member's* lawyers as to the status of lawsuits and other legal matters pending which, if possible, should disclose an estimate of the extent of the liabilities, and
- (ix) all other accounts which, in the opinion of the *Dealer Member's auditor*, should be confirmed.

~~4184~~4183. **Selection of accounts for positive confirmation**

- (1) For accounts in subsection ~~4183(2)~~4182(2) the *Dealer Member's auditor*:
 - (i) must send a positive confirmation request,
 - (ii) has the option to send a second positive confirmation request where a reply to the initial request sent in clause ~~4184(1)~~4183(1)(i) has not been received, and
 - (iii) must use appropriate alternative verification procedures, to obtain relevant and reliable audit evidence, where the second positive confirmation request in clause ~~4184(1)~~4183(1)(ii) is not sent or where a reply to second positive confirmation request has not been received.
- (2) For accounts in clauses ~~4183(2)~~4182(2)(iv), ~~4183(2)~~4182(2)(vi), and ~~4183(2)~~4182(2)(vii), the *Dealer Member's auditor* must:
 - (i) select specific accounts for positive confirmation based on:
 - (a) account size (all accounts with net equity exceeding a certain dollar value, based on the level of materiality), and
 - (b) other characteristics such as accounts in dispute, accounts that are significantly under margined, nominee accounts, and accounts that would require significant margin during the year or as at the fiscal year-end without an effective *guarantee*,
 - (ii) select a sufficiently representative sample from all other accounts to provide reasonable assurance that any material error will be detected, and
 - (iii) send out negative confirmation requests for all remaining accounts that have not been selected for positive confirmation. The negative confirmation request must include instructions that any differences be reported directly to the auditor.

~~4185~~4184. Written confirmation of clients' accounts with no balance

- (1) The *Dealer Member's auditor* must, using positive or negative written confirmation procedures, confirm on a test basis client accounts with no balance and client accounts closed since the last fiscal year-end audit date. The *Dealer Member's auditor* must consider the adequacy of the *Dealer Member's internal control* system to decide the extent of these procedures.

~~4186~~4185. Effect on capital if no positive written confirmation received for a guarantee

- (1) If the *Dealer Member's auditor* does not receive a reply to a positive confirmation request for accounts within a *guarantee* arrangement made under clause ~~4183~~(~~2~~4182)(vii), the *guarantee* agreement must not be accepted for margin reduction purposes for the accounts guaranteed until:
 - (i) the *Dealer Member's auditor* (or the *Dealer Member*, if after the Form 1 filing) receives positive written confirmation of the *guarantee* arrangement, or
 - (ii) the parties sign a new account *guarantee* agreement.
- (2) If in response to a positive or negative confirmation request, a guarantor disputes the validity or extent of the *guarantee*, that *guarantee* must not be accepted for margin reduction purposes until:
 - (i) the dispute is resolved, and
 - (ii) the guarantor provides a confirmation of the account *guarantee* arrangement as set out in clause ~~4186~~(~~1~~4185)(i) or ~~4186~~(~~1~~4185)(ii).

~~4187~~4186. Review a sample of signed guarantee agreements

- (1) The *Dealer Member's auditor* must review a sample of the *Dealer Member's guarantee* agreements to ensure they are signed, completed, and comply with the minimum requirements set out in subsection 5825(1).

~~4188~~4187. Tests and procedures on statements and schedules of Form 1

- (1) The additional information set out in Part II of Form 1 should be subjected to the procedures in the audit of Part I of Form 1, which are in accordance with Canadian Auditing Standards. No procedures are required to be carried out in addition to those necessary to form an opinion on Part I of Form 1.

~~4189~~4188. Test statements for a description of securities and precious metals bullion held in safekeeping

- (1) The *Dealer Member's auditor* must check on a test basis whether the *Dealer Member's* position record and client statements accurately describe the *securities* and precious metals bullion held in *safekeeping*.

~~4190~~4189. Dealer Member obligations to auditor

- (1) A *Dealer Member* must fully disclose all material facts and issues about its business and operations that relate to the fairness of the regulatory financial statements, in a representation letter from the *Dealer Member's* appropriate *Executives* to the *Dealer Member's auditor*.
- (2) A *Dealer Member* must provide its auditor with unrestricted access to all of the *Dealer Member's records*.
- (3) A *Dealer Member* must not interfere with the audit process, nor conceal, withhold, or destroy any *records* reasonably required for the audit.

~~4191~~4190. Calculations for Form 1 and other reporting

- (1) The *Dealer Member's auditor* must perform the procedures identified in the "Report on Compliance for Insurance, Segregation, and Guarantee/Guarantor Relationships Relied Upon to Reduce Margin Requirement During the Year" in Form 1 and report on the results as at the fiscal year-end audit date.

~~4192~~4191. Auditor's records

- (1) The *Dealer Member's auditor* must retain a final copy of Form 1 and all audit working papers for six years.
- (2) All audit working papers for the two most recent years must be readily accessible.
- (3) The *Dealer Member's auditor* must make all working papers available for review by *IIROC* and the *Canadian Investor Protection Fund*.

~~4193~~4192. Auditor's obligation to report to IIROC

- (1) If during the regular conduct of an audit, the *Dealer Member's auditor* observes any material breach of *IIROC requirements* related to:
 - (i) calculating the *Dealer Member's* financial position,
 - (ii) handling and custody of *securities* and precious metals bullion, or
 - (iii) maintaining adequate *records*,the *Dealer Member's auditor* must report that breach to *IIROC*.
- (2) The *Dealer Member's auditor* must report on any subsequent events, to date of filing, which have had material adverse effect on the *Dealer Member's risk adjusted capital* level.

~~4194~~4193. - 4199. Reserved.

RULE 4200 | GENERAL DEALER MEMBER FINANCIAL STANDARDS – DISCLOSURE, INTERNAL CONTROLS, CALCULATIONS OF PRICES AND PROFESSIONAL OPINIONS

PART C - PRICING INTERNAL CONTROL REQUIREMENTS

4240. Introduction

- (1) Part C of Rule 4200 sets internal control requirements so that a *Dealer Member* can ensure that *securities*, *derivatives* and precious metals bullion are valued using prices from objective and verifiable sources, and independent management oversight exists to ensure reasonability of prices used.

~~4241. Definitions~~

~~(1) The following term has the meaning set out below when used in Part C of Rule 4200:~~

“security”	A security as defined within the relevant securities law other than a derivative.
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~~4242.~~4241. Pricing procedures

- (1) A *Dealer Member* must consistently and accurately price all *securities*, *derivatives* and precious metals bullion. In Part C of Rule 4200, references to:
 - (i) *securities* include client and inventory positions in *securities* and *securities* used in financing transactions such as *security* borrow and lend, *repurchase agreement* and *reverse repurchase agreement* transactions,
 - (ii) *derivatives* include client and inventory positions in *derivatives*, and
 - (iii) precious metals bullion include client and inventory positions in precious metals bullion.
- (2) On a daily basis, a *Dealer Member* must consistently and accurately mark to market its:
 - (i) long and short *security* positions,
 - (ii) long and short *derivative* positions, and
 - (iii) long precious metals bullion positions,to ensure accurate profit and loss reporting in accordance with *IIROC requirements*.

