

13.1.2 IIROC Rules Notice – Request for Comments – Dealer Member Rules – Plain language rule re-write project – Dealing with clients, Proposed Rules 3400-3900

**RULES NOTICE
REQUEST FOR COMMENTS
DEALER MEMBER RULES**

**10-0266
October 8, 2010**

Plain language rule re-write project – Dealing with clients, Proposed Rules 3400-3900

Summary of the nature and purpose of the proposed Rule

On June 24, 2010, the Board of Directors (“the Board”) of the Investment Industry Regulatory Organization of Canada (“IIROC”) approved the publication for comment of proposed Dealer Member Rules 3400 relating to suitability requirements, 3500 relating to sales practices, 3600 relating to communications with the public, 3700 relating to handling and reporting complaints and internal investigations, 3800 relating to books and records, and 3900 relating to supervision (collectively referred to as the “proposed Rules”).

IIROC has undertaken a project to rewrite its rules in plain language. The primary objective of this project is to develop a set of rules that is more clear, concise and organized, without changing the rules themselves. In addition we have identified a number of rules that also require substantive revisions.

The new rules will be submitted to the Board and issued for public comments in 8 tranches. This tranche submitted to the Board and issued for public comments includes the following six sets of substantive change rules:

- (1) Rule 3400, *Suitability*;
- (2) Rule 3500, *Sales practices*;
- (3) Rule 3600, *Communication with the public*;
- (4) Rule 3700, *Reporting and handling of Complaints, Internal Investigations and other reportable matters*
- (5) Rule 3800, *Books and Records*; and
- (6) Rule 3900, *Supervision*

The above noted rules have been identified as requiring substantive revisions in order to:

- o eliminate unnecessary rule provisions;
- o clarify IIROC’s expectations with respect to certain rules;
- o ensure that the rules reflect actual IIROC practices; and
- o ensure consistency with other IIROC Dealer Member rules and applicable securities legislation.

Proposed Rule 3400 is a consolidation of the relevant requirements currently set out in IIROC Dealer Member Rules 1300, 2500, 2700, and 3200 that relate to suitability.

Proposed Rule 3500 contains relevant requirements currently set out in IIROC Dealer Member Rule 29 relating to sales practices.

Proposed Rule 3600 is a consolidation of the relevant requirements currently set out in IIROC Dealer Member Rules 29 and 3400 that relate to communications with the public.

Proposed Rule 3700 is a consolidation of the relevant requirements currently set out in IIROC Dealer Member Rules 2500, 2700, and 3100 that relate to complaints and internal investigations.

Proposed Rule 3800 is a consolidation of the relevant requirements currently set out in IIROC Dealer Member Rules 17 and 200 that relate to books and records.

Proposed Rule 3900 is a consolidation of the relevant requirements currently set out in IIROC Dealer Member Rules 18, 38, 1300, 1800, 1900, 2400, 2500, 2600, 2700, and 3200 that relate to supervision.

Issues and specific proposed amendments

Current rules

Other than the proposed substantive revisions set out below, the proposed Rules do not create any new obligations for Dealer Members and have been drafted to clarify the existing Rules with respect to dealings with clients.

Proposed rules

In addition to the plain language rewrite of the existing requirements to create proposed Rule 3400, “*Suitability*”, the following substantive amendments are proposed:

- *Suitability of orders and recommendations*: Current IIROC Dealer Member Rules require that each Dealer Member use due diligence to ensure that any order accepted from a client and any recommendation made to a client is suitable for the client. The obligation to ensure that orders and recommendations are suitable includes not only an obligation to ensure that the specific security is suitable for the client but also that the order type, along with the trading strategy recommended and/or adopted, as well as the account type, are also suitable for the client. As an example, the risk profile of a client who fully pays for a position in a specific security as a core long term holding is significantly different from the risk profile of a client buying the same security on margin, as part of a day trading strategy. For consistency with current IIROC expectations and Dealer Member practices, proposed Rule 3400 will clarify that in order to ensure suitability of an order or recommendation, the Dealer Member must also consider the suitability of the account type, trading strategy, order type and the method of financing the trade. [3402(2)]
- *Suitability determination not required*: Current Dealer Member Rule 2700, Part I (4) requires written waivers from permitted clients as defined in National Instrument 31-103 for the suitability requirement to not apply. The proposed clause 3405(1)(iii) will not require a waiver for any client that is a regulated entity as defined in Corporation Rules. This change is proposed so foreign entities that are the equivalent of Dealer Members will not require written waivers. [3405(1)(iii)]

In addition to the plain language rewrite of the existing requirements to create proposed Rule 3500, “*Sale practices*”, the following substantive amendments are proposed:

- *Service fees* - Current IIROC Dealer Member Rules require that each Dealer Member provide clients with a service fee schedule upon account opening and 60 days prior notice of any change to the service fee schedule. In order to codify current IIROC expectation and Dealer Member practices, proposed Rule 3500 will clarify that Dealer Members will not be subject to the above noted requirement when dealing with Institutional Clients. [3506(3)]
- *Commission fees and advisory fees* - Unlike the requirement for Dealer Members to provide a service fee schedule to their clients, the current Dealer Member Rules do not require Dealer Members to provide a commission fee schedule to their clients. For consistency with the requirement to provide a service fee schedule, proposed Rule 3500 will require Dealer Members to provide a commission fee schedule, or schedule of other advisory fees where applicable, to their clients upon account opening or 60 days prior notice of any change to the commission charge. An advisory fee schedule would include a notice of any fees applicable to fee based accounts. The requirement to provide a commission fee schedule will only be applicable where the Dealer Member charges a fixed (dollar or percentage) commission fee. Dealer Members will not be subject to the above noted requirement when dealing with Institutional Clients. [3505]
- *Inside information* - The current Dealer Member Rules state that any employee or Approved Person of a Dealer Member acting as a Director of a public issuer, in an underwriting or advisory capacity to a public issuer, has a fiduciary obligation not to reveal any privileged information to anyone not authorized to receive it until there has been full public disclosure of such information. For consistency with securities legislation, proposed Rule 3500 will be amended as follows:
 - *Fiduciary obligation*: The reference to fiduciary obligation has been omitted from the proposed rule. For consistency with securities legislation, the relationship has been categorized as a *special relationship* in the proposed Rule.

- *Privileged information:* The reference to privileged information has been omitted. For consistency with securities legislation, the information has been categorized as material non-public information in the proposed Rule; material non-public information refers to any material fact or material change that has not been generally disclosed.
- *Recipient of information:* The existing Dealer Member Rule prohibits the disclosure of privileged information to anyone not authorized to receive it. For consistency with securities legislation, the proposed Rule will state that the information can not be disclosed to anyone *unless in the necessary course of business*.

Based on the above noted changes, proposed Rule 3500 will clarify that any Approved Person, employee or agent of a Dealer Member who acts as a director to a public issuer, or in an underwriting or advisor capacity to a public issuer, is a person in a special relationship with the issuer and must not disclose any material non-public information about the issuer to any one, including any employees, agents or clients of the Dealer Member unless that disclosure is made in the necessary course of business. Proposed Rule 3500 will also clarify that when a Dealer Member, Approved Person, employee or agent of a Dealer Member has material non-public information about an issuer and discloses it to another Approved Person, employee or agent of the Dealer Member in the necessary course of business, then that person also becomes a person in a special relationship with the issuer and must not disclose any material non-public information about the issuer, unless in the necessary course of business. [3507(1) through (3)]

In addition to the plain language rewrite of the existing requirements to create proposed Rule 3600, "*Communication with the public*", the following substantive amendments are proposed:

- *Scope of obligations* - Proposed section 3602 which deals with advertising requirements speaks only to the Dealer Member's minimum obligations and does not make reference to the obligations of Approved Persons in communicating with clients. The underlying expectation is that Dealer Members will ensure that their Approved Persons comply with the Rule. The proposed plain language Rules will include a separate introductory section which will clarify that Rules applicable to Dealer Members will also equally apply to Approved Persons, to the extent relevant. [3602]
- *Guideline* - The current IIROC Dealer Member Rule 3400 includes guidelines as to best practices in developing policies and procedures on research reports. The parts of Rule 3400 that are guidelines, rather than rules, have been removed and included in a Guidance Note accompanying the proposed new Rule 3600.
- *Approval of policies and procedures*- The proposed Rule will no longer require Dealer Member policies and procedures on client communications and analyst conflicts of interest to be approved by and filed with IIROC, however, Dealer Member policies and procedures will continue to be subject to the regular compliance review process.
- *Record retention period:* Current Dealer Member Rule 29.7(5) requires the retention of copies of all advertisements, sales literature, correspondence, and records of supervision for a period of 2 years from the date of creation in the case of advertisements, sales literature and related documents, and a period of 5 years from the date of creation in the case of all correspondence. Proposed Rule 3602(7) removes the retention periods specified in the current rule and refers instead to the retention periods set out in Rule 3800, Business Records and Client Communications. Specifically, section 3802 changes the retention period for advertising related materials to 7 years. [3602(7)]

In addition to the plain language rewrite of the existing requirements to create proposed Rule 3700, "*Reporting and handling of Complaints, Internal Investigations and other reportable matters*" the following substantive amendments are proposed:

- *Prohibition of release restrictions* - The proposed Rule relating to the prohibition of release restrictions has been extended to apply to releases entered into involving Institutional Clients. [3711(1)]

In addition to the plain language rewrite of the existing requirements to create proposed Rule 3800, "*Books and Records*", the following substantive amendments are proposed:

- *References to specific derivatives in ledger accounts and client account statements*- Proposed Rule 3800 replaces the terms "commodity futures contracts" and "commodity futures contract options" with the term "derivatives", unless specific references to those terms are necessary to clarify reporting requirements such as in trade confirmations. This revision allows the ledger and client statement requirements to be extended to other derivatives and will create consistency in the books, records and reporting being maintained. [throughout 3800]
- *Replacement of the term "securities"*- Proposed Rule 3800 replaces the term "securities" with the term "investment products". The current language assumes that all account positions received into and /or delivered out of the accounts are securities. Since Dealer Members transact in investment products, including securities, derivatives and certain deposit instruments, the proposed Rule has been amended to refer to investment products instead of securities. This

- revision allows the books, records and reporting requirements to be extended to all investment products. [throughout 3800]
- *Replacement of the term "exchange"* - Proposed Rule 3800 replaces the term "exchange" with the term "marketplace". This revision allows the requirements in Rule 3800 to be extended to all marketplaces, not only exchanges. [throughout 3800]
 - *Record retention requirements* - The proposed Rule sets out the general requirements for retaining records under Corporation Rules and other relevant legislation. The provision is drafted to comply with NI 31-103 which requires records to be kept for a period of seven years from the date the record is created. Guidance Note 3800-2 *Content and retention of books and records* outlines the records that must be kept under NI 31-103. In addition, there are other relevant pieces of legislation relating to limitation periods, including securities legislation, provincial securities and commodities acts, federal and provincial corporations acts, etc., which may contain retention periods which differ from the seven year general limitation period. If Corporation Rules or securities legislation relating to the specific type of record requires a retention period other than the seven year limitation, then it is acceptable to conform to those specific requirements. The proposed Rule ensures consistency with other Dealer Member Rules as well as other applicable securities legislation. [3802]
 - *Removal of the Board of Directors approval of the statistical information requested of a Dealer Member with respect to their business* - The proposed Rule relating to statistical information provided by Dealer Members has been rewritten to eliminate the approval of the Board of Directors. The Corporation will retain the ability to require Dealer Members to provide statistical information. [3805(4)]
 - *Opening and closing transactions requirement for blotter, record of order received and trade confirmations* - The proposed Rule will specifically require opening or closing transactions (where required by the marketplace) to be shown on blotters, record orders and trade confirmations. Transactions that do not identify whether it is an opening or closing transaction can significantly complicate the risk management process of the clearing house since it becomes difficult to identify and match up positions. Proposed Rule 3800 will clarify this issue and improve market efficiency by explicitly stating that an opening or closing transaction must be shown if it is required by the marketplace in which the trade took place. [3806(1)(xi)]
 - *Requirements for blotters (records of original entry)* - The current requirements for maintaining blotters and other records of original entry isolate prescriptive items for a few individual types of investment products. Proposed Rule 3800 includes minimum blotter requirements that Dealer Members will be required to maintain. This revision was made to ensure consistency in the books and records being maintained for all transactions. Moreover, the reporting items for blotters relating to trades in specific debt securities and derivatives are moved into Guidance Note 3800-2. [3806]
 - *Record of orders received* - The current IROC Dealer Member rules specify that each record of order or other instruction must show the time of execution or cancellation. However, the current rules do not explicitly require that time of modification be reported. The proposed Rule expands upon this requirement by including the time of modification. This revision is intended to provide greater transparency in the Dealer Member's reporting obligations. [3812(2)(vi) and (vii)]
 - *Marketplace disclosure requirement* - Currently, Dealer Member Rule 200 requires written trade confirmations to disclose the exchange upon which a trade took place. This requirement does not capture trades executed outside of recognized exchange facilities such as quotation and trade reporting systems and alternative trading systems, as well as circumstances in which trades are executed on more than one marketplace. The proposed Rule will account for all marketplaces and for trades that are executed on more than one of these marketplaces. [3831(1)(iii)]
 - *Requirements for client account statements* - Proposed Rule 3800 clarifies IROC's expectation that a Dealer Member must provide certain minimum information on an account statement to clients. The current requirements do not explicitly list the information that must be listed on an account statement for all transactions involving investment product positions held by or controlled by the Dealer Member for the client. The proposed Rule has been written taking into consideration the requirements set out in Section 14.14, "Client statements", of National Instrument 31-103. [3841]
 - *Consolidated statements* - The current Dealer Member Rules specify the minimum disclosure to clients, such as requiring a Dealer Member to send out monthly or quarterly client statements; however the rules are not clear with respect to the reporting requirements when reporting on a consolidated basis. The proposed Rule adds a new section which incorporates the information set out in a guidance notice issued on August 2, 2001 (IDA MR-0087) regarding consolidated statements. Pursuant to the proposed Rule, a Dealer Member may provide consolidated statements to clients in addition to, but not in place of, the statements required under Corporation Rules. The proposed Rule requires that the consolidated statement clearly state: i) the positions covered by CIPF; ii) the legal entity to contact regarding

statement errors; and iii) that the legal entity statement is the statement that is subject to annual auditor confirmation. [3842]

In addition to the plain language rewrite of the existing requirements to create proposed Rule 3900 *Supervision*, the following substantive amendments are proposed:

- *Organization of Supervision Rules* - The Rules relating to supervision of a Dealer Member's business have been reorganized to clearly distinguish between supervision requirements that apply to all types of businesses and those that only apply to specific types of business, such as retail, institutional, managed accounts, or order-execution only. [throughout 3900]
- *Review Criteria and Trade Thresholds* - Existing Dealer Member Rule 2500 contains many provisions relating to the criteria for account review and trade thresholds that are intended as guidance only. These provisions have been removed from the proposed Rule, with the sections that continue to be relevant moved into guidance notes attached to proposed Rule 3900.
- *Alternate Designated Supervisors* - In the proposed Rule, the requirement for Dealer Members to appoint alternate designated Supervisors has been included in Part B General Requirements for Account Supervision, ensuring that this requirement is applied uniformly across all business activities. In addition, the requirement for alternate designated Supervisors to be specifically appointed for options accounts and for futures accounts has been included in this part of the proposed Rule. This clarifies the rule that alternate designated Supervisors are required for all options and futures business, both institutional and retail. The current Rules only state this requirement explicitly for retail accounts. [3900, Part B]

The full text of the proposed plain language Rules 3400 to 3900 are attached.

Rule-making process

IIROC Staff involved representatives of Dealer Members in the rule development process, through preliminary consultations.

Proposed Rules 3400, 3500, 3600, 3700, 3800 and 3900 were made available to all Dealer Members for their input through a Dealer Members' only website. A designated Compliance and Legal Section ("CLS") working group also reviewed and provided comments on proposed Rules 3400, 3500, 3600 and 3900. Copies of these proposed Rules were then made available to all CLS Members for their input and comments. A copy of the proposed Rule 3800 was made available to the Financial Administrators Section ("FAS"). Proposed Rule 3800 was also submitted to the FAS Executive committee and the FAS Operations Subcommittee for review and comments. A number of changes to the draft proposal were made in response to the comments IIROC received through these consultations.

The proposed Rules were approved for publication by the IIROC Board of Directors on June 24, 2010.

The text of proposed plain language Rules 3400 to 3900 is set out in Attachment A. The text of the existing Dealer Member Rules to be repealed is set out in Attachment B. A table of concordance is included as Attachment C. The text of the relevant Guidance Notes is set out in Attachment D. The attached Guidance Notes are based on previously issued guidance and/or notices.

Issues and alternatives considered

An alternative to the inclusion of the amendments being proposed was to leave the rules substantively as they were prior to the plain language rewrite. IIROC staff considered other pending projects and proposals as well as the extent of the potential, substantive changes identified in order to decide which of the substantive changes would be proposed as part of the plain language rule rewrite project. Those substantive changes which were originally identified as part of the plain language rule rewrite project, but which were ultimately excluded from the plain language rewrite project are being pursued as separate rulemaking projects.

With respect to proposed Rule 3600 (Communications with the Public), IIROC staff had received requests from Dealer Members to consider amending existing Dealer Member Rule 3400 (Research Restrictions and Disclosure Requirements) so that IIROC requirements are consistent with those in place in the United States. This issue has become more of a focal point recently with the publication of proposed amendments to the FINRA requirements on research analysts and research reports outlined in FINRA Regulatory Notice 08-55. IIROC staff intend to consider other potential amendments to the research rules as a separate project. We have consulted with FINRA on their proposed rule changes and have been advised that some aspects of their proposed amendments may be revised before they are finalized. In any case, we expect that any project involving significant changes to the research requirements will require considerable input and discussion. The amendments will be considered as part of a separate project.

Proposed Rule classification

Statements have been made elsewhere as to the nature and effects of the proposed Rules. The purposes of the proposed Rules are to:

- o Ensure compliance with securities laws;
- o Prevent fraudulent and manipulative acts and practices;
- o Promote just and equitable principles of trade and emphasize the duty to act fairly, honestly and in good faith;
- o Foster fair, equitable and ethical business standards and practices; and
- o Promote the protection of investors.

IIROC staff propose that rules pertaining to dealing with clients should be rewritten to reflect actual IIROC expectations, to enhance the clarity of the rule and to ensure consistency with applicable securities legislation. These amendments are in addition to the plain language rewrite of the existing rule provisions. The Board has determined that the proposed amendments are not contrary to the public interest.

Due to the extent and substantive nature of these proposed amendments, they have been classified as Public Comment Rule proposals.

Effects of proposed Rule on market structure, Dealer Members, non-members, competition and costs of compliance

With proposed plain language Rules 3400 to 3900, Dealer Members will benefit from enhanced clarity and certainty in the proposed Rules.

The proposed Rules will not have any significant effects on Dealer Members or non-Dealer Members, market structure or competition. Furthermore, it is not expected that there will be any significant, increased costs of compliance as a result of the proposed Rules.

The proposed Rules do not impose any burden or constraint on competition or innovation that is not necessary or appropriate in the furtherance of IIROC's regulatory objectives. The proposed Rules do not impose costs or restrictions on the activities of market participants that are disproportionate to the goals of the regulatory objectives sought to be realized.

Technological implications and implementation plan

There should not be significant technological implications for Dealer Members as a result of the proposed amendments. Proposed plain language Rules 3400 to 3900 will be implemented at the same time as the rest of the plain language rules.

Request for public comment

Comments are sought on the proposed amendments. Comments should be made in writing. Two copies of each comment letter should be delivered within 90 days of the publication of this notice. One copy should be addressed to the attention of:

Brendan Hart
Policy Counsel, Member Regulation Policy
Investment Industry Regulatory Organization of Canada
Suite 1600, 121 King Street West
Toronto, Ontario
M5H 3T9
bhart@iiroc.ca

A second copy should be addressed to the attention of:

Manager of Market Regulation
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario
M5H 3S8
marketregulation@osc.gov.on.ca

Those submitting comment letters should be aware that a copy of their comment letter will be made publicly available on the IIROC website (www.iiroc.ca under the heading "IIROC Rulebook - Dealer Member Rules - Policy Proposals and Comment Letters Received").

Questions may be referred to:

Brendan Hart
Policy Counsel, Member Regulation Policy
Investment Industry Regulatory Organization of Canada
416-865-3047
bhart@iiroc.ca

Attachments

Attachment A - Proposed Rule 3400

Proposed Rule 3500

Proposed Rule 3600

Proposed Rule 3700

Proposed Rule 3800

Proposed Rule 3900

Attachment B - Text of the relevant provisions of existing Dealer Member Rules

Attachment C - Table of Concordance

Attachment D - Draft Guidance Note 3400-1

Draft Guidance Note 3500-1

Draft Guidance Note 3500-2

Draft Guidance Note 3500-3

Draft Guidance Note 3500-4

Draft Guidance Note 3600-1

Draft Guidance Note 3600-2

Draft Guidance Note 3600-3

Draft Guidance Note 3700-1

Draft Guidance Note 3700-2

Draft Guidance Note 3700-3

Draft Guidance Note 3800-1

Draft Guidance Note 3800-2

Draft Guidance Note 3800-3

Draft Guidance Note 3900-1

Draft Guidance Note 3900-2

Draft Guidance Note 3900-3

ATTACHMENT A

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

DEALINGS WITH CLIENTS
RULES 3400 THROUGH 3900
PROPOSED AMENDMENTS

1. As part of a project to rewrite IIROC Rules in plain language, the following current rules are repealed and replaced.

Repealed current rule	Proposed plain language rule
None	<p style="text-align: center;">RULE 3400</p> <p style="text-align: center;">SUITABILITY</p> <p>3401. Introduction</p> <p>(1) This Rule sets out each Dealer Member's suitability obligations in dealing with clients, which is complementary to the obligation to deal fairly, honestly and in good-faith with clients.</p>
Rules 1300.01(p) and (q)	<p>3402. General suitability requirements</p> <p>(1) Each Dealer Member must:</p> <p>(i) use due diligence to ensure that any order accepted from a client is suitable for the client; and</p> <p>(ii) use due diligence to ensure that any recommendation made to a client to buy, sell, exchange or hold a security is suitable for the client.</p> <p>(2) In order to comply with the requirements set out in 3402(1), each Dealer Member must consider:</p> <p>(i) the suitability of the account type;</p> <p>(ii) the suitability of the trading strategy;</p> <p>(iii) the suitability of the order type; and</p> <p>(iv) the method of financing the trade, whether or not the financing is provided by the Dealer Member.</p>
Rules 1300.01(p) and (q) and 2500 Introduction (c)	<p>3403. Assessing suitability for retail clients</p> <p>(1) In order to comply with the requirements set out in section 3402, the suitability of an order for a retail client or a recommendation made to a retail client must be assessed based on factors including the client's financial situation, investment knowledge, investment objectives and risk tolerance.</p> <p>(2) Compliance with the know-your-client rule and suitability requirements is primarily the responsibility of the Registered Representative.</p>
Rules 2700I(1) and (2)	<p>3404. Determining suitability for institutional clients</p> <p>(1) In order to comply with the requirements set out in section 3402, each Dealer Member must determine the level of suitability owed to an Institutional Client for each transaction.</p>

Repealed current rule	Proposed plain language rule
	<ul style="list-style-type: none"> (2) A Dealer Member’s suitability obligation is fulfilled when it has concluded, on reasonable grounds, that the Institutional Client has sufficient sophistication and capability to make its own investment decisions for that transaction. (3) Where reasonable grounds do not exist, a Dealer Member must take necessary steps to ensure that the Institutional Client understands the product including any potential risk. (4) In determining whether the Institutional Client has sufficient sophistication and capability to make its own decisions for a particular transaction, the Dealer Member must at a minimum consider the following: <ul style="list-style-type: none"> (i) any written or oral understanding that exists between a Dealer Member and its client regarding client’s reliance on the Dealer Member; (ii) the presence or absence of a pattern of acceptance of the Dealer Member’s recommendations; (iii) client’s use of ideas, suggestions, market views and information obtained from other Dealer Members, market professionals, or others, particularly those relating to the same type of securities; (iv) client’s use of one or more investment dealers, portfolio managers, investment counsel 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 (s) under consideration, including the client’s ability to independently evaluate how market developments would affect the security and ancillary risks such as currency rate risk; and (vii) the complexity of the securities involved.
<p>Rules 1300.01(r) and (s) and 2700I(3) and (4)</p>	<p>3405. Suitability determination not required</p> <ul style="list-style-type: none"> (1) A Dealer Member is not subject to the suitability requirements set out in paragraph 3402(1)(i) if: <ul style="list-style-type: none"> (i) the Dealer Member was approved by the Corporation to provide order-execution only services and meets the requirements applicable to order-execution only accounts including those set out in sections 2155, 3240, 3406, 3980 and 3981; (ii) the Dealer Member accepts an order on the instructions of an Institutional Client who is another Dealer Member, Portfolio Manager, Exempt Market Dealer, bank, trust company or insurer; or (iii) the Dealer Member accepts an order on the instructions of a regulated entity.
<p>Rules 3200A(5)(a) and (b), 3200B(1) and 3200B(5)(a) through (d)</p>	<p>3406. Order execution-only services</p> <ul style="list-style-type: none"> (1) A Dealer Member approved by the Corporation to provide order-execution only services, as the Dealer Member’s only business or separate business unit: <ul style="list-style-type: none"> (i) Must label all client account documentation, including monthly statements and confirmations, as “order-execution only account” or other similar phrase;