- (3) A *Dealer Member's* policies and procedures must specifically address consistently pricing and verifying prices of *securities, derivatives* and precious metals bullion.
- (4) A *Dealer Member's* policies and procedures must specifically address appropriate pricing in *security, derivative derivatives* and precious metals bullion *records* that it uses to prepare management reports for monitoring:
 - (i) inventory profit and loss,
 - (ii) its regulatory capital position, and
 - (iii) *segregation*.
- (5) A *Dealer Member* must assign knowledgeable *employees*, who are independent of its trading functions, to prepare the reports in subsection 4241(4), and must supervise the reports' preparation. Conflicted *employees* must not be involved in *security* and precious metals bullion pricing or, failing that, the *Dealer Member* must adopt compensating procedures to ensure appropriate pricing.

~~4243~~4242. Independent price verification and adjustment

- (1) A *Dealer Member* must verify its *security* and precious metals bullion prices at each month-end by comparing them with independent (third-party) pricing sources.
- (2) The verification work must detect and quantify all pricing differences (distinguishing adjusted and unadjusted differences).
- (3) An appropriate *Executive* must:
 - (i) on a monthly basis, approve the resolution of all material differences, and
 - (ii) on an annual basis, review and verify the continued appropriateness of the existing pricing sources. Where appropriateness is identified as a material concern, the pricing sources used must be changed.

~~4244~~4243. Retention of supporting documents

- (1) A *Dealer Member* must retain supporting documents to show that it has verified *security* and precious metals bullion pricing and made appropriate adjustments.

~~4245~~4244. Access to records

- (1) *Dealer Member employees* involved in *security* and precious metals bullion trading must not have access to back-office *security* and precious metals bullion price *records*.

~~4246~~4245. - 4259. Reserved.

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RULE 4300 | PROTECTION OF CLIENT ASSETS – SEGREGATION, CUSTODY AND CLIENT FREE CREDIT BALANCES

4301. Introduction

(1) Rule 4300 sets out the following *Dealer Member* requirements relating to the protection of client assets:

Part A - Segregation and related internal control requirements:

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Part A.3 - *Security* and precious metals bullion usage restrictions and correcting segregation deficiencies
[sections 4320 through 4326]

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PART A - SEGREGATION AND RELATED INTERNAL CONTROL REQUIREMENTS

4310. Definitions

(1) The following terms have the meaning set out below when used in Part A of Rule 4300:

“bulk segregation”	<i>Securities</i> and precious metals bullion in <i>segregation</i> for a <i>Dealer Member’s</i> clients that are not reserved for particular clients.
“net loan value”	<p>Of a <i>security</i> means:</p> <p>(i) for a long position, the <i>market value</i> of the <i>security</i> less any margin required, and</p> <p>(ii) for a short position, the <i>market value</i> of the <i>security</i> plus any margin required expressed as a negative number.</p> <p>Of a short <i>security</i> option position <u>means</u>, the <i>market value</i> of the option plus any margin required expressed as a negative number.</p> <p>Of a long precious metals bullion position <u>means</u>, the <i>market value</i> of the precious metals bullion less any margin required.</p>

“security”	A security as defined within the relevant securities law other than a derivative.
“segregated precious metals bullion”	Precious metals bullion held in <i>segregation</i> by a <i>Dealer Member</i> for a client.

PART A.1 - GENERAL SEGREGATION REQUIREMENTS

4311. Introduction

- (1) The general *segregation* requirements set out the requirements for a *Dealer Member* to segregate client fully paid and excess margin *securities* and precious metals bullion.

4312. Fully paid and excess margin securities and precious metals bullion

- (1) A *Dealer Member* holding fully paid or excess margin *securities* and precious metals bullion for a client must:
 - (i) segregate those *securities* and precious metals bullion, and
 - (ii) identify those *securities* and precious metals bullion as being held in trust for that client.
- (2) A *Dealer Member* must not use *securities* and precious metals bullion held in *segregation* for its own purposes except with the express written approval of its client under the terms of a cash and securities loan agreement as detailed in section 5840.
- (3) *IIROC* may prescribe how *segregated securities* and *segregated precious metals bullion* are held, and how the amount or value of *securities* and *segregated* *precious metals bullion* to be segregated must be calculated.

4314. Segregation of client securities and precious metals bullion

- (1) A Dealer Member holding *segregated securities* and *segregated precious metals bullion* must:
 - (i) segregate those *securities* and *segregated precious metals bullion* in bulk in accordance with sections 4315 through 4319, or
 - (ii) segregate specific *securities* and *segregated precious metals bullion* for each client.
- (2) A Dealer Member must not segregate in bulk client *securities* and *segregated precious metals bullion* that are subject to a written *safekeeping* agreement.

PART A.2 - BULK SEGREGATION CALCULATION

4315. Steps for bulk segregation calculation

- (1) A Dealer Member that segregates *securities* and *segregated precious metals bullion* in bulk must, in accordance with sections 4316 through 4319:
 - (i) determine the *net loan value* and *market value* of *securities* and *segregated precious metals bullion* held in a client's account,
 - (ii) calculate the number of *segregated securities* and *segregated precious metals bullion* to be segregated in bulk,
 - (iii) determine the *securities* and *segregated precious metals bullion* to use to satisfy *segregation* requirements, and
 - (iv) perform regular calculations and compliance reviews.

4316. Net loan value and market value of securities and precious metals bullion in a client's account

- (1) A Dealer Member holding *securities* and precious metals bullion in *bulk segregation* must determine for all *securities* and precious metals bullion held for all accounts of each client:
 - (i) the number or quantity of *securities* and precious metals bullion that are part of a *qualifying hedge position*,
 - (ii) the *net loan value* of *securities* and precious metals bullion (excluding *securities* and precious metals bullion that are part of a *qualifying hedge position*) less the aggregate debit cash balance in accounts (or plus in the case of a credit), and
 - (iii) the *market value* of *securities* and precious metals bullion (excluding *securities* and precious metals bullion that are part of a *qualifying hedge position*) not eligible for margin less the aggregate amount, if any, by which those accounts are under margined as calculated in clause 4316(1)(ii).

- (2) A Dealer Member must segregate the *net loan value* of *securities* and precious metals bullion calculated in clause 4316(1)(ii) and the *market value* of *securities* and precious metals bullion calculated in clause 4316(1)(iii) for each client account.
- (3) A Dealer Member is not required to segregate an amount of *securities* and precious metals bullion greater than the *market value* of the *securities* and precious metals bullion held for those accounts.