Repealed current rule	Proposed plain language rule
	<ul style="list-style-type: none"> (ii) Must not consolidate the client monthly statements of its order execution-only services with any other client monthly statements. <p>(2) A Dealer Member allowing order-execution only trades in an advisory account must:</p> <ul style="list-style-type: none"> (i) Ensure that all references to trades in procedures, documents and reports are marked “recommended” or “non-recommended” rather than “solicited” or “not solicited”; (ii) Be capable of recording whether each order that is entered, including on-line orders entered by a customer, are marked as recommended or non-recommended. Any default marking should be set as recommended; (iii) Disclose whether a trade is recommended or non-recommended on: <ul style="list-style-type: none"> (a) confirmations; and (b) the monthly activity portion of the monthly statements. The Dealer Member is not required to disclose on monthly statements which securities positions resulted from which type of trade (iv) Maintain records of complaints or requests from customers to change the designation of a trade as recommended or non-recommended. <p>3407. - 3499. – Reserved</p>
<p>None</p> <p>Rules 29.02 and 29.04</p> <p>Rule 29.03</p>	<p style="text-align: center;">RULE 3500</p> <p style="text-align: center;">SALES PRACTICES</p> <p>3501. Introduction</p> <p>(1) This Rule sets out minimum standards that Dealer Members must follow in their specific dealings with clients and when developing policies and procedures with respect to sales practices.</p> <p>3502. Distributions</p> <p>(1) A Dealer Member cannot participate in the distribution of securities to the public at a price higher than the stated initial price of the securities; and</p> <p>(2) This obligation continues until the Dealer Member has notified the applicable securities commission that its role in the distribution has ended.</p> <p>3503. New issues</p> <p>(1) A Dealer Member must make a bona fide offering of the total amount of its participation in a new issue to public investors.</p> <p>(2) Public investors do not include an officer or employee of a bank, insurance company, trust company, investment fund, pension fund or similar institutional body or the immediate families of an officer or employee of these institutions regularly engaged in the purchase or sale of securities for such institution unless:</p> <ul style="list-style-type: none"> (i) the purchases are demonstrated to be for bona fide personal investment, and

Repealed current rule	Proposed plain language rule
Rule 29.03A	<p>(ii) are made in accordance with the person's normal investment practice.</p> <p>(3) The term "normal investment practice" does not include an account that has regularly purchased "hot issues" based on its history of investments in the account with the Dealer Member.</p> <p>3504. Client priority</p> <p>(1) Each Dealer Member must give priority to client orders over all other orders for the same security at the same price. The phrase "client orders" does not include an order for an account in which the Dealer Member or an employee of the Dealer Member has a direct or indirect interest, other than the commission charged.</p>
New	<p>3505. Commission fees and other advisory fees</p> <p>(1) A Dealer Member who charges an advisory fee or a fixed dollar or percentage commission fee must not charge such fees to a client unless the client has been provided with a fee schedule upon the opening of the account or 60 days prior to the fee being charged.</p> <p>(2) A Dealer Member who charges an advisory fee or a fixed dollar or percentage commission fee may not charge a higher fee unless it has given 60 days notice of this change to its clients.</p> <p>(3) The requirements set out in subsections 3505(1) and (2) do not apply to accounts of Institutional Clients.</p>
Rule 29.08	<p>3506. Service fees</p> <p>(1) A Dealer Member must not charge a service fee or administrative fee to a client unless the client has been provided with a service fee schedule upon the opening of the account or 60 days prior to the service fee being charged.</p> <p>(2) A Dealer Member may not charge a new or higher service fee unless it has given 60 days notice of this change to its service fees.</p> <p>(3) The requirements set out in subsections 3506(1) and (2) do not apply to accounts of Institutional Clients.</p>
Rule 29.05	<p>3507. Inside information</p> <p>(1) An Approved Person, employee or agent of a Dealer Member acting as a director to a public issuer is a person in a special relationship with the issuer and must not disclose any material non-public information about the issuer to any one including any employees, agents, or clients of the Dealer Member unless in the necessary course of business.</p> <p>(2) An Approved Person, employee or agent of a Dealer Member acting in an underwriting or advisory capacity to a public issuer is a person in a special relationship with the issuer and must not disclose any material non-public information about the issuer to anyone including any employees, agents, or clients of the Dealer Member unless in the necessary course of business.</p> <p>(3) When a Dealer Member, Approved Person, employee or agent of the Dealer Member has material non-public information about the issuer and discloses it to other personnel of the Dealer Member in the necessary course of business, those persons also become persons in a special relationship with the issuer and must not disclose any material non-public information about the issuer to anyone including any employee, agents or clients of the Dealer Member unless in the necessary course of business.</p>

Repealed current rule	Proposed plain language rule
Rules 29.13(b) through (e)	<p>(4) For the purpose of subsections 3507(1), (2) and (3) “material non-public information” refers to material facts or material changes not generally disclosed as applied under the applicable securities rules and regulations.</p> <p>(5) A Dealer Member must ensure that it has appropriate policies and procedures to contain material non-public information.</p> <p>3508. Premarketing</p> <p>(1) A Person in subsection 3508(4) must not solicit expressions of interest from the public, in the type of securities subject to distribution discussions, from the time of a commencement of Distribution Discussions until the earliest of:</p> <ul style="list-style-type: none"> (i) the issuance of a receipt for the preliminary prospectus; (ii) a press release issued and filed in accordance with regulatory requirements, announcing the signing of an enforceable agreement in respect of the potential distribution; and (iii) the Dealer Member deciding not to pursue the potential distribution. <p>(2) For the purpose of paragraph 3508(1)(ii), a press release is deemed to have been issued when it is released to a news distribution service for distribution and is deemed to have been filed when delivered or sent to the relevant provincial securities regulatory authority, in accordance with applicable securities legislation.</p> <p>(3) A Person in subsection 3508(4) must not engage, direct, suggest or induce another person to engage in market making or other principal trading activities in securities that are the subject of Distribution Discussions.</p> <p>(4) For the purpose of subsections 3508(1), (3) and (5), a Person refers to a Director, Officer, employee or agent of a Dealer Member who:</p> <ul style="list-style-type: none"> (i) participated in or had actual knowledge of the Distribution Discussions; or (ii) acts or is directed by, induced by, or otherwise receives suggestions from a person who directly or indirectly participated in or had actual knowledge of the Distribution Discussions. <p>(5) Where a Dealer Member and issuer or selling security-holder can show a bona fide intention to distribute the equity securities pursuant to a prospectus exemption:</p> <ul style="list-style-type: none"> (i) the Dealer Member including the Person in subsection 3508(4) will not be subject to the restrictions in subsection 3508(1). (ii) notwithstanding paragraph 3508(5)(i), the restrictions in subsection 3508(1) will apply from the time it is reasonable to expect that a decision to abandon an exempt offering of equity securities in favor of a prospectus offering will be taken. <p>(6) A Dealer Member involved in a Distribution as an underwriter must file a Certificate (attached as Schedule A) verifying compliance with this section of the Rules.</p> <p>(7) The Certificate must meet the following requirements:</p> <ul style="list-style-type: none"> (i) be filed with the Corporation, within 3 business days after the date of filing the preliminary short form prospectus (or equivalent document) with the

Repealed current rule	Proposed plain language rule
<p>Rule 29.13(e)</p>	<p>principal jurisdiction;</p> <p>(ii) be signed by the chief executive officer of the Dealer Member, or the next most senior executive of the Dealer Member; and</p> <p>(iii) be in the form prescribed by the Corporation.</p> <p>3509. - 3599. – Reserved</p> <p style="text-align: center;">SCHEDULE “A”</p> <p style="text-align: center;">CERTIFICATE</p> <p>To: Investment Industry Regulatory Organization of Canada (“IIROC”)</p> <p>RE: The distribution of securities of (issuer name); preliminary prospectus (or equivalent document dated (date)</p> <p>I (name), in my capacity as (title) of (dealer member name) hereby certify on behalf of (dealer member name), that</p> <ol style="list-style-type: none"> 1. policies and procedures are in place designed to ensure compliance with IIROC requirements regarding pre-marketing activities, and 2. to the best of my knowledge, information and belief there have been no efforts by (dealer member name), or any of its executives, directors, employees or agents to solicit expressions of interest from the public to purchase securities of the type that were the subject of Distribution Discussions which would contravene IIROC requirements regarding pre-marketing activities. <p>Dated at (city) this day of 20 .</p> <p style="text-align: right;">Signature Name and Title</p>
<p>None</p> <p>Rule 29.07</p>	<p style="text-align: center;">RULE 3600</p> <p style="text-align: center;">COMMUNICATIONS WITH THE PUBLIC</p> <p>3601. Introduction</p> <p>(1) A Dealer Member must establish policies and procedures and must monitor compliance with its policies and procedures to ensure that the Dealer Member and its partners, directors, officers, employees and agents comply with Corporation requirements when communicating with the public.</p> <p>PART A – ADVERTISING</p> <p>3602. Advertising</p> <p>(1) A Dealer Member must not allow any advertisement, sales literature or correspondence to be issued that:</p> <ol style="list-style-type: none"> (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;

Repealed current rule	Proposed plain language rule
	<ul style="list-style-type: none"> (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, Corporation or its Dealer Members; or (vii) fails to comply with Corporation requirements or any applicable legislation, rules or policies. <p>(2) A Dealer Member must have written policies and procedures that are appropriate for its size, structure, business and clients for the review and supervision of advertisements, sales literature and correspondence relating to its business.</p> <p>(3) A Dealer Member must designate one or more partners, directors, officers or supervisors to approve advertising, sales literature and correspondence.</p> <p>(4) A Dealer Member must ensure that the following items are approved by the designated person before use or publication:</p> <ul style="list-style-type: none"> (i) Research reports; (ii) Market letters; (iii) Telemarketing scripts; (iv) Promotional seminar texts (excluding educational seminar texts); (v) Original advertisements/original template advertisements; and (vi) Any material containing performance reports or summaries that is used to solicit clients. <p>(5) A Dealer Member must ensure that all advertising, sales literature or correspondence not included in subsection 3602(4), receives approval appropriate to the type of material through:</p> <ul style="list-style-type: none"> (i) pre-use approval; (ii) post use review; or (iii) post use sampling. <p>(6) A Dealer Member must ensure that:</p> <ul style="list-style-type: none"> (i) employees and agents of the Dealer Member are familiar with its policies and procedures on the approval of advertisements, sales literature and correspondence; and (ii) its policies and procedures include specific ongoing measures to ensure that its policies and procedures are being observed. <p>(7) A Dealer Member must keep copies of all advertisements, sales literature and correspondence and all records of supervision for the period set out in Rule 3800. These items must be readily available for inspection by the Corporation.</p>

Repealed current rule	Proposed plain language rule
<p>Rule 3400, Requirements 2(b), 2(c), 2 last paragraph and 6</p>	<p>3608. Additional disclosures</p> <p>(1) A research report must disclose or indicate where the following information is otherwise available:</p> <ul style="list-style-type: none"> (i) the Dealer Member’s system for rating investment opportunities and how each recommendation fits within the system; and (ii) its policies and procedures regarding the dissemination of its research. <p>(2) A Dealer Member must, on a quarterly basis, disclose the percentage of its recommendations that fall into each category of its recommendation system.</p>
<p>Rule 3400, Introduction (second last sentence in first paragraph) and Requirement 2</p>	<p>3609. Quality of disclosures in a research report</p> <p>(1) A Dealer Member must make the research report disclosures required in sections 3607 and 3608 in a clear, comprehensive and prominent manner.</p>
<p>Rule 3400, Requirement 4</p>	<p>3610. Independent third party research</p> <p>(1) The disclosures required by sections 3607 and 3608 are applicable to research prepared by an independent third party distributed by a Dealer Member to its clients under the independent third party’s name.</p> <p>(2) The disclosures in subsection 3610(1) are not required:</p> <ul style="list-style-type: none"> (i) for independent third party research reports that are issued by other Dealer Members, members of FINRA (Financial Industry Regulatory Authority) or persons governed under other regulators approved by the Corporation, or (ii) when a Dealer Member is only giving clients access to independent third party research, or supplying independent third party research report at the request of a client, <p>provided that, where applicable, the Dealer Member discloses that the research was not prepared according to Canadian disclosure requirements.</p>
<p>Rule 3400, Requirement 15</p>	<p>3611. Multiple coverage</p> <p>(1) When a Dealer Member distributes a research report that covers six or more issuers, the report may indicate where the disclosures required in sections 3607 and 3608 may be found.</p>
<p>Rule 3400, Requirement 13</p>	<p>3612. Visiting an issuer</p> <p>(1) A Dealer Member must disclose in its research reports:</p> <ul style="list-style-type: none"> (i) whether and to what extent an analyst has viewed the issuer’s material operations; and (ii) if the issuer has paid or reimbursed any of the analyst’s travel expenses.
<p>Rules 3400, Requirements 5 and 18</p>	<p>3613. Relationship with the issuer</p> <p>(1) A Dealer Member must not issue a research report on any issuer for which an analyst or an associate of the analyst:</p> <ul style="list-style-type: none"> (i) serves as an officer, director or employee of the issuer; or (ii) serves in any advisory capacity to the issuer.

Repealed current rule	Proposed plain language rule
Rule 3400, Requirement 16	<p>(2) A Dealer Member must not issue a research report on any issuer for which a supervisory analyst of a Dealer Member serves as an officer or director of the issuer.</p> <p>3614. Notice to discontinue coverage</p> <p>(1) A Dealer Member must issue notice of its intention to suspend or discontinue coverage of an issuer, unless the sole reason for the suspension is that the issuer has been placed on a Dealer Member’s restricted list.</p>
Rule 3400, Requirement 20	<p>3615. Setting price targets</p> <p>(1) When a Dealer Member sets a price target, the Dealer Member must disclose the valuation methods used.</p>
Rule 3400, Requirement 12	<p>3616. Inducement for favourable rating</p> <p>(1) A Dealer Member must not directly or indirectly:</p> <ul style="list-style-type: none"> (i) offer favourable research; (ii) offer a specific rating or a specific price target; (iii) delay in changing a rating or price target; or (iv) threaten to change research, a rating or a price target of an issuer; <p>as consideration or inducement for the receipt of business or compensation from an issuer.</p>
Rule 3400, Requirement 3	<p>3617. Public comments</p> <p>(1) When giving an interview or otherwise making any public comment about the merits of an issuer or its securities, a partner, Director, Officer, employee or agent of a Dealer Member must disclose that:</p> <ul style="list-style-type: none"> (i) the Dealer Member has issued a relevant research report; or (ii) that no research report has been prepared.
Rule 3400, Requirements 7 and 8	<p>3618. Policies and procedures on trading</p> <p>(1) A Dealer Member must have policies and procedures reasonably designed to detect and restrict any trading in equity securities of a subject issuer that is done with knowledge of or in anticipation of the issuance of a research report, a new recommendation or a change in a recommendation related to the subject issuer.</p> <p>(2) A person directly involved in the preparation of a research report must not trade in equity securities of the subject issuer for a period 30 days prior to and 5 days after the issuance of the research report.</p> <p>(3) Notwithstanding subsection 3618(2), a person may trade with the written approval of a designated partner, director or officer of the Dealer Member.</p> <p>(4) Approval under subsection 3618(3) may only be granted for trades that are consistent with the analyst’s current recommendation, unless special circumstances exist.</p>

Repealed current rule	Proposed plain language rule
Rule 3400, Requirements 9 and 10	<p>3619. Prohibition on investment banking compensation</p> <p>(1) A research report must disclose if the analyst responsible for the report received compensation within the prior 12 months based upon the Dealer Member's investment banking revenues.</p> <p>(2) A Dealer Member must not pay any bonus, salary or other compensation to an analyst that is based upon a specific investment banking transaction.</p>
Rule 3400, Requirement 11	<p>3620. Relationship with investment banking</p> <p>(1) A Dealer Member must have policies and procedures reasonably designed to prevent recommendations of the research department from being influenced by the investment banking department or the issuer.</p> <p>(2) The policies and procedures must, at a minimum:</p> <p>(i) prohibit the approval of research reports by the investment banking department;</p> <p>(ii) limit comments from the investment banking department on research reports to correction of factual errors;</p> <p>(iii) prevent the investment banking department from receiving advance notice of ratings or rating changes on covered companies; and</p> <p>(iv) establish systems to control and record the flow of information between analysts and investment banking departments regarding issuers that are the subject of current or prospective research reports.</p>
Rule 3400, Requirements 14 and 14.1	<p>3621. Quiet periods</p> <p>(1) A Dealer Member must not issue a research report on equity securities of a subject issuer for which the Dealer Member has acted as manager or co-manager:</p> <p>(i) for 40 days after the closing date of an initial public offering of equity securities of the subject issuer;</p> <p>(ii) for 10 days after the closing date of a secondary offering of equity securities of the subject issuer.</p> <p>(2) Notwithstanding subsection 3621(1), a Dealer Member may issue a research report on the effects of significant news about or a significant event affecting the issuer.</p> <p>(3) Subsection 3621(1) does not apply where the subject securities are exempted from restrictions under provisions relating to market stabilization in securities legislation or in the Universal Market Integrity Rules.</p>
Rule 3400, Requirement 19	<p>3622. Outside business activities</p> <p>(1) A Dealer Member must pre-approve an analyst's outside business activities.</p>
Rule 3400, Requirement 17	<p>3623. Annual certification</p> <p>(1) The head of research and the chief executive officer must annually certify that the Dealer Member's analysts are familiar with and have complied with the CFA Institute Code of Ethics and Standards of Professional Conduct, even if they are not members of the CFA Institute.</p>

Repealed current rule	Proposed plain language rule
	<p>3624. – 3699. – Reserved</p>
<p>None</p> <p>Rules 2500B(4), 2700V(2), 3100I(A.1) and 3100I(A.2)</p> <p>Rules 3100I(B.1) and 3100 Definitions</p>	<p style="text-align: center;">RULE 3700</p> <p style="text-align: center;">REPORTING AND HANDLING OF COMPLAINTS, INTERNAL INVESTIGATIONS AND OTHER REPORTABLE MATTERS</p> <p>3701. Introduction</p> <p>(1) A Dealer Member must report to the Corporation all matters described in this Rule.</p> <p>(2) A Dealer Member must investigate allegations of misconduct as described in this Rule.</p> <p>(3) A Dealer Member must handle all client complaints as described in this Rule.</p> <p>Part I - Reporting requirements</p> <p>3702. Reporting by an Approved Person to the Dealer Member</p> <p>(1) An Approved Person must inform the Dealer Member of any of the following matters within two business days:</p> <p>(i) if there is a change in the Approved Person’s registration information or application;</p> <p>(ii) if the Approved Person has reason to believe that he or she may be contravening any requirements of the Corporation, an SRO, exchanges of any jurisdiction inside or outside of Canada, securities legislation, or any professional licensing or registration body;</p> <p>(iii) if the Approved Person is the subject a client complaint; or</p> <p>(iv) if the Approved Person becomes aware of a client complaint, in writing or other form, about another Approved Person involving allegations of theft, fraud, forgery, money laundering, market manipulation, insider trading, misrepresentation, or unauthorized trading.</p> <p>(2) An Approved Person must inform the Dealer Member of all pending legal actions against the Approved Person.</p> <p>(3) A Dealer Member must designate a person or department to receive the reports required by subsection 3702(1).</p> <p>3703. Reporting by a Dealer Member to the Corporation</p> <p>(1) A Dealer Member must report to the Corporation any of the following matters, within the time and method prescribed by the Corporation:</p> <p>(i) Any changes in the registration information of an Approved Person;</p> <p>(ii) All customer complaints, in writing, against the Dealer Member or any Approved Person, except service complaints defined in subsection 3703(2);</p> <p>(iii) Whenever an internal investigation is commenced by the Dealer Member in accordance with section 3706;</p>

Repealed current rule	Proposed plain language rule
<p>Rule3100I(B.3)</p>	<ul style="list-style-type: none"> (iv) The results of the internal investigation under paragraph 3703(1)(iii); (v) Any time the Dealer Member, 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: <ul style="list-style-type: none"> (a) charged with, convicted of, plead guilty or no contest to, any criminal offence; (b) named as a defendant or respondent, or is subject of, any proceeding or disciplinary action alleging contravention of any securities laws or exchange contract laws; (c) named as a defendant or respondent, or subject of any proceeding or disciplinary action alleging contravention of the requirements or policies of any regulatory or self-regulatory organization, professional licensing or registration body; (d) denial of registration or license by any regulatory or self regulatory organization, professional licensing or registration body; or (e) subject to a securities related civil claim or arbitration notice. (vi) The resolution of any matters set out in paragraph 3703(1)(v); (vii) Any internal disciplinary action that is taken by a Dealer Member against an Approved Person as a result of: <ul style="list-style-type: none"> (a) a client complaint; (b) a securities-related civil claim or arbitration notice; (c) an internal investigation; (d) a Dealer Member initiated disciplinary action imposing suspension, termination, demotion, or trading restrictions on the Approved Person; or (e) a Dealer Member initiated disciplinary action not involving clauses 3703(1)(vii)(a) to (c) above which results in a monetary penalty: <ul style="list-style-type: none"> (1) over \$5,000 for a single occurrence; (2) over \$15,000 in total in a calendar year; or (3) imposed three times or more in a calendar year, <p>(2) For the purpose of paragraph 3703(1)(ii), a service complaint by a client is one that is related to service issues and does not involve any violation of any requirements of a self-regulatory organization or securities or exchange contracts laws of any jurisdiction inside or outside of Canada.</p> <p>3704. Failure to report</p> <ul style="list-style-type: none"> (1) Failure to file reports as required by sections 3702 and 3703 may result in the Corporation imposing a penalty or commencing a disciplinary proceeding against the Dealer Member and/or Approved Person. <p>3705. – Reserved</p>

Repealed current rule	Proposed plain language rule
Rule 3100II.1	<p>Part II - Internal investigations and internal discipline</p> <p>3706. Requirement to commence an internal investigation</p> <p>(1) A Dealer Member must conduct an internal investigation if it appears that the Dealer Member or a current or former Approved Person while employed by the Dealer Member engaged in any of the following types of activities in any jurisdiction inside or outside of Canada:</p> <ul style="list-style-type: none"> (i) theft; (ii) fraud; (iii) misappropriation of funds or securities; (iv) forgery; (v) money laundering; (vi) market manipulation; (vii) insider trading; (viii) misrepresentation; or (ix) unauthorized trading. <p>(2) For the purpose of paragraph 3706(1)(viii), a misrepresentation means:</p> <ul style="list-style-type: none"> (i) an untrue statement of facts; or (ii) an omission to state a fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.
Rule 3100II.2(a)	<p>3707. Records of an internal investigation</p> <p>(1) The Dealer Member must keep records showing the cause of, steps taken, and result of each internal investigation.</p>
Rules 2500B.7 and 2700V.5	<p>3708. Internal Discipline</p> <p>(1) Each Dealer Member must establish procedures to ensure that any breach of the Rules of the Corporation or any applicable securities legislation are subject to appropriate disciplinary measures.</p> <p>3709. – Reserved</p>
Rule 3100III	<p>Part III - Settlement Agreements</p> <p>3710. Entering into settlement agreements</p> <p>(1) An approved person must obtain the Dealer Member's written consent before entering into any settlement agreement with a client, regardless of the form of the settlement and regardless of whether the settlement is the result of a customer complaint or a finding by the Approved Person or the Dealer Member.</p> <p>(2) A Dealer Member must keep a record of the prior written consent.</p>

Repealed current rule	Proposed plain language rule
Rule 2500B.2	<p>3721. Application</p> <p>(1) The requirements set out in sections 3722 to 3728 apply to complaints submitted by a client or a person authorized to act on behalf of a client in the following form:</p> <ul style="list-style-type: none"> (i) A recorded expression of dissatisfaction with a Dealer Member or employee or agent alleging misconduct; or (ii) A verbal expression of dissatisfaction with the Dealer Member or employee or agent alleging misconduct where a preliminary investigation indicates that the allegation may have merit. <p>(2) For the purpose of subsection 3721(1), an alleged misconduct includes, but is not limited to:</p> <ul style="list-style-type: none"> (i) allegations of breach of confidentiality; (ii) theft; (iii) fraud; (iv) misappropriation or misuse of funds or securities; (v) forgery; (vi) unsuitable investments; (vii) misrepresentation; (viii) unauthorized trading relating to the client's account(s), (ix) other inappropriate financial dealings with clients; or (x) engaging in unapproved securities related activities outside of the Dealer Member. <p>(3) Any matter which is subject to a civil action or arbitration is not considered to be a complaint for the purpose of section 3721.</p>
Rules 2500B.2 and 2500B.3	<p>3722. Handling client complaints</p> <p>(1) Complaints are to be handled by sales Supervisors or compliance staff (or the equivalent) and a copy must be filed with the compliance department/function (or the equivalent) of the Dealer Member.</p> <p>(2) The Dealer Member must appoint an individual to act as the designated complaints officer. The individual must have the requisite experience and authority to oversee the complaint handling process and to act as a liaison with the Corporation.</p>
Rule 2500B.4	<p>3723. Complaint policies and procedures</p> <p>(1) Each Dealer Member must have written policies and procedures to ensure that complaints are dealt with effectively, fairly and expeditiously.</p> <p>(2) Each Dealer Member's policies and procedures must address the following:</p> <ul style="list-style-type: none"> (i) Procedures for a fair and thorough investigation of complaints;