4317. Calculating the number of client securities to be segregated in bulk

- (1) A Dealer Member that chooses to satisfy its *segregation* obligations under section 4312 by segregating in bulk must segregate in bulk for all its clients the number of securities calculated as follows:

(i) *Equity securities*

Number of <i>securities</i> required to be segregated	=	(aggregate loan value or <i>market value</i> of a class or series of <i>security</i> required to be segregated for each client in section 4316) ÷ (loan value or <i>market value</i> of one unit of the <i>security</i>)
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(ii) *Debt securities*

Principal amount of <i>securities</i> required to be segregated	=	(aggregate loan value or <i>market value</i> of a class or series of <i>security</i> required to be segregated for each client in section 4316) ÷ (loan value or <i>market value</i> of each \$100 principal amount of the <i>security</i>) x 100, rounded to lowest issuable denomination
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4318. Determining securities and precious metals bullion to comply with segregation requirements

- (1) A Dealer Member may choose any *securities* or precious metals bullion from a client's accounts to satisfy the *segregation* requirements for that client's positions, subject to the restrictions of applicable *securities laws* including, without limitation, a requirement that fully paid *securities* and/or precious metals bullion in a cash account be segregated before unpaid *securities* and/or precious metals bullion.
- (2) A Dealer Member that sells *securities* and/or precious metals bullion required to be segregated for a client must keep them segregated until one *business day* prior to settlement or value date.
- (3) *Securities* and/or precious metals bullion required to be segregated for a client must not be removed from *segregation* as a result of the purchase of any *securities* or precious metals bullion by that client until settlement or value date.

4319. Frequency and review of bulk segregation calculation

- (1) At least twice weekly, a *Dealer Member* must determine the *securities and/or* precious metals bullion required to be segregated according to the calculations in Part A.2 of Rule 4300.
- (2) A *Dealer Member* must conduct a daily review of *securities and/or* precious metals bullion *segregated* for clients to identify any deficiencies that exist between the actual amounts segregated and the amounts, determined in accordance with subsection 4319(1), that are required to be segregated. Where a deficiency exists, the *Dealer Member* must correct it in accordance with the requirements of sections 4320 through 4326.

PART A.3 - SECURITY AND PRECIOUS METALS BULLION USAGE RESTRICTIONS AND CORRECTING SEGREGATION DEFICIENCIES

4320. General restrictions

- (1) A *Dealer Member* must:
 - (i) ensure that a *segregation* deficiency is not knowingly created or increased, and
 - (ii) not deliver *securities* or precious metals bullion it holds against payment for the account of any client if those *securities* or precious metals bullion are required to satisfy the *Dealer Member's segregation* requirements.

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4322. Call loan segregation deficiency

- (1) A *Dealer Member* that determines it has a call loan *segregation* deficiency must recall the *securities* or precious metals bullion within the *business day* following the day it determines the deficiency exists.

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4326. Fails – client or other Dealer Members

- (1) If a *Dealer Member* has failed to receive *securities* or precious metals bullion within 15 *business days* of settlement date from a client or another *Dealer Member*, the *Dealer Member* must:
 - (i) borrow the same issue of *securities* or precious metals bullion to cover the deficiency, or

- (ii) undertake to buy-in the *securities* or precious metals bullion.

PART A.4 - MINIMUM SEGREGATION POLICIES AND PROCEDURES

4327. General

- (1) A *Dealer Member* must, at a minimum, comply with the policies and procedures for *segregated securities* and *segregated precious metals bullion* in sections 4328 through 4332 and the supervision requirements in Rule 3900.

4328. Records of segregated securities and precious metals bullion

- (1) *Segregated securities* and *segregated precious metals bullion* must be described as being held in *segregation* on a *Dealer Member's* security and precious metals bullion position record (or related *records*) and client ledger and statement of account. This description must be in substance a fair representation of how the *securities* and precious metals bullion are being held in *segregation* at the custodian and therefore, the box locations of the *Dealer Member* must have a direct mapping (or relationship) to custody accounts set up at the custodian on behalf of the *Dealer Member*.

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4331. Authorized employees to move securities and precious metals bullion

- (1) A *Dealer Member* must limit who can move *segregated securities* and *segregated precious metals bullion* into or out of *segregation* to only authorized employees.

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PART B - CUSTODY AND RELATED INTERNAL CONTROL REQUIREMENTS

PART B.1 - GENERAL CUSTODY REQUIREMENTS

4340. Introduction

- (1) A *Dealer Member* takes on certain operational risks when it has custody of *securities* and precious metals bullion. These risks arise in connection with the location where and by whom they are held and whether a *Dealer Member* has adequate *internal controls* to deal with these risks. Part B of Rule 4300 prescribes *IROC requirements* for managing the risks related to *securities* and precious metals bullion custody. As these risks are quantifiable, they are treated as margin charges when calculating *Dealer Member risk adjusted capital*. This Part B of Rule 4300, in conjunction with Form 1, prescribes these charges.

4341. Definitions

- (1) The following terms have the meaning set out below when used in Part B of Rule 4300:

“external acceptable securities location”	An <i>acceptable securities location</i> for securities and precious metals bullion that are not under a <i>Dealer Member’s</i> physical possession but which are under a <i>Dealer Member’s</i> control.
“internal acceptable securities location”	An <i>acceptable securities location</i> for securities and precious metals bullion that are in a <i>Dealer Member’s</i> physical possession or physical control. <i>Internal acceptable securities locations</i> include acceptable transfer locations.
“security”	A security as defined within the relevant securities law other than a derivative.
“set-off risk”	The risk exposure resulting when a <i>Dealer Member</i> has other transactions, balances or positions with a custodian, and the resulting balances could be set off against the value of the securities and precious metals bullion held by the custodian.

4342. Hold securities and precious metals bullion in an acceptable securities location

- (1) A *Dealer Member* must hold securities and precious metals bullion, including book-based securities, in an *acceptable securities location* as prescribed in Rule 4300 and Form 1. *Acceptable securities locations* can either be *internal acceptable securities locations*, which include acceptable transfer locations; or *external acceptable securities locations*, which in Form 1 are simply referred to as “*acceptable securities locations*”.

4343. Timely deposit

- (1) A *Dealer Member* must deposit securities and precious metals bullion requiring segregation in an *acceptable securities location* on a timely basis.

PART B.2 - ACCEPTABLE SECURITIES LOCATIONS

4344. Acceptable internal storage location

- (1) Securities and precious metals bullion in a *Dealer Member’s* physical possession must be held in an internal storage location that meets the requirements in section 4345, in order for the internal storage location to be an *internal acceptable securities location*.

4345. Acceptable internal storage location requirements

- (1) A *Dealer Member’s* internal storage location must:

- (i) be subject to ongoing adequate *internal controls* and systems for safeguarding *securities* and precious metals bullion, and
- (ii) hold all unencumbered *securities* and precious metals bullion positions in the physical possession of the *Dealer Member*.

4346. Acceptable transfer locations

- (1) *Securities* and precious metals bullion in transfer must be in the possession of a registered or recognized transfer agent and a *Dealer Member* must comply with the applicable confirmation requirements in sections 4356 through 4360, in order for the transfer location to be an acceptable transfer location.

4347. Securities not under a Dealer Member’s physical possession

- (1) *Securities* and precious metals bullion not under a *Dealer Member’s* physical possession but which are under a *Dealer Member’s* control must be held in an *external acceptable securities location* or the *Dealer Member* must comply with the client waiver requirements in section 4352.