Repealed current rule	Proposed plain language rule
	<ul style="list-style-type: none"> (ii) The process by which an assessment is made regarding the merit of the complaint; (iii) Where the complaint is determined to have merit, the process to be followed in determining what offer should be made to the client; (iv) Remedial actions which may be appropriate to be taken within the firm; (v) Ensure that complaints are not dismissed without due consideration of the facts of each case; (vi) Include a balanced approach to dealing with complaints that objectively considers the interests of the complainant, the Dealer Member, the Registered Representative, employee or agent of the Dealer Member, and/or other relevant parties; (vii) Process to ensure that Registered Representatives and their Supervisors are made aware of all complaints filed by their clients; (viii) Procedures to inform senior management of serious misconduct; and (ix) Procedures to monitor the general nature of the complaints. <p>(3) If a Dealer Member determines that the number and/or severity of complaints is significant, or when a Dealer Member detects frequent and repetitive complaints made with respect to the same matter which may on a cumulative basis indicate a serious problem, the Dealer Member must:</p> <ul style="list-style-type: none"> (i) Review its internal procedures and practices; and (ii) Submit recommendations to the appropriate management level to remedy any such systematic and recurring matters.
Rule 2500B.4	<p>3724. Client access</p> <p>(1) At the time of account opening, Dealer Member must provide new clients with:</p> <ul style="list-style-type: none"> (i) A written summary of the Dealer Member’s complaint handling procedures, which is clear and can be easily understood by the client; and (ii) A copy of the complaint handling brochure, approved by the Corporation. <p>(2) Each Dealer Member must make available to their clients, on an ongoing basis, a written summary of the Dealer Member’s complaint handling procedures which may be made available either on the Dealer Member’s website or by other means.</p>
Rule 2500B.4	<p>3725. Client Acknowledgement letter</p> <p>(1) Each Dealer Member must send an acknowledgement letter to the complainant within five (5) business days of receipt of a complaint.</p> <p>(2) Each acknowledgement letter in subsection 3725(1) must include the following:</p> <ul style="list-style-type: none"> (i) The name, job title and full contact information of the individual at the Dealer Member handling the complaint; (ii) A statement indicating that the client should contact the individual at the Dealer Member handling the complaint if he/she would like to inquire about the status of the complaint;

Repealed current rule	Proposed plain language rule
<p>Rule 2500B.4</p>	<ul style="list-style-type: none"> (iii) An explanation of the Dealer Member’s internal complaint handling process, including but not limited to the role of the designated complaints officer; (iv) A reference to an attached copy of a Corporation approved complaint handling process brochure and a reference to the statutes of limitations contained in the document; (v) The ninety (90) calendar days timeline to provide a substantive response to complainants; and (vi) A request for any information reasonably required to investigate the complaint. <p>3726. Response to client complaints</p> <ul style="list-style-type: none"> (1) Each Dealer Member must send a substantive response letter to each complainant. (2) Each substantive response letter must be accompanied by a copy of a complaint handling process brochure approved by the Corporation. (3) Each substantive response letter must be presented in a manner that is fair, clear and not misleading to the client, and must include the following information: <ul style="list-style-type: none"> (i) A summary of the complaint; (ii) The result of the Dealer Member’s investigation; (iii) The Dealer Member’s final decision on the complaint, including an explanation; and (iv) A statement describing to the client the options available if the client is not satisfied with the Dealer Member’s response, including the availability of: <ul style="list-style-type: none"> (a) arbitration; (b) litigation/civil action; (c) submitting a regulatory complaint to the Corporation for assessment of whether disciplinary action is warranted; (d) the ombudsman service, if a request is made within the period required by the ombudsman; and (e) an internal ombudsman service offered by an affiliated of the Dealer Member, if any, with an explanation that: <ul style="list-style-type: none"> (1) the use of the internal ombudsman process is voluntary; and (2) the estimated length of time the process is expected to take based on historical data. (f) any other applicable options. (4) A Dealer Member must respond to each client complaint as soon as possible and not later than ninety (90) calendar days from the date of receipt of the complaint subject to the following: <ul style="list-style-type: none"> (i) The 90 days time line must include all internal processes of the Dealer member that are made available to the client, but not include the internal ombudsman process offered by an affiliate of the Dealer Member.

Repealed current rule	Proposed plain language rule
Rule 2500B.4	<p>(ii) The Dealer Member must inform the client if the Dealer Member is unable to provide the client with a final response within the ninety (90) days time line and must include the reasons for the delay and the new estimated time of completion.</p> <p>(iii) The Dealer Member must inform the Corporation if the Dealer Member is unable to meet the ninety (90) days time line and must provide reasons for the delay.</p> <p>3727. Duty to assist in client complaint resolution</p> <p>(1) Approved Persons must co-operate with the Dealer Member where they were employed or acted as an agent when moving to a different Dealer Member after events or activities that resulted in a client complaint.</p> <p>(2) Dealer Members must co-operate with each other if events relating to a complaint took place at more than one Dealer Member or if the Approved Person is an employee or agent of another Dealer Member.</p>
Rule 2500B.6	<p>3728. Client Complaint file</p> <p>(1) Each Dealer Member must retain the following information for each client complaint:</p> <p>(i) The complainant's name;</p> <p>(ii) The date of the complaint;</p> <p>(iii) The nature of the complaint;</p> <p>(iv) The name of the individual who is subject of the complaint;</p> <p>(v) The investment product or services which are the subject of the complaint;</p> <p>(vi) The materials reviewed in the investigation;</p> <p>(vii) The name, title, and date individuals were interviewed for the investigation; and</p> <p>(viii) The date and conclusion of the decision rendered in connection with the complaint.</p> <p>3729. – Reserved</p> <p>Part VI - Legal Actions</p> <p>3780. Reporting legal actions</p> <p>(1) Each Dealer Member must report all legal actions against it to its senior management.</p> <p>3781. – 3784 – Reserved</p> <p>Part VII - Record retention requirements</p>
Rules 2500B.4 and 2700V.3	<p>3785. Events reported to the Corporation</p> <p>(1) Each Dealer Member must maintain, and make available to the Corporation upon request, copies of all documents associated with events reported to the</p>
Rule 3100IB.2	

Repealed current rule	Proposed plain language rule
<p>Rule 200.1(a) and 200.1 Guide to Interpretation (a)</p>	<p>(2) A Dealer Member must maintain appropriate internal controls to ensure that its books and records:</p> <ul style="list-style-type: none"> (i) are correct; (ii) provide clear and accurate information; and (iii) remain current. <p>(3) A Dealer Member must make its records available to the Corporation on request.</p> <p>(4) A Dealer Member must provide the Corporation with statistical or other information with respect to the Dealer Member's business that the Corporation may request from time to time, acting reasonably. Such information must be provided as soon as practicable following the Corporation's request.</p> <p>3806. Blotters (records of original entry) [LINK GN 3800-2]</p> <p>(1) A Dealer Member must maintain blotters or other records of original entry by itemizing daily, as a minimum, the following:</p> <ul style="list-style-type: none"> (i) all purchases and sales of investment products; (ii) all receipts and deliveries of investment products (including certificate numbers); (iii) all receipts and disbursements of cash; (iv) all other debits and credits; (v) the name of the investment product; (vi) the date of the transaction; (vii) the applicable account for which each transaction was effected; (viii) the number or units of investment products; (ix) the unit and aggregate purchase or sale price (if any); (x) the name of any dealer (if any) that acted as the Dealer Member's agent for the trade; and (xi) whether the transactions are opening or closing transactions (where required by the marketplace) <p>(2) The blotters may be produced as separate data files and daily reports, recording each type of transaction such as purchases versus sales, unlisted investment products, cash receipts, cash disbursements and stock record journals.</p>
<p>Rule 200.1(b) and 200.1 Guide to Interpretation (b)</p>	<p>3807. General ledger</p> <p>(1) A Dealer Member must maintain a general ledger (or other records) with an itemized account detail of all assets and liabilities, income, expense and capital accounts.</p>
<p>Rule 200.1(c) and 200.1 Guide to Interpretation (c)</p>	<p>3808. Client and non-client ledger accounts</p> <p>(1) A Dealer Member must maintain a ledger account for each client or non-client account, itemizing separately all transactions and all other debits and credits to the account.</p>

Repealed current rule	Proposed plain language rule
<p>Rule 200.1(d) and 200.1 Guide to Interpretation (d), (e), (f), and (i)</p>	<p>(2) When a Dealer Member receives investment products or property to margin, guarantee or secure a client's account, the ledger must contain as a minimum the following:</p> <ul style="list-style-type: none"> (i) a description of the investment product or property received; (ii) the date of receipt; (iii) the deposit institution where the investment product or property is segregated; (iv) the dates of deposit and withdrawal from the institution; and (v) the date of the return of the investment product or property to the client, or other disposition, along with the circumstances of that disposition. <p>(3) When a Dealer Member invests the funds segregated for the benefit of its clients, the ledger must contain as a minimum the following:</p> <ul style="list-style-type: none"> (i) the date of the transaction; (ii) the person or company with whom the Dealer Member made the investment; (iii) the amount invested; (iv) a description of the investment; (v) the registered securities dealer with whom the Dealer Member deposited the investment; (vi) the date of liquidation or other disposition and the money received on the disposition; and (vii) the name of the counterparty on disposition. <p>3809. Other ledger accounts</p> <p>(1) A Dealer Member must maintain ledgers (or other records) for investment products in transfer showing all investment products sent to, held by and received back from transfer agents. The records must be sufficient to track and identify all transfers. The transfer ledgers must contain as a minimum the following:</p> <ul style="list-style-type: none"> (i) the number of securities or principal amount; (ii) the name of the investment product; (iii) the name in which it was registered; (iv) the new name; (v) the date sent out to transfer; (vi) the old certificate number; (vii) the date received back from transfer; (viii) the new certificate number; and (ix) the date on the new certificate.

Repealed current rule	Proposed plain language rule
	<p>(2) A Dealer Member must maintain a record showing the dividend and interest payments received for nominee named security positions. These records may be maintained on a dividend or interest subledger. The dividend record must contain the following:</p> <ul style="list-style-type: none"> (i) the security; (ii) the record date; (iii) the ex-dividend date; and (iv) the payable date. <p>(3) A Dealer Member must record the following on all money borrow-and-lend transactions:</p> <ul style="list-style-type: none"> (i) the name of the client; (ii) the date; (iii) the interest rate; (iv) the amount of the loan; (v) the terms of the loan; and (vi) the dates the loan is made and repaid. <p>(4) A Dealer Member must record the following about the collateral provided, received, or substituted for a client loan:</p> <ul style="list-style-type: none"> (i) the number of securities or principal amount of bonds; (ii) the name of the investment product; and (iii) the certificate numbers of the investment products pledged. <p>(5) A Dealer Member must credit clients who are holding a long position with their appropriate share of the dividend or interest payment received by the Dealer Member.</p> <p>(6) A Dealer Member must receive a payment equal to the dividend or interest payable on the investment product from clients who are holding a short position.</p> <p>(7) A Dealer Member must examine all bearer investment products to determine against whom to make a claim for payment.</p> <p>(8) When borrowing investment products from or lending investment products to another dealer, a Dealer Member must note the transaction in an investment product borrowed or loaned account for each client. An additional column may also show the interest rate or premium on securities borrowed or loaned and any collateral provided or received. The account must record the following:</p> <ul style="list-style-type: none"> (i) the date borrowed or loaned; (ii) the name of the firm from whom borrowed or to whom loaned; (iii) the quantity; (iv) the name of the security;

Repealed current rule	Proposed plain language rule
	<p>(v) the certificate numbers; and</p> <p>(vi) the date returned.</p> <p>(9) A Dealer Member must maintain an investment product failed-to-receive-or-deliver subsidiary record which must agree with the fail-to-receive-and-deliver accounts in the Dealer Member's general ledger.</p> <p>(10) If a Dealer Member learns that a counterparty dealer will fail-to-deliver (Dealer Member fails-to-receive), a Dealer Member must keep a record of the settlement date showing the fail date, the name of the security, the purchase price and the counter party.</p> <p>(11) When a Dealer Member fails-to-deliver, it must keep a record showing the date on which delivery was due, the number of securities or principal amount of bonds, the name of the security, to whom it was sold, the sale price and the date on which delivery was made.</p> <p>(12) A Dealer Member must maintain a ledger (or other record) showing all money, investment products and property received to margin, guarantee or secure client accounts.</p> <p>(13) A Dealer Member must maintain a ledger (or other record) showing all funds accruing to clients that must legally be segregated for their benefit.</p> <p>(14) A Dealer Member must post investment product records to show all positions no later than the settlement date (the trade or execution date may be used). A Dealer Member must review this record frequently to ensure that it balances with the total long and short positions for each investment product. The record must show the following:</p> <ul style="list-style-type: none"> (i) the name of the investment product; (ii) the client or other accounts that are long and short the investment product; (iii) the daily changes in their positions; and (iv) the total of the long or short position for client and non-client accounts.
Rule 200.1(e)	<p>3810. Ledger accounts - Investment products (excluding derivatives)</p> <p>(1) A Dealer Member must maintain a ledger (or other records) for each investment product (excluding derivatives) as of trade or settlement date, showing all long and short positions (including investment products in safekeeping) that are held in a proprietary or client account.</p> <p>(2) The ledger must show:</p> <ul style="list-style-type: none"> (i) the location of all long positions; (ii) the balancing position of all short positions; and (iii) the name or designation of the account in which the long and short positions are held.
Rule 200.1(f)	<p>3811. Ledger accounts – Derivatives</p> <p>(1) A Dealer Member must maintain a ledger (or other records) for each type of derivative as of trade date, showing all long and short financial contract positions carried in a proprietary or client account. The ledger must include the name or</p>

Repealed current rule	Proposed plain language rule
<p>Rules 200.1(g) and 200.1(l) and 200.1 Guide to Interpretation (g)</p>	<p>designation of the account in which the position is carried.</p> <p>3812. Record of orders received</p> <p>(1) A Dealer Member must maintain an adequate record of each order or other instruction received for all investment products, whether or not carried out.</p> <p>(2) Each entry for an order or other instruction must contain as a minimum the following:</p> <ul style="list-style-type: none"> (i) the applicable account; (ii) any exercise of discretionary authority; (iii) the execution price; (iv) the time of entry; (v) the time of the execution report; (vi) the time of execution, modification, or cancellation, if feasible; (vii) the order’s terms and conditions and any modification or cancellation; and (viii) whether transactions are opening or closing transactions (where required by the marketplace). <p>(3) A Dealer Member must record the name, sales number, or designation of the person placing the order or instruction, if the order or instruction is placed by a person other than:</p> <ul style="list-style-type: none"> (i) the owner of the account; or (ii) a person authorized in writing to direct orders for the account. <p>(4) A Dealer Member must maintain a record of all margin calls that it issues.</p>
<p>Rule 200.1(n) and 200.1 Guide to Interpretation (n)</p>	<p>3813. Account transfers</p> <p>(1) As required by Part C of Rule 4800 [LINK Rule 4800], a Dealer Member must maintain an electronic record of all communications about account transfers in an accurate, secure and readily accessible format.</p>
<p>Rule 200.1(h) and 200.1 Guide to Interpretation (h)</p>	<p>3814. – 3829. – Reserved</p> <p>Part C - Client communications</p> <p>Part C.1 – Confirmations</p> <p>3830. Delivery of confirmations – Frequency</p> <p>(1) A Dealer Member that has acted on behalf of a client must promptly send clients or, if the client consents, to an approved person acting for the client, a written confirmation of the transaction for all purchases and sales of investment products.</p>
<p>Rule 200.1(h) and 200.1 Guide to Interpretation (h)</p>	<p>3831. Requirements for confirmations - General content</p> <p>(1) A confirmation of the transaction sent to a client must contain as a minimum the following information:</p>

Repealed current rule	Proposed plain language rule
200.1(h)	<p>(i) the quantity and description of the investment product purchased or sold;</p> <p>(ii) the price per an investment product paid or received by the client;</p> <p>(iii) the marketplace on which the transaction took place, or if applicable, a statement that the transaction took place on more than one marketplace or over more than one day;</p> <p>(iv) the trade date and settlement date of the transaction;</p> <p>(v) total consideration for the transaction;</p> <p>(vi) the commission, sales charge, service charge and any other amount charged in respect of the transaction;</p> <p>(vii) any charges by a regulatory authority;</p> <p>(viii) the name of the Dealer Member's representative (if any) in the transaction;</p> <p>(ix) the name of any dealer that it used to complete the transaction; and</p> <p>(x) whether the Dealer Member acted as principal or agent.</p> <p>(2) A Dealer Member may identify its Registered Representative for a trade on a confirmation by a code or symbol if the confirmation states that the name of the sales representative is available upon request of the client.</p> <p>(3) A confirmation must show the relationship to a Dealer Member:</p> <p>(i) for each transaction of a Dealer Member or a related issuer of a Dealer Member, and</p> <p>(ii) for a transaction made during a distribution of the investment product of an issuer connected to a Dealer Member.</p> <p>(4) If a transaction under subsection 3831(1) involved more than one transaction or if the transaction took place on more than one marketplace, the information referred to in subsection 3831(1) may be set out in the aggregate if the confirmation also contains a statement that additional details concerning the transaction will be provided to the client upon request and without additional charge.</p> <p>3832. Additional requirements for confirmations relating to specific investment products - Content</p> <p>(1) Subject to section 3831, if a transaction involved derivatives, a confirmation must contain as a minimum the following additional information:</p> <p>(i) for trades in options,</p> <p>(a) the type of option (put or call);</p> <p>(b) the strike price;</p> <p>(c) the premium;</p> <p>(d) the underlying interest,</p> <p>(e) the expiry month and year;</p>

Repealed current rule	Proposed plain language rule
	<p>(f) the last date when the client can indicate their intent of exercising the option;</p> <p>(g) whether the transactions are opening or closing transactions; and</p> <p>(h) the marketplace upon which the transaction took place.</p> <p>(ii) for trades in futures contracts:</p> <p>(a) the commodity or other underlying interest and quantity bought or sold;</p> <p>(b) whether the transactions are opening or closing transactions (where required by the marketplace);</p> <p>(c) the expiry month and year; and</p> <p>(d) the contract price.</p> <p>(2) Subject to section 3831, if a transaction involved mortgage-backed securities, a confirmation must contain as a minimum the following additional information:</p> <p>(i) the original principal amount of the trade;</p> <p>(ii) a description of the security (including interest rate and maturity date);</p> <p>(iii) the remaining principal amount (RPA) factor;</p> <p>(iv) the price per \$100 of original principal amount;</p> <p>(v) the accrued interest;</p> <p>(vi) the total settlement amount; and</p> <p>(vii) the settlement date.</p> <p>(3) Subject to section 3831, if a transaction involved mortgage-backed securities where a Dealer Member enters the trade from the third clearing day before a month end to the fourth clearing day of the following month, it must issue a preliminary confirmation containing the following:</p> <p>(i) the trade date;</p> <p>(ii) the original principal amount of the trade;</p> <p>(iii) a description of the security (including interest rate and maturity date);</p> <p>(iv) the price per \$100 of original principal amount;</p> <p>(v) the settlement date;</p> <p>(vi) that items in paragraphs 3832(2) (iii), (v) and (vi) are not yet known; and</p> <p>(vi) that the Dealer Member will issue a final confirmation containing all of the information set out in subsection 3832(2) above, once it calculates the RPA factor.</p> <p>(4) Subject to section 3831, if a transaction involved stripped coupons or residual debt instruments, a confirmation must contain as a minimum the following additional information:</p>

Repealed current rule	Proposed plain language rule
200.1(h)	<p>(i) the yield calculated on a semi-annual basis consistent with the yield calculation for the debt instrument which has been stripped; and</p> <p>(ii) the yield calculated on an annual basis consistent with the yield calculation for other debt instruments competitive with coupons or residuals with fixed terms and interest rates.</p> <p>(5) Subject to section 3831, if a transaction involved a mutual fund sponsored by:</p> <p>(i) a financial institution that controls or is affiliated with a Dealer Member; or</p> <p>(ii) a corporation controlled by or affiliated with such a financial institution,</p> <p>the confirmation must show the relationship between the Dealer Member and the financial institution.</p> <p>3833. Managed account confirmations</p> <p>(1) A Dealer Member is not required to send a confirmation for a trade in a managed account if:</p> <p>(i) before the trade, the client has signed an authorization waiving the confirmation requirement;</p> <p>(ii) securities legislation does not require a confirmation, or the Dealer Member has obtained an exemption; and</p> <p>(iii) the Dealer Member has complied with either subsections 3833(3) or (4) below.</p> <p>(2) A client may cancel a waiver of the confirmation requirement by providing a written notice to the Dealer Member. The cancellation takes effect when the Dealer Member receives the notice.</p> <p>(3) A confirmation is not required to be sent for a trade in an account managed by a Dealer Member if:</p> <p>(i) the account is not charged commissions or fees based on the volume or value of transactions in the account; and</p> <p>(ii) the Dealer Member sends the client a monthly statement that contains all of the information required for confirmations, except:</p> <p>(a) the date and the marketplace where the trade took place;</p> <p>(b) any fee or other charge that any investment product regulatory authority levies;</p> <p>(c) the name of any salesperson; and</p> <p>(d) the name of any dealer that acted as the Dealer Member's agent; and</p> <p>(iii) the Dealer Member maintains the information in paragraph 3833 (3)(ii) and discloses on the monthly statement that the information is available on request.</p> <p>(4) For externally managed accounts, a Dealer Member need not send a confirmation to the client if the Dealer Member:</p>

Repealed current rule	Proposed plain language rule
<p>Rule 200.1(c) and 200.1 Guide to Interpretation (c)</p>	<ul style="list-style-type: none"> (i) sends the confirmation to the account manager; and (ii) complies with sections 3830 through 3832 and subsection 3833(1); or (iii) complies with subsection 3833(3) above. <p>3834. – 3839. – Reserved</p> <p>Part C.2 - Client account statements</p> <p>3840. Delivery of client account statements – Frequency</p> <ul style="list-style-type: none"> (1) A Dealer Member must send a monthly statement to each client who, at the end of the month has <ul style="list-style-type: none"> (i) had a transaction during the month; (ii) experienced a cash or investment products modification other than dividend or interest payments; (iii) an unexpired and unexercised derivative position; or (iv) an open derivative position. (2) A Dealer Member must send a quarterly statement to each client who, at the end of the quarter, has <ul style="list-style-type: none"> (i) a debit or credit balance, or (ii) an investment product position in the account (including positions held in safekeeping or segregation).
<p>Rule 200.1(c) and 200.1 Guide to Interpretation (c)</p>	<p>3841. Requirements for client account statements – Content</p> <ul style="list-style-type: none"> (1) A statement delivered under section 3840 must include all of the following information about the client's account at the end of the period for which the statement is made: <ul style="list-style-type: none"> (i) the name and quantity of each investment product in the account; (ii) any cash balance in the account; (iii) the opening cash balance in the account; (iv) the market value of the investment product in the account; (v) the total market value of each investment product position in the account; and (vi) the total market value of all cash and investment products in the account. (2) A statement delivered under section 3840 must include all of the following information for each transaction made for the client during the period covered by the statement: <ul style="list-style-type: none"> (i) the date of the transaction; (ii) whether the transaction was a purchase, sale or transfer, dividend or interest payment received or reinvested, fee or charge or other account activity;

Repealed current rule	Proposed plain language rule
	<ul style="list-style-type: none"> (iii) the name of the investment product purchased, sold or transferred; (iv) the number or units of investment products purchased, sold or transferred; (v) the unit price per investment product paid or received by the client; and (vi) the total value of the transaction. <p>(3) For a client with any unexpired and unexercised or open derivative positions, the monthly statement should contain as a minimum the following:</p> <ul style="list-style-type: none"> (i) the opening and closing cash balance for the month; (ii) all deposits, credits, withdrawals and debits to the account; (iii) each unexpired and unexercised derivative product; (iv) the strike price of each unexpired and unexercised derivative product; (v) each open derivative contract; and (vi) the price at which each derivative product was entered into. <p>(4) When a Dealer Member has carried out a liquidating trade in a derivative product as agent for a client, it must send to the client a statement of purchase and sale showing as a minimum the following:</p> <ul style="list-style-type: none"> (i) the dates of the initial transaction and liquidating trade; (ii) the description and quantity bought and sold; (iii) the marketplace where the trade took place; (iv) the expiry month and year; (v) the prices on the initial and liquidating trades; (vi) the gross profit or loss on the transactions; (vii) the commission; and (viii) the net profit or loss on the transactions. <p>(5) A statement delivered under section 3840 must include the information required in subsection 3841(1) for all account investment product positions held by or controlled by the Dealer Member for the client as at the end of the period for which the statement is made.</p> <p>(6) The statement must show the related issuer's relationship to a Dealer Member</p> <ul style="list-style-type: none"> (i) for each investment product trade of a Dealer Member or a related issuer of a Dealer Member; and (ii) for a trade made during a distribution of the investment product of an issuer connected to a Dealer Member. <p>Related issuer and connected issuer have the same meanings as in the Regulations to the Securities Act (Ontario).</p>