4350. Application to IIROC for approval of foreign institutions and foreign securities dealers

- (1) A *Dealer Member* must apply in writing to *IIROC* for review and approval of a foreign institution or foreign *securities* dealer as an *acceptable securities location*.
- (2) Prior to submission to *IIROC* the application must be approved by the *Dealer Member’s* board of directors or by a committee of the *Dealer Member’s* board of directors.
- (3) The application to *IIROC* must include the following:

Document	Contents	Form (if IIROC prescribed)
1. Foreign custodian certificate	1. <i>Dealer Member</i> responses to custodian due diligence questions 2. <i>Dealer Member</i> certification of approval of foreign custodian as a location for holding <i>securities</i> and precious metals bullion	In a form satisfactory to <i>IIROC</i>

Document	Contents	Form (if IIROC prescribed)
2. Latest audited financial statements of proposed foreign custodian	Must evidence minimum net worth of C\$150 million	

4351. Annual approval of foreign institutions and foreign securities dealers as acceptable securities locations

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- (3) The annual approval by the *Dealer Member's* board of directors or a committee of the *Dealer Member's* board of directors must be given as follows:

Document	Contents	Notes
<i>Dealer Member's</i> board material and foreign custodian certificate	<i>Dealer Member</i> board's or committee of the <i>Dealer Member</i> board's annual written approval of foreign custodian as foreign location for holding <i>securities</i> and precious metals bullion	Approval must be documented in minutes of a meeting. Approval must be available for review by examiners during a field examination of the <i>Dealer Member</i>

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4352. Obtaining a client waiver when an external acceptable securities location is unavailable

- (1) If a *Dealer Member* holds client *securities* ~~or~~ and precious metals bullion in a foreign jurisdiction where:
- (i) *applicable laws* and circumstances may restrict the transfer of *securities* ~~or~~ and precious metals bullion from that jurisdiction, and
 - (ii) the *Dealer Member* cannot arrange to hold the client's *securities* ~~or~~ and precious metals bullion in the jurisdiction at an *external acceptable securities location*,
- the *Dealer Member* must obtain a waiver from the client.
- (2) The client's waiver in approved form must be obtained for each transaction.

- (3) In the waiver, the client must:
 - (i) consent to the arrangement,
 - (ii) acknowledge the risks associated with holding *securities* and precious metals bullion at the specified foreign custodian on behalf of the *Dealer Member* in the specified country, and
 - (iii) waive any claims it may have against the *Dealer Member* and hold the *Dealer Member* harmless if the foreign custodian loses the *securities* ~~or~~and precious metals bullion.
- (4) On obtaining the waiver, a *Dealer Member* may hold those client *securities* ~~or~~and precious metals bullion at a custodian in the foreign jurisdiction if the *Dealer Member* has a written custodial agreement with the custodian.

PART B.3 - WRITTEN CUSTODIAL AGREEMENT REQUIREMENT

4353. Agreement with each external securities location

- (1) As required in Form 1, a *Dealer Member* must execute a written custodial agreement with each external custodian. In order for the external custodian to qualify as an *external acceptable securities location* the written custodial agreement must state that:
 - (i) the *Dealer Member* must give prior written consent to any use or disposal of the *securities* ~~or~~and precious metals bullion,
 - (ii) *security* certificates can be delivered promptly on demand or, if certificates are not available and the securities are book-based, must be transferable either from the location or to another *person* at the location promptly on demand,
 - (iii) the *securities* ~~or~~and precious metals bullion are held in *segregation* for the *Dealer Member* or its clients free and clear of any charge, lien, claim or encumbrance in favour of the custodian, and
 - (iv) the custodian indemnifies the *Dealer Member* against losses due to the custodian's failure to return any securities, precious metals bullion or other property it holds to the *Dealer Member*. However, the custodian's liability is limited to the *market value* of the *securities*, precious metals bullion and other property at the time it was required to deliver them to the *Dealer Member*.

When custody is secured by a global custodial agreement, including where the custodian uses a subcustodian, the custodian's indemnity must:

- (a) meet standard industry practice,
- (b) be legally enforceable, and
- (c) be of sufficient scope and in a form that is acceptable to *IIROC*.

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PART B.4 - CONFIRMATION AND RECONCILIATION REQUIREMENTS

4355. Securities in transit

(1) If *securities* or precious metals bullion are in transit between internal storage locations:

- (i) for which there are no adequate *internal controls* maintained, or
- (ii) for more than five *business days*,

those *securities* or precious metals bullion are not considered to be under the *Dealer Member's* control or physical possession for purposes of good *segregation*.

4356. Confirmations from external acceptable securities locations

(1) A *Dealer Member* must receive a positive confirmation of all *securities* ~~and~~or precious metals bullion positions annually at its fiscal year-end audit date from each *external acceptable securities location*.

(2) If a *Dealer Member* does not receive a positive fiscal year end audit confirmation of a *securities* or precious metals bullion position from an *external acceptable securities location*, then the *Dealer Member* must transfer the position to its difference account.

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PART B.5 - MARGIN REQUIREMENTS

4362. Acceptable securities location

(1) For *securities* ~~and~~or precious metals bullion a *Dealer Member* holds at an *acceptable securities location*, custodial related margin requirements only apply to unresolved differences.

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4364. Non-acceptable internal storage and non-acceptable securities location

(1) If *securities* ~~and~~or precious metals bullion are:

- (i) not considered to be under the *Dealer Member's* control or physical possession for purposes of good *segregation* under section 4355, or
- (ii) not under a *Dealer Member's* physical possession and are held at a non-acceptable *securities* location because:
 - (a) the location does not meet the criteria for an *internal acceptable securities location* as specified in section 4345, or
 - (b) the location does not meet the criteria for an *external acceptable securities location* as specified in section 4348, or
 - (c) there is no annual written approval of a foreign institution or foreign *securities* dealer as an *acceptable securities location* as specified in section 4351,

then, when it calculates *risk adjusted capital*, a *Dealer Member* must deduct 100% of the *market value* of the *securities* ~~and~~or precious metals bullion held in custody with the non-acceptable securities location.

4365. No confirmation from location

- (1) *Security* and precious metals bullion positions where the *Dealer Member* has not received:
 - (i) a positive fiscal year end audit confirmation under subsection 4356(2) or where an adequate month-end reconciliation process is not performed by the *Dealer Member*,
 - (ii) a confirmation from a transfer agent, within the required time period, under subsection 4357(3), 4358(3) or 4359(3), or
 - (iii) a confirmation of a related stock split or stock dividend under subsection 4360(2)

are not considered to be under the *Dealer Member's* control or physical possession for purposes of good *segregation* and must be transferred to a *Dealer Member's* difference account.

- (2) For difference account positions in subsection 4365(1), the *Dealer Member* must:
 - (i) provide for the purposes of calculating *risk adjusted capital*, as an amount required to margin, the sum of the *security* ~~or~~and precious metals bullion position *market value* and the normal inventory margin, and
 - (ii) undertake to borrow or buy-in the position pursuant to section 4368.

4366. No written custodial agreement

- (1) If a *Dealer Member* does not have a written custodial agreement with a custodian, and that entity would otherwise qualify as an *acceptable securities location*, it must provide margin on the *security* and precious metals bullion

positions held in custody at that custodian in accordance with subsections 4366(2) and 4366(3).

- (2) *Dealer Member* has no *set-off risk* with the custodian
 - (i) If the *Dealer Member* has no *set-off risk* with the custodian, in determining its *early warning excess* and *early warning reserve*, the *Dealer Member* must deduct as a margin requirement 10% of the *market value* of the *security* and precious metals bullion positions held in custody at the custodian.
- (3) *Dealer Member* has *set-off risk* with the custodian
 - (i) If the *Dealer Member* has *set-off risk* with the custodian, in determining:
 - (a) its *risk adjusted capital*, the *Dealer Member* must deduct as a margin requirement the lesser of:
 - (I) 100% of the *set-off risk* exposure, and
 - (II) 100% of the *market value* of the *security* and precious metals bullion positions held in custody
 - and
 - (b) its *early warning excess* and *early warning reserve*, the *Dealer Member* must deduct as a margin requirement the lesser of:
 - (I) 10% of the *market value* of *security* and precious metals bullion positions held in custody at the custodian, and
 - (II) 100% of the *market value* of *security* and precious metals bullion positions held in custody at the custodian less amount required in sub-clause 4366(3)(i)(a).

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4368. Difference accounts

- (1) A *Dealer Member* must maintain a difference or suspense account to record all *security* and precious metals bullion positions not received due to unreconcilable differences or errors in any accounts.
- (2) If a *Dealer Member* has not received the *security* and precious metals bullion positions recorded in a difference account within 30 *business days* of recording the deficiency, the *Dealer Member* must:
 - (i) borrow the *security* or precious metals bullion position to cover the deficiency, or
 - (ii) undertake to purchase the *securities* or precious metals bullion immediately.

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PART C - CLIENT FREE CREDIT BALANCE REQUIREMENTS

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4381.—Definitions

- (1) ~~The following term has the meaning set out below when used in Part C of Rule 4300:~~

“security”	A security as defined within the relevant securities law other than a derivative.
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~~4382.~~4381. Dealer Member’s use of client free credit balances

- (1) A Dealer Member may use its clients’ free credit balances in its business only in accordance with Part C of Rule 4300.

~~4383.~~4382. Notation on client account statements

- (1) A Dealer Member that does not keep its clients’ free credit balances:
- (i) segregated in trust for clients in an account with an acceptable institution, and
 - (ii) separate from other money the Dealer Member receives, must clearly write the following or equivalent on all statements of account it sends to clients:
“Any free credit balances represent funds payable on demand which, although properly recorded in our books, may not be segregated and may be used in the conduct of our business.”

~~4384.~~4383. Calculating usable free credit balances

- (1) A Dealer Member must not use in its business an amount of clients’ free credit balances that totals more than the greater of:
- (i) general free credit limit:
twelve times the Dealer Member’s early warning reserve amount, or
 - (ii) margin lending adjusted free credit limit:
twenty times the Dealer Member’s early warning reserve amount for margin lending purposes plus twelve times the remaining early warning reserve amount for all other purposes, where the remaining early warning

reserve amount equals the *early warning reserve* amount minus 1/20th of the total settlement date client margin debit amount.

- (2) A Dealer Member must segregate clients' free credit balances in excess of the amount calculated in subsection ~~4384(1)~~4383(1) either:
- (i) in cash held in trust for clients in a separate account with an *acceptable institution*, and this trust property must be clearly identified as such at the *acceptable institution* or
 - (ii) in Canadian bank paper with an original maturity of one year or less and bonds, debentures, treasury bills, and other *securities* with a maturity of one year or less of, or guaranteed by, the Government of Canada, a province of Canada, the United Kingdom, the United States, or any other national foreign government that is on the List of Basel Accord Countries (provided such other foreign government *securities* are currently rated Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively).

As described in IIROC Notice 21-0028, effective September 1, 2022, clause 4384(2)(ii) will be repealed and replaced with the following:

(ii) in the following securities:

<u>Securities eligible for client free credit segregation purposes</u>			
<u>Category</u>		<u>Minimum designated rating organization current credit rating</u>	<u>Qualification</u>
<u>1.</u>	<u>Bonds, debentures, treasury bills and other securities with a term of 1 year or less, issued or guaranteed by the following:</u> <ul style="list-style-type: none"> • <u>national governments of Canada, United Kingdom, and United States</u> • <u>Canadian provincial governments</u> 	<u>Not applicable (N/A)</u>	<u>Not applicable</u>

2.	<u>Bonds, debentures, treasury bills and other securities with a term of 1 year or less, issued or guaranteed by any other national foreign government not identified in category 1</u>	<u>AAA</u>	<u>Foreign government must be a member of the Basel Accord</u>
3.	<u>Canadian bank paper with an original maturity of 1 year or less</u>	<u>R-1(low), F1, P-1, A-1(low)</u>	<u>No designated rating organization has a lower current credit rating</u> <u>Must be issued by a Canadian chartered bank</u> <u>Securities issued by a provider of capital, as defined in Form 1, Schedule 14, are not eligible</u>

43854384. Weekly calculation

- (1) At least weekly, but more frequently if required, a *Dealer Member* must calculate the amounts that must be segregated under section ~~4384~~4383.

43864385. Daily compliance review

- (1) Every day, a *Dealer Member* must compare the amount of client *free credit balances* it has segregated to the amount subsection ~~4384(2)~~4383(2) requires to be segregated.
- (2) A *Dealer Member* must identify and correct any deficiency in amounts of *free credit balances* required to be segregated within five *business days* following the determination of the deficiency.

~~4387~~4386. - 4399. Reserved.

RULE 4400 | PROTECTION OF CLIENT ASSETS – SAFEKEEPING CLIENT ASSETS, SAFEGUARDING CASH AND SECURITIES, AND INSURANCE

4401. Introduction

- (1) Rule 4400 sets out the following *Dealer Member* requirements relating to the protection of client assets:

Part A - Safekeeping requirements

[sections 4402 through ~~4408~~[4407](#)]

Part B - Internal controls requirements for safeguarding cash, *securities* and precious metals bullion

[sections 4420 through ~~4434~~[4433](#)]

Part C - Insurance requirements

[sections 4450 through 4468]

PART A - SAFEKEEPING REQUIREMENTS

4402. Introduction

- (1) Part A of Rule 4400 requires a *Dealer Member* to have adequate *safekeeping* arrangements in place to protect its clients' assets.

~~4403.~~ Definitions

- ~~(1) The following term has the meaning set out below when used in Part A of Rule 4400:~~

"security"	A security as defined within the relevant <i>securities law</i> other than a <i>derivative</i>.
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~~4404~~[4403.](#) Written safekeeping agreement

- (1) A *Dealer Member* with *securities* or precious metals bullion held for *safekeeping* must have a written *safekeeping* agreement with each client it holds *securities* or precious metals bullion for.

~~4405~~[4404.](#) Securities free from encumbrance

- (1) A *Dealer Member* must keep *securities* or precious metals bullion held for *safekeeping* free from any encumbrance.

~~4406~~[4405.](#) Procedures to keep securities apart

- (1) A *Dealer Member* must keep *securities* or precious metals bullion held for *safekeeping* separate from all other positions and must have procedures in place to ensure this separation.

~~4407~~[4406.](#) Identifying securities held for safekeeping in records

- (1) A *Dealer Member* must specifically identify and record *securities* or precious metals bullion held for *safekeeping* in its *securities* or precious metals bullion position *records* and client's ledger and statement of account.