Repealed current rule	Proposed plain language rule
IDA Notice MR-0087	<p data-bbox="548 254 1458 306">(7) If a Dealer Member does not deposit clients' free credit balances in a trust bank account, the client statement must include the following notation:</p> <p data-bbox="597 333 1458 417"><i>"Any free credit balances (except for RRSP funds held in trust) represent funds payable on demand that, although properly recorded in our books, are not segregated and may be used in the conduct of our business."</i></p> <p data-bbox="451 476 834 501">3842. Consolidated statements</p> <p data-bbox="548 531 1458 611">(1) A Dealer Member that prepares consolidated statements in addition to the required statements for its clients showing client assets held at different entities must observe the following requirements:</p> <ul style="list-style-type: none"> <li data-bbox="597 640 1458 693">(i) the statement must clearly identify the legal entity for each transaction made and for each asset or money balance held; <li data-bbox="597 722 1458 774">(ii) the format must be different from the Dealer Member's regular monthly statements; and <li data-bbox="597 804 1458 884">(iii) if a rate of return is included in the statements or reports, the rates must be calculated on a fair and consistent basis using methods such as those approved by the CFA Institute. <p data-bbox="548 913 1317 938">(2) The consolidated statements must include the following disclaimers:</p> <ul style="list-style-type: none"> <li data-bbox="597 968 1458 1020">(i) it is not an official statement but supplemental to the legal entity statements issued by the Dealer Member; <li data-bbox="597 1050 1378 1075">(ii) CIPF coverage does not necessarily apply to all positions shown; and <li data-bbox="597 1104 1458 1157">(iii) the client should refer to the legal entity statements to determine the positions covered by CIPF and positions held in segregation. <p data-bbox="548 1186 1458 1266">(3) No reference to the Canadian Investor Protection Fund (CIPF) or use of its logo may be made on the consolidated statements other than that in subsection 3842(2) above.</p> <p data-bbox="548 1295 1458 1402">(4) At the Dealer Member's year end, the consolidated statements must include a reference to the Dealer Member's legal entity statement mentioning the audit and asking clients to review the legal entity statement and report to the auditors any discrepancies that may exist.</p> <p data-bbox="548 1432 1458 1512">(5) If a Dealer Member permits Registered Representatives to prepare consolidated statements for clients, a Dealer Member must ensure that these statements are accurate and complete by implementing:</p> <ul style="list-style-type: none"> <li data-bbox="597 1541 810 1566">(i) written policies; <li data-bbox="597 1596 894 1621">(ii) review procedures; and <li data-bbox="597 1650 821 1675">(iii) internal controls. <p data-bbox="451 1705 735 1730">3843. – 3899. – Reserved</p>

Repealed current rule	Proposed plain language rule
None	<p style="text-align: center;">RULE 3900</p> <p style="text-align: center;">SUPERVISION</p> <p>3901. Introduction</p> <p>(1) This Rule sets out the Dealer Member’s responsibilities to supervise its business and operations.</p> <p>(2) Appropriate supervision of all aspects of a Dealer Member’s business is a fundamental responsibility of the Dealer Member. The Dealer Member’s policies and procedures for its supervision system must be up-to-date based on current Corporation requirements and applicable laws.</p> <p>(3) The Dealer Member’s board of directors is responsible for ensuring that an appropriate supervision system is in place. Senior management of the Dealer Member’s business and management of each business unit are responsible for the performance of the supervisory function.</p>
None	<p>3902. Contents</p> <p>(1) This Rule is divided into six parts:</p> <p style="margin-left: 40px;">A General supervision requirements</p> <p style="margin-left: 40px;">B Supervision of accounts</p> <p style="margin-left: 40px;">C Supervision of retail client accounts</p> <p style="margin-left: 40px;">D Supervision of institutional accounts</p> <p style="margin-left: 40px;">E Supervision of managed accounts</p> <p style="margin-left: 40px;">F Supervision of order execution only services</p> <p>PART A - GENERAL SUPERVISION REQUIREMENTS</p>
<p>Rules 38.1, Introduction; 38.1(i); 38.1(ii); 38.1(iii); 2500(I)(E); 3200A(2)(a); 3200A(2)(b); 3200A(4); 3200B(2)(a); 3200B(2)(b) and 3200B(4)</p>	<p>3903. Policies and procedures</p> <p>(1) Each Dealer Member must establish and maintain policies and procedures describing the Dealer Member’s system to supervise:</p> <p style="margin-left: 40px;">(i) business conduct; and</p> <p style="margin-left: 40px;">(ii) the securities related activities of its Partners, Directors, Officers, Registered Representatives, Investment Representatives, employees and agents.</p> <p>(2) The supervisory policies and procedures must be designed to achieve compliance with Corporation requirements, securities legislation and other applicable laws.</p> <p>(3) The supervisory policies and procedures must be in writing.</p> <p>(4) Each Dealer Member must ensure that each of its Partners, Directors, Officers, Registered Representatives, Investment Representatives, employees and agents are made aware of their responsibilities under the Dealer Member’s supervisory policies and procedures.</p>

Repealed current rule	Proposed plain language rule
<p>Rules 38.1(iv), 38.1(v), 38.1(vi) and 38.2</p>	<p>(5) Each Dealer Member must ensure that its supervisory policies and procedures are amended within a reasonable time after changes in Corporation requirements, securities legislation or other applicable laws are made.</p> <p>(6) Each Dealer Member must promptly communicate changes in its supervisory policies and procedures to all relevant personnel.</p> <p>3904. Supervisory personnel and resources</p> <p>(1) Each Dealer Member must assign sufficient personnel and other resources to fully and properly apply its supervisory policies and procedures.</p> <p>(2) Each Dealer Member must designate Supervisors with the qualifications and authority to carry out the supervisory responsibilities assigned to them.</p> <p>(3) Each Dealer Member must have procedures to ensure that supervisory personnel are properly performing their supervisory functions.</p>
<p>Rule 38.4(a)</p>	<p>3905. Individual supervisory responsibility</p> <p>(1) Each Supervisor employed by a Dealer Member must fully and properly supervise each Partner, Director, Officer, Registered Representative, Investment Representative, employee, or agent under their authority:</p> <p>(i) in accordance with the Dealer Member’s policies and procedures; and</p> <p>(ii) to ensure compliance with Corporation requirements, securities legislation and other applicable laws.</p>
<p>Rules 38.4(b) and 2500I.D</p>	<p>3906. Delegation of supervisory tasks</p> <p>(1) A Supervisor may delegate supervisory tasks and procedures, but not responsibility for their performance.</p> <p>(2) Any delegation of supervisory tasks must be permitted under Corporation requirements, securities legislation and applicable laws.</p> <p>(3) A delegate must be qualified to perform the assigned tasks by virtue of registration, training, or experience.</p> <p>(4) The Supervisor must:</p> <p>(i) inform the delegate in writing of what is expected when performing the delegated tasks;</p> <p>(ii) ensure that the delegate adequately performs the assigned tasks; and</p> <p>(iii) establish reporting mechanisms for exceptions.</p>
<p>Rules 38.1(v), 38.1(vi) and 38.1(vii)</p>	<p>3907. Supervision records</p> <p>(1) Each Dealer Member must maintain a record of the names of supervisory personnel, their supervision responsibilities and the date each Supervisor was designated. These records must be kept for the period set out in Rule 3800.</p> <p>(2) Each Dealer Member must maintain adequate records of supervisory activity, including on-site branch reviews, compliance issues identified and the resolution of such issues for the period required in section 3850.</p>

Repealed current rule	Proposed plain language rule
<p>Rules 38.5(a), 38.5(b)(i), 38.5(b)(ii) and 38.5(b)(iii)</p>	<p>(3) Where supervision records are kept at a branch office, a Dealer Member must conduct periodic on-site reviews of branch office supervision and record keeping.</p> <p>3908. Appointment of Ultimate Designated Person (UDP)</p> <p>(1) Each Dealer Member must designate a UDP who is approved under Corporation requirements.</p> <p>(2) A UDP must be:</p> <ul style="list-style-type: none"> (i) the chief executive officer or sole proprietor of the Dealer Member; (ii) an Officer in charge of a division of the Dealer Member, if the securities-related activity of the Dealer Member occurs only within that division; or (iii) an individual acting in a capacity similar to paragraphs 3908(2)(i) or 3908(2)(ii).
<p>Rule 38.5(c)</p>	<p>3909. Responsibility of the UDP</p> <p>(1) The UDP is responsible to the Corporation for the conduct of the Dealer Member and the supervision of its employees.</p> <p>(2) The UDP must promote compliance with Corporation requirements, securities legislation and applicable laws.</p>
<p>Rules 38.7(a), 38.7(b), 38.7(c), 38.7(d), 38.7(e) and 38.7(g)</p>	<p>3910. Appointment of Chief Compliance Officer (CCO)</p> <p>(1) Each Dealer Member must appoint a CCO who is approved under Corporation requirements.</p> <p>(2) A CCO must be:</p> <ul style="list-style-type: none"> (i) an Officer or Partner of the Dealer Member; or (ii) the sole proprietor of the Dealer Member. <p>(3) A Dealer Member may appoint the UDP to act as the CCO.</p> <p>(4) Dealer Members that are organized into two or more separate business units may designate a CCO for each separate business unit, with the Corporation's approval.</p> <p>(5) A Dealer Member's CCO must meet the qualifications prescribed by the Corporation, unless the Corporation grants an exemption. The Corporation may grant an exemption if it is satisfied that doing so would not be detrimental to the interests of the Dealer Member, its clients, the public, or the Corporation.</p>
<p>Rule 38.7(f)</p>	<p>3911. Replacing a CCO</p> <p>(1) If a Dealer Member's CCO ceases to be employed and the Dealer Member is unable to immediately appoint a new CCO, the Dealer Member may appoint an Acting Chief Compliance Officer, with the Corporation's approval.</p> <p>(2) The Dealer Member must appoint a new CCO within 90 days of the termination of the previous CCO's employment.</p>

Repealed current rule	Proposed plain language rule
<p>Rules 38.7(h)(i), 38.7(h)(ii), 38.7(h)(iii) and 38.7(i)</p>	<p>3912. Responsibility of the CCO</p> <p>(1) The CCO must:</p> <ul style="list-style-type: none"> (i) establish and maintain policies and procedures to ensure compliance with the Rules and applicable securities laws by the Dealer Member and individuals acting on its behalf; (ii) monitor and assess compliance by the Dealer Member and individuals acting on its behalf with the Rules and applicable securities laws; and (iii) report to the UDP as soon as possible if there is any indication that the Dealer Member or any individual acting on its behalf may be in non-compliance with the Rules or applicable securities laws and: <ul style="list-style-type: none"> (a) the non-compliance creates a reasonable risk of harm to a client; (b) the non-compliance creates a reasonable risk of harm to the capital markets; or (c) the non-compliance is part of a pattern of non-compliance. <p>(2) The CCO must have access to the UDP and the Dealer Member's board of directors as necessary to carry out his or her responsibilities.</p>
<p>Rules 38.7(h)(iv) and 38.8</p>	<p>3913. CCO report to Dealer Member's Board of Directors</p> <p>(1) The CCO must provide written reports to the Dealer Member's board of directors on the status of the Dealer Member's compliance as necessary, and at least annually.</p> <p>(2) The Dealer Member's board of directors must review the CCO's reports and determine the appropriate action to be taken to remedy any compliance deficiencies that are identified and must ensure that such action is taken.</p> <p>(3) The Dealer Member's board of directors must maintain records of the actions it determines necessary to correct compliance problems and the monitoring done to ensure that the actions are carried out.</p>
<p>Rule 38.9</p>	<p>3914. Governance Document</p> <p>(1) Each Dealer Member must file with the Corporation:</p> <ul style="list-style-type: none"> (i) a copy of a current governance document that sets out the organizational structure and reporting relationships required under this Rule; and (ii) notice of any material changes to the organizational structure and reporting relationships set out in the governance document.
<p>Rule 38.6(a)</p>	<p>3915. Appointment of Chief Financial Officer (CFO)</p> <p>(1) Each Dealer Member must appoint one executive as CFO.</p> <p>(2) The CFO must be approved by and meet the qualifications prescribed by the Corporation.</p> <p>(3) The CFO does not need to be employed full-time in the Dealer Member's business.</p>

Repealed current rule	Proposed plain language rule
Rule 38.6(c)	<p>3916. Responsibility of the CFO</p> <p>(1) The CFO is responsible for establishing and maintaining policies and procedures appropriate for the Dealer Member’s regulatory requirements relating to financial and applicable operational matters.</p> <p>(2) The CFO must monitor compliance with financial and applicable operational requirements set out in the Corporation Rules and the Dealer Member’s policies and procedures.</p>
Rule 38.6(b)	<p>3917. Replacing a CFO</p> <p>(1) If a Dealer Member’s CFO ceases to be employed and the Dealer Member is unable to immediately appoint a new CFO, the Dealer Member may appoint an Acting Chief Financial Officer, with the Corporation’s approval.</p> <p>(2) The Dealer Member must appoint a new CFO within 90 days of the termination of the previous CFO’s employment.</p>
Rule 2600, Internal Control Policy Statement 1, General Matters (v), last paragraph	<p>3918. Annual supervisory review of financial and operational policies and procedures</p> <p>(1) Each Dealer Member must ensure that a supervisory review of the financial and operational policies and procedures is completed at least annually and that any deficiencies regarding Corporation requirements are identified and corrected.</p>
Rule 2400, Minimum Standards for Shared Office Premises 7(b)	<p>3919. Supervision of shared office premises</p> <p>(1) Each Dealer Member must have written policies and procedures in place for the supervision of shared office premises that are reasonably designed to ensure:</p> <ul style="list-style-type: none"> (i) compliance with Corporation requirements, securities legislation and other applicable laws; and (ii) that clients are not confused about which entity they are dealing with. <p>(2) Each Dealer Member must have:</p> <ul style="list-style-type: none"> (i) adequate supervisory resources to implement its supervision policies and procedures; (ii) a system for communicating relevant Corporation requirements to registered representatives and other individuals at the shared office premises; and (iii) a process to ensure that relevant Corporation requirements are understood and implemented.
None	<p>3920. – 3924. – Reserved</p> <p>PART B – GENERAL REQUIREMENTS FOR ACCOUNT SUPERVISION</p>
Rules 38.1(i), 1300.2(a) and 2700II(3)	<p>3925. Supervision by designated persons</p> <p>(1) Each Dealer Member must effectively supervise account activity and must use due diligence to ensure compliance with the Corporation’s requirements, securities legislation and other applicable laws.</p> <p>(2) Each Dealer Member must designate a Supervisor to be responsible for approving the opening of new accounts and supervising account activity.</p> <p>(3) The designated Supervisor must be familiar with applicable Corporation</p>