~~4408~~4407. **Release of securities held in safekeeping**

- (1) A *Dealer Member* may release *securities* or precious metals bullion held for *safekeeping* to others only when the client so instructs.

~~4409~~4408. - 4419. Reserved.

PART B - INTERNAL CONTROL REQUIREMENTS FOR SAFEGUARDING CASH, SECURITIES AND PRECIOUS METALS BULLION

4420. Introduction

- (1) Part B of Rule 4400 requires a *Dealer Member* to have policies and procedures to prevent loss of its clients' and its own assets.

~~4421.~~ **Definitions**

~~(1) The following term has the meaning set out below when used in Part B of Rule 4400:~~

"security"	A security as defined within the relevant <i>securities law</i> other than a <i>derivative</i>.
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~~4422~~4421. **Safeguarding client and Dealer Member cash, securities and precious metals bullion**

- (1) A *Dealer Member* must safeguard its clients' and its own cash, *securities* and precious metals bullion:
 - (i) to protect them against material loss, and
 - (ii) to detect and account for potential losses (for regulatory, financial and insurance purposes) on a timely basis.
- (2) A *Dealer Member's* policies and procedures must specifically address the minimum requirements for safeguarding cash, *securities* and precious metals bullion as described in sections ~~4422~~4421 through 4433.
- (3) *IIROC* recognizes that a *Dealer Member* with a small operation may be unable to comply with Rule 4400 requirements to segregate duties. If these minimum requirements are inappropriate because of a *Dealer Member's* small size, it must implement alternative control procedures that *IIROC* approves.

~~4423~~4422. **Receipt and delivery of securities and precious metals bullion**

- (1) *Employees* who receive and deliver physical *securities* and precious metals bullion must not have access to the *Dealer Member's securities* and precious metals bullion *records*.
- (2) The *Dealer Member* must handle *securities* and precious metals bullion in a restricted and secure area.

- (3) The receipt and delivery of *securities* and precious metals bullion must be promptly and accurately recorded (including certificate numbers, registrations, and coupon numbers).
- (4) A *Dealer Member* using mail service must send negotiable certificates by registered mail.
- (5) A *Dealer Member* must obtain signed receipts from the client or agent for all *securities* and precious metals bullion not delivered against payment.

44244423. Restricting access to securities

- (1) Only designated *employees* may physically handle *securities*.
- (2) *Securities* must be physically handled only in a restricted and secure area.
- (3) Only *employees* not involved in maintaining or balancing *Dealer Member records* may handle physical *securities*

44254424. Clearing

- (1) A *Dealer Member* must promptly compare and balance its *records* with reports of the previous day's settlements.
- (2) Only *employees* who do not carry out trading functions may reconcile clearing or settlement accounts.
- (3) A *Dealer Member* must take prompt action to correct differences in its *records*.
- (4) A *Dealer Member* must regularly review aged "fails to deliver" and "fails to receive" and identify the reason for settlement delay.
- (5) Any fail that continues for an extended period of time must be promptly reported to the *Dealer Member's* appropriate *Executives*.
- (6) A *Dealer Member* must not use a client account *security* position to settle a short "pro" sale unless it has obtained written permission from, and provided appropriate collateral to, the client pursuant to:
 - (i) a margin account agreement, or
 - (ii) a cash and *security* loan agreement,that has been executed in accordance with *IIROC requirements*.
- (7) A *Dealer Member* must reconcile its *records* daily with clearing corporation and depository *records* to ensure they agree.

44264425. Protecting securities and precious metals bullion

- (1) A *Dealer Member* must assess the risk of any location that holds *securities* or precious metals bullion for it and for the accounts of its clients.

- (2) A *Dealer Member's* processing controls must separate duties for recording entries from duties for initiating transfers on depository *records* (for instance, transfers between the "free" and "seg" boxes).
- (3) At least monthly, a *Dealer Member* must reconcile its *records of security*, precious metals bullion and other asset positions to the custodian's *records* where the positions are held. The *Dealer Member* must investigate differences and make appropriate adjustment entries as necessary.
- (4) A *Dealer Member* must have a proper written custody agreement with each custodian where *securities* and precious metals bullion are held.

44274426. How to handle security records

- (1) *Employees* maintaining and balancing *securities* and precious metals bullion *records* must not be involved in handling physical *securities* and precious metals bullion.
- (2) A *Dealer Member* must promptly update its *securities* and precious metals bullion *records* to reflect changes in location and ownership of *securities* and precious metals bullion under its control.
- (3) Journal entries made to *securities* and precious metals bullion *records* must be clearly identified and a *Dealer Member* must review and approve adjustments before processing.

44284427. Rules for counting securities

- (1) At least once a year, a *Dealer Member* must count physical *securities* and precious metals bullion held:
 - (i) in *segregation*, and
 - (ii) for *safekeeping*,in addition to its annual external audit physical *securities* and precious metals bullion count.
- (2) At least monthly, a *Dealer Member* must count physical *securities* and precious metals bullion held in current boxes.
- (3) Only *employees* who do not handle *securities* and precious metals bullion may conduct physical *securities* and precious metals bullion counts.
- (4) Count procedures must include all physical *securities* and precious metals bullion held in the box location subject to the count and must simultaneously verify related positions such as positions in transit or in the process of being transferred.
- (5) During a physical *securities* and precious metals bullion count, both the description of the *security* and the quantity must be compared to the *Dealer Member's records*. Any discrepancies must be investigated and corrected

promptly. Positions not reconciled within a reasonable period must be promptly reported to the *Dealer Member's* appropriate *Executives* and accounted for.

44294428. Moving certificates, securities and precious metals bullion between branches

- (1) A *Dealer Member* must record the location of certificates in transit between its offices in separate transit accounts on its *security position records*. The *Dealer Member* must reconcile these accounts monthly.
- (2) When *securities* or precious metals bullion are in transit, a *Dealer Member* must book out the *securities* or precious metals bullion from the branch account and book them into the transit account. When the *securities* or precious metals bullion are physically received at a branch, the *Dealer Member* must book them out of the transit account and into the receiving branch's account.
- (3) The receiving branch must check *securities* or precious metals bullion received against the accompanying transit sheet.
- (4) The methods of transportation a *Dealer Member* chooses for *securities* or precious metals bullion in transit must:
 - (i) comply with insurance policy terms, and
 - (ii) take into account the value, negotiability, urgency, and cost factors.

44304429. Transferring securities

- (1) A *Dealer Member* must maintain a *record* showing all *securities* sent to, and held by, transfer agents.
- (2) Only authorized *employees* outside the transfer department should be able to request transfers into a name other than the *Dealer Member's* name. Only fully-paid *securities* (new issues excepted) may be transferred into a name other than the *Dealer Member's* name.
- (3) The transfer department may carry out transfers only when it receives a properly authorized request.
- (4) A *Dealer Member's security position record* must record, and name them as, "*securities out for transfer*".
- (5) A *Dealer Member* must have a receipt for a *securities* position at a transfer agent.
- (6) A *Dealer Member* must prepare, and the department manager or another appropriate manager must review, a weekly ageing of all transfer positions to verify the validity of the positions and the reasons for any undue delay in receiving *securities* from transfer agents.
- (7) Authorized *employees* handling transfers must not have other security cage functions such as deliveries, or the management of current box and segregated box positions.

~~4431~~4430. Re-organization

- (1) A *Dealer Member* must have a formal procedure to identify and record the timing and terms of all issuances such as forthcoming rights and offers.
- (2) A *Dealer Member* must have a clear method of communicating upcoming re-organization activities to the sales force. These include deadlines for submitting special instructions in writing and any special handling procedures required for key dates.
- (3) An authorized *employee* or department must have clear responsibility for organizing and handling each offer.
- (4) A *Dealer Member* must clearly define procedures to balance positions daily and to physically control *securities*.
- (5) A *Dealer Member* must regularly reconcile and review suspense accounts involving offers and splits.

~~4432~~4431. Handling dividends and interest

- (1) A *Dealer Member* must have a system to record the total dividends and interest payable and receivable at due date.
- (2) Dividend and interest record keeping *employees* must not handle cash or authorize payments.
- (3) At least monthly, a *Dealer Member* must:
 - (i) reconcile dividend and interest accounts, and
 - (ii) review aged dividend receivables.
- (4) Only the department manager or another appropriate manager may authorize dividend and interest write-offs.
- (5) The department manager or another appropriate manager must approve journal entries to and from dividend and interest accounts.
- (6) A *Dealer Member*:
 - (i) must not pay dividend claims, other than as part of an automatic settlement system, unless accompanied by supporting documents such as proof of registration, and
 - (ii) must compare supporting documents with internal *records* for validity and then have the department manager or another appropriate manager approve them.
- (7) A *Dealer Member* must withhold non-resident tax when required by law.
- (8) Where required by *applicable laws*, a *Dealer Member* must ensure client income is appropriately reported for income tax purposes

~~4433~~4432. **Reconciling internal accounts**

- (1) At least monthly, a *Dealer Member* must reconcile internal accounts.
- (2) A department manager or another appropriate manager must review the reconciliation.

~~4434~~4433. **Cash**

- (1) The department manager or another appropriate manager must review and approve all bank reconciliations.
- (2) At least monthly, a *Dealer Member* must reconcile bank accounts in writing, identifying and dating all reconciling items.
- (3) Journal entries to clear reconciling items must be made on a timely basis and approved by a department manager or another appropriate manager.
- (4) Bank accounts must be reconciled by *employees* who do not have:
 - (i) access to funds, either receipts or disbursements, or
 - (ii) access to *security*, precious metals bullion or *derivative* positions, or
 - (iii) record keeping responsibilities that include the authority to write or approve journal entries.

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~~4435~~4434. - 4449. Reserved.

PART C - INSURANCE REQUIREMENTS

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4451. Definitions

- (1) The following terms have the meanings set out below when used in Part C of Rule 4400:

"base amount"	The greater of: <ol style="list-style-type: none">(i) the aggregate client net equity for all client accounts, where net equity for each client is the excess, if any, of the total value of cash, <i>securities</i>, <i>derivatives</i>, precious metals bullion, and <i>other acceptable property</i> the <i>Dealer Member</i> owes to the client over the total value of cash, <i>securities</i>, <i>derivatives</i>, precious metals bullion, and <i>other acceptable property</i> the client owes to the <i>Dealer Member</i>, and
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	(ii) the aggregate <i>Dealer Member</i> liquid and other allowable assets calculated in accordance with Form 1, Statement A.
“security”	A security as defined within the relevant securities law other than a derivative.

4456. **Financial institution bond**

- (1) A *Dealer Member* must have and maintain insurance against losses, using a financial institution bond with a discovery rider attached or discovery provisions incorporated in the financial institution bond. The five types of losses the insurance must cover are:
- (i) **Fidelity** - Any loss, including loss of property, from a dishonest or fraudulent act of a *Dealer Member’s employees*:
 - (a) committed anywhere, and
 - (b) committed alone or with others.
 - (ii) **On premises** - Any loss of money, *securities*, precious metals bullion, or other property through robbery, burglary, theft, hold-up or other fraudulent means, mysterious disappearance, damage, or destruction while in any of:
 - (a) the insured’s offices,
 - (b) a banking institution’s offices,
 - (c) a clearing house, or
 - (d) a recognized place of safe-deposit,
 all as defined in the *standard form financial institution bond*.
 - (iii) **In transit** - Any loss of money and negotiable or non-negotiable *securities*, precious metals bullion or other property, while in transit. The value of *securities*, precious metals bullion in transit in an *employee’s* or *agent’s* custody must not exceed the protection under this clause. In transit coverage must be calculated on a dollar for dollar basis. A *Dealer Member* must provide, for *I/ROC* approval, a list of exceptions to the money, *securities*, precious metals bullion, or other property protected under this clause.

RULE 4700 | OPERATIONS – BUSINESS CONTINUITY AND GENERAL TRADING AND DELIVERY STANDARDS

4701. Introduction

- (1) Rule 4700 sets out the following requirements relating to *Dealer Member* operations:

Part A - Business continuity plan

[sections 4710 through 4716]

Part B - General trading and delivery standards applicable to all transactions

[sections 4750 through 4761]

4702. - 4709. Reserved.

PART A - BUSINESS CONTINUITY PLAN

4710. Definitions

- (1) The following terms have the meanings set out below when used in Part A of Rule 4700:

“significant business disruption”	A cybersecurity incident or any other incident that may result in a significant impairment in client access to their <i>security</i> , precious metals bullion or <i>derivative</i> positions or accounts or to the client’s ability to liquidate or close-out their account positions.
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4711. Introduction

- (1) To manage risk prudently and maintain investor confidence, *Dealer Members* must ensure they can continue to carry on business after a *significant business disruption* and provide clients with prompt access to their assets.

4712. Creating a business continuity plan

- (1) A *Dealer Member* must establish and maintain a business continuity plan.

4713. Business continuity plan procedures

- (1) A *Dealer Member’s* business continuity plan must identify the procedures it will take to deal with a *significant business disruption*.

- (2) The procedures in subsection ~~4712~~4713(1) must be based on the *Dealer Member's* assessment of its key business functions and required levels of operation during and following a disruption.
- (3) The procedures in subsection ~~4712~~4713(1) must provide reasonable assurance the *Dealer Member* stays in business long enough to meet its obligations to its clients and capital markets counterparties after a *significant business disruption*.

4714. Update business continuity plan

- (1) A *Dealer Member* must update its business continuity plan to reflect any significant change in any of its operations, structure, business, or locations.

4715. Annual review and test

- (1) Every year:
 - (i) a *Dealer Member* must review and test, and
 - (ii) an appropriate *Executive* must approve, its business continuity plan.
- (2) During its annual review, a *Dealer Member* must make any modifications to its business continuity plan that are necessary due to changes in its operations, structure, business, or locations.
- (3) *IIROC* may require a qualified third party to carry out the annual review and test.

4716. ~~Invoking~~Notice of disruption and invoking the business continuity plan

- (1) Where a *significant business disruption* occurs, the *Dealer Member* must ~~invoke its business continuity plan and~~
 - (i) notify IIROC of this ~~action~~incident as soon as possible after its discovery of the disruption,
 - (ii) include in the notice, details on the disruption and the *Dealer Member's* proposed course of action to address and resolve the disruption, as well as resulting consequences of the disruption,
 - (iii) indicate in the notice whether the *Dealer Member* intends to invoke its business continuity plan, and
 - (iv) inform IIROC of any changes and provide timely updates on the actions set out in the notice, and provide any additional information requested by IIROC.
- (2) When a *Dealer Member* invokes its business continuity plan, it must
 - (i) notify IIROC as soon as possible,
 - (ii) provide details on the circumstances leading the *Dealer Member* to invoke its business continuity plan and its proposed course of action, and

(iii) inform IIROC of any changes and provide timely updates on the actions set out in the notice, and provide any additional information requested by IIROC.

4717. – 4749. Reserved.

PART B - GENERAL TRADING AND DELIVERY STANDARDS APPLICABLE TO ALL TRANSACTIONS

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4751. Definitions

(1) The following terms have the meaning set out below when used in Part B of Rule 4700:

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“security”	A security as defined within the relevant securities law other than a derivative.
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RULE 4800 | OPERATIONS – TRADING AND DELIVERY STANDARDS FOR NON-CENTRALLY CLEARED TRANSACTIONS, ACCOUNT TRANSFERS AND BULK ACCOUNT MOVEMENTS

4801. Introduction

(1) Rule 4800 sets out the following requirements relating to *Dealer Member* operations:

Part A - Trading and delivery standards applicable to transactions that are not cleared and settled through a clearing corporation:

Part A.1 - Fixed income transactions

[sections 4803 through ~~4807~~[4806](#)]

Part A.2 - Stock transactions

[sections ~~4808~~4807 through ~~4810~~4809]

Part A.3 - Buy-in transactions

[section ~~4811~~4810]

Part B - Account transfers and bulk account movements

Part B.1 - Account Transfers

[sections 4852 through 4865]

Part B.2 - Bulk Account Movements

[section 4866].

PART A - TRADING AND DELIVERY STANDARDS APPLICABLE TO TRANSACTIONS THAT ARE NOT CLEARED AND SETTLED THROUGH A CLEARING CORPORATION.

4802. Introduction

- (1) Part A of Rule 4800 sets out additional requirements applicable to transactions that are not cleared and settled through a clearing corporation.

4803. Definitions

- (1) The following term has the meaning set out below when used in Part A of Rule 4800:

“security”	A security as defined within the relevant securities law other than a derivative.
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PART A.1 – FIXED INCOME TRANSACTIONS

~~4804~~4803. Fixed income accrued interest

- (1) All *securities* having interest payable as a fixed obligation, except *securities* in sale and *repurchase agreement* transactions, must be conducted on an accrued interest basis until maturity or a default in such payment either occurs or is announced by the debtor, whichever is the earlier event. *IIROC* may set aside this requirement in specific cases where common practice and expediency prompt such action and will give due notice to all *Dealer Members* in such cases.
- (2) Prior to actual default or announcement by the debtor as specified in subsection ~~4804~~4803(1), sales made of *securities* but undelivered at the time of default or such announcement, must be conducted on an accrued interest basis under the terms of the original transaction.
- (3) Subsequent to default or announcement by the debtor as specified in subsection ~~4804~~4803(1), the *securities* must be handled on a flat basis with all matured and unpaid coupons attached, until such time as all arrears of interest have been paid and one current coupon has been paid when due.

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48054804. Fixed income trading units

- (1) Section 48054804 applies to all transactions between *Dealer Members* regardless of the *Districts* the *Dealer Members* are in.
- (2) In section 48054804 “trading units” is defined as follows:
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48064805. Fixed income delivery

- (1) In section 48064805 “regular delivery” is defined as:
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48074806. Fixed income redemption payment

- (1) A *Dealer Member* must not pay to a client regarding any maturity the redemption price or other amount due on redemption of such *securities* where the price or amount exceeds \$100,000, unless:
 - (i) the *Dealer Member* has first received an amount equal to such price or other amount from the issuer or its agent by cheque certified by or accepted without qualification by a *chartered bank*, or
 - (ii) the *Dealer Member* has first received or is credited an amount equal to such price or other amount through the facilities of *CDS* or Depository Trust Company.

PART A.2 – STOCK TRANSACTIONS

~~4808~~4807. Stock trading units

- (1) Section ~~4808~~4807 applies to all transactions between *Dealer Members* regardless of the *Districts* the *Dealer Members* are in.
- (2) In section ~~4808~~4807 “trading units” is defined as follows:
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~~4809~~4808. Stock delivery

- (1) All trades are to be considered for *regular delivery* (defined in subsection ~~4809~~4808(2)), unless otherwise agreed to in writing by the parties to a transaction at the time of the transaction.
- (2) In section ~~4809~~4808 “regular delivery” is defined as:
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 - (ii) Unlisted registered shares
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 - (c) For transactions between *Dealer Members* in shares that are not ex dividend, ex rights, or ex payments at the time the transaction occurs and delivery is not completed before twelve o'clock noon (12 p.m.) at a transfer point on the date of the closing of the transfer agent’s books, the seller is responsible to the buyer for the payment of such dividends or payments, and delivery of such rights, as may be involved, on their due dates. For the purposes of this sub-clause ~~4809~~4808(2)(ii)(c), where the record date falls on a Saturday or other non-*business day*, the *business day* prior to the record date is to be treated as the effective record date.
- (3) New issues delivery
 - (i) The *regular delivery* requirements in subsection ~~4809~~4808(2) are not intended to interfere in any way with the common practice of dealing in new issues during the period of primary distribution. However, the *regular delivery* requirements will come into effect on the appropriate number of *business days* prior to the new issue being first available for physical delivery.

~~4810~~4809. **Stock dividend claims**

- (1) No *Dealer Member* shall make a certificate claim for dividends against another *Dealer Member* if the amount of such claim would be \$5.00 or less.

PART A.3 - BUY-IN TRANSACTIONS

~~4811~~4810. **Buy-ins**

- (1) Buy-ins must be made within the times, using the notices prescribed, and according to *IIROC requirements*. For the purposes of clauses ~~4811~~4810(1)(i) through ~~4811~~4810(1)(v) a "regular delivery transaction" is deemed to have taken place once the *Dealer Members* involved have agreed on a price.

~~4812~~4811.– 4849. Reserved.

RULE 4900 | OTHER INTERNAL CONTROL REQUIREMENTS – DERIVATIVES RISK MANAGEMENT

4901. Introduction

- (1) Rule 4900 sets out the *internal control* requirements for *derivative* risk management.

DERIVATIVES RISK MANAGEMENT

4910. Introduction

- (1) A *Dealer Member* must have an independent risk management function to:
 - (i) manage the risks resulting from its use of *derivatives*, which include *listed derivatives* and over-the-counter *derivatives*,
 - (ii) ensure that an appropriate *Executive* that reports to the board of directors understands all risks, and
 - (iii) ensure that its *risk adjusted capital* is calculated properly.

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4915. Pricing

- (1) In addition to the requirements in Part C of Rule 4200, a *Dealer Member* must comply with the requirements in subsections 4915(2) through 4915(4) in pricing *derivatives*.
- (2) *Derivative* positions must be marked to market at least daily.

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