Repealed current rule	Proposed plain language rule
<p>Rules 2500I.A(1), 2500I.A(2), 2500I.B, 2500I.C(1), 2500I.C(2), 2500I.C(3), 2500(II)Intro, 2700 Intro, 4th paragraph, 2700III.B(2), 2700III.C(3) and 2700IV.A</p> <p>Rule 38.1 Intro., 38.1(vii), 2500I.B, 2500I.F, 2500I.C(4), 2700 Intro. and 2700III.B(1)</p>	<p>requirements, securities legislation and other applicable laws and the Dealer Member's policies and procedures.</p> <p>(4) Each Dealer Member must appoint one or more alternate Supervisors for the designated Supervisor in subsection 3925(2) as required to supervise the Dealer Member's business and to assume the responsibility of the designated Supervisor in his or her absence.</p> <p>3926. Account supervision policies and procedures</p> <p>(1) Each Dealer Member must establish and maintain written policies and procedures for supervising accounts that set out its standards for the review and supervision of account activity.</p> <p>(2) Each Dealer Member must establish policies and procedures to satisfy the Dealer Member's obligations to:</p> <ul style="list-style-type: none"> (i) identify clients that present a high risk to the Dealer Member; (ii) identify clients that present a high risk of conducting improper activities in the securities markets; and (iii) meet all requirements under anti-money laundering and terrorist financing legislation and regulations. <p>(3) All policies and procedures on supervising the Dealer Member's accounts and any amendments to such policies and procedures must be approved by the Dealer Member's CCO.</p> <p>(4) Each Dealer Member must give written instructions to all supervisory staff that set out:</p> <ul style="list-style-type: none"> (i) the procedures to be followed in reviewing account activity; and (ii) the Dealer Member's expectations of supervisory staff. <p>(5) Each Dealer Member must ensure that its policies and procedures include controls for accessing and amending client records.</p> <p>(6) Each Dealer Member must periodically review the supervisory policies and procedures used at its head office and its branch offices to ensure the policies and procedures continue to be effective and reflect current industry practices.</p> <p>3927. Reviews of account activity</p> <p>(1) Each Dealer Member must review account activity as required by Corporation requirements and must use due diligence to ensure that account activity complies with Corporation requirements, securities legislation and other applicable laws and the Dealer Member's policies and procedures.</p> <p>(2) Each Dealer Member must record and keep evidence of completed supervisory reviews, including details of queries about issues and their resolution, for the period required in section 3842.</p> <p>(3) Each Dealer Member must establish and follow procedures for the implementation of additional supervisory measures regarding approved persons with a history of questionable conduct.</p>

Repealed current rule	Proposed plain language rule
Rules 1900.2(a) and 2500V Intro.	<p>3928. Supervision of Options Accounts</p> <ul style="list-style-type: none"> (1) Each Dealer Member that allows trading in options must appoint a designated Supervisor to supervise its options activity. (2) The designated Supervisor must have the qualifications and experience required to supervise the Dealer Member's options activity. (3) The Dealer Member must appoint one or more alternate supervisors if necessary to ensure continuous supervision of its options activity. (4) An alternate Supervisor must assume all or part of the designated Supervisor's responsibilities if: <ul style="list-style-type: none"> (i) the designated Supervisor is absent or unable to carry out his or her duties; or (ii) a Dealer Member's trading activity requires additional qualified persons to supervise the Dealer Member's option contract business.
Rules 1900.2(a) and 1900.2(c)	<p>3929. Responsibility of Designated Supervisors for Options Accounts</p> <ul style="list-style-type: none"> (1) The designated Supervisor is responsible for: <ul style="list-style-type: none"> (i) approving new options accounts; and (ii) ensuring that the handling of clients' options account trading meets all applicable Corporation requirements.
Rules 1800.2(a) and 2500VI Intro.	<p>3930. Supervision of Futures and Futures Options Accounts</p> <ul style="list-style-type: none"> (1) Each Dealer Member that trades or advises in respect of futures or futures options must appoint a designated Supervisor to supervise its futures and futures options activity. (2) The designated Supervisor must have the qualifications and experience required to supervise the Dealer Member's futures or futures options activity. (3) The Dealer Member must appoint one or more alternate supervisors if necessary to ensure continuous supervision of its futures and futures options activity. (4) An alternate must assume all or some of the designated Supervisor's responsibilities if: <ul style="list-style-type: none"> (i) the designated Supervisor is absent or unable to carry out his or her duties; or (ii) a Dealer Member's trading activity requires additional qualified persons to supervise the Dealer Member's futures contract business.
Rules 1800.2(a) and 1800.2(c)	<p>3931. Responsibility of Designated Supervisors for Futures and Futures Options Accounts</p> <ul style="list-style-type: none"> (1) For futures accounts and futures option accounts, the respective designated supervisors are responsible for: <ul style="list-style-type: none"> (i) approving new futures accounts and futures options accounts; and (ii) ensuring the handling of clients' futures and futures options account trading meets all applicable Corporation requirements.

Repealed current rule	Proposed plain language rule
Rule 2500IV.E	<p>(3) The Dealer Member must develop specific policies and procedures for supervising retail accounts where a commission is not charged for trades placed by or for a client, such as fee-based accounts. These policies and procedures must:</p> <ul style="list-style-type: none"> (i) address account activity review requirements; and (ii) use criteria other than commission levels. <p>(4) The Dealer Member must specifically designate the following retail accounts for supervision purposes:</p> <ul style="list-style-type: none"> (i) Non-client accounts; (ii) Discretionary accounts; (iii) Managed accounts; (iv) Registered accounts; and (v) Restricted accounts. <p>3946. Additional supervisory responsibilities</p> <p>(1) In addition to transactional activity, Dealer Members must have systems and procedures designed to identify, deal with and keep supervisors informed about other client related matters such as:</p> <ul style="list-style-type: none"> (i) client complaints; (ii) cash account violations; (iii) transfers of funds and securities between unrelated accounts or between non-client and client accounts or deposits from non-client to client accounts; and (iv) trading while under margin.
Rule 18.6	<p>3947. Supervision of new Registered Representatives and Investment Representatives</p> <p>(1) Each Dealer Member must closely supervise registered representatives and investment representatives dealing with retail clients for six months after approval, as set out in the Registered Representative / Investment Representative Monthly Supervision Report.</p> <p>(2) Subsection 3947(1) does not apply if:</p> <ul style="list-style-type: none"> (i) the registered representative was previously approved for six months or more to advise on trades for retail clients for a securities firm that is a member of a SRO or a recognized foreign SRO; or (ii) the investment representative was previously approved for six months or more to advise on trades or to trade for retail clients for a securities firm that is a member of a SRO or a recognized foreign SRO. <p>(3) Each Dealer Member must complete and keep a copy of every Registered Representative / Investment Representative Monthly Supervision Report for Corporation inspection.</p>

Repealed current rule	Proposed plain language rule
	<ul style="list-style-type: none"> (v) position and exercise limits; (vi) speculative trading in hedge accounts; and (vii) exposure to delivery through holding contracts into delivery month.
<p>Rules 2700IV.A and 2700IV.B</p>	<p>3954. – 3959. – Reserved</p> <p>PART D - SUPERVISION OF INSTITUTIONAL ACCOUNTS</p> <p>3960. Supervisory policies and procedures for Institutional Accounts</p> <ul style="list-style-type: none"> (1) Each Dealer Member that offers institutional accounts must implement policies and procedures as required for the supervision and review of trading activity in institutional clients' accounts. These procedures must outline the action to be taken to deal with problems or issues identified from the review. (2) In addition to meeting the Dealer Member's general supervisory obligations and any relevant obligations relating to trading in debt securities, options, futures and futures options, the policies and procedures on the supervision of institutional accounts must be designed to detect improper account activity including: <ul style="list-style-type: none"> (i) manipulative or deceptive methods of trading; (ii) trading in securities on the Dealer Member's restricted list; (iii) employee or proprietary account frontrunning; (iv) trading in securities that have restrictions on their transfer.
<p>Rule 1300.1(p)</p>	<p>3961. Suitability of client orders and recommendations</p> <ul style="list-style-type: none"> (1) Each Dealer Member must supervise compliance by each registered representative with his or her responsibilities for suitability of client orders and recommendations to clients under Rule 3400.
<p>Rules 1300.15 Intro, 1300.15(a), 1300.15(b) and 1300.15(c)</p>	<p>3962. – 3969. – Reserved</p> <p>PART E - SUPERVISION OF MANAGED ACCOUNTS</p> <p>3970. Supervision of Managed Accounts</p> <ul style="list-style-type: none"> (1) Each Dealer Member that has managed accounts or futures contracts managed accounts must: <ul style="list-style-type: none"> (i) designate one or more directors or executives as specifically responsible for the supervision of managed accounts; and (ii) establish and maintain specific written policies and procedures to supervise the persons responsible for handling managed accounts and to ensure compliance with Corporation requirements. (2) In addition to meeting the Dealer Member's general supervisory obligations and any relevant obligations relating to trading in debt securities, options, futures and futures options, the Dealer Member's policies and procedures on the supervision of managed accounts must be designed to: <ul style="list-style-type: none"> (i) identify when a responsible person has contravened section 3283; and

Repealed current rule	Proposed plain language rule
Rule 1300.15(e)	<p>(ii) ensure fairness in the allocation of investment opportunities among its managed accounts.</p> <p>(3) The Dealer Member’s policies and procedures on the supervision of managed accounts must provide for the direct supervision of any Registered Representative that provides discretionary management to managed accounts who has less than two years experience providing such discretionary management, including at least one year managing on a discretionary basis more than \$5 million in assets. Such supervision must be conducted by</p> <p>(i) a Registered Representative at the Dealer Member or another Dealer Member who is authorized to provide discretionary management to managed accounts and who is not in the period of supervision, or</p> <p>(ii) a person registered as an advisor under Canadian securities legislation who has entered into a contract with the Dealer Member to provide the supervision.</p> <p>The period of experience includes any period spent providing discretionary management as a registered advisor under Canadian securities legislation or while employed by a government-regulated institution.</p> <p>3971. Managed Account Committee</p> <p>(1) Each Dealer Member that has managed accounts or futures contracts managed accounts must establish a managed account committee that includes at least one person responsible for the supervision of managed accounts. The committee must, at least annually:</p> <p>(i) review the Dealer Member’s policies and procedures on the supervision of managed accounts; and</p> <p>(ii) recommend to senior management appropriate actions necessary to achieve compliance with Part E of Rule 3200.</p>
Rule 1300.15(d)	<p>3972. Managed Account review</p> <p>(1) The person designated under clause 3970(1)(i) must review each managed account quarterly to ensure that:</p> <p>(i) the client’s investment objectives are being pursued; and</p> <p>(ii) the handling of the managed account complies with Corporation requirements.</p> <p>(2) If the investment decisions for a managed account are made centrally and apply to a number of managed accounts, the quarterly review may be done at an aggregate level, subject to minor variations to allow for client-directed investment restrictions and the timing of client cash flows into the managed account.</p> <p>3973. - 3979. – Reserved</p>
Rule 3200A(2)(a)	<p>PART F - SUPERVISION OF EXECUTION ONLY SERVICES</p> <p>3980. Supervision by Order Execution Only service providers</p> <p>(1) Each Dealer Member that is approved by the Corporation to provide order execution only services must have written policies and procedures in place to meet the Dealer Member’s general supervisory obligations and any relevant obligations relating to trading in debt securities, options, futures and futures</p>

Repealed current rule	Proposed plain language rule
<p>Rule 3200B(4)(a), 3200B(4)(b), 3200B(5)(a), 3200B(5)(f) and 3200 Appendix A(3)</p>	<p>options, provided that such Dealer Member is not required to review for suitability of trading.</p> <p>3981. Supervision of Execution Only trades in advisory accounts</p> <ol style="list-style-type: none"> (1) Each Dealer Member that operates an order execution only service in advisory accounts must comply with the supervision requirements in this section. (2) The Dealer Member’s review of accounts must include an assessment of whether the overall composition of a client’s account that contains positions resulting from non-recommended trades conforms to the documented objectives and risk tolerances. If it does not do so, the Dealer Member’s procedures must specify the steps to be taken to address the disparity. (3) The Dealer Member’s systems and records must record whether an order is recommended or non-recommended. (4) If a client can enter orders electronically, the order entry system must require the client to indicate whether the trade is recommended or non-recommended, with the default marking being “recommended”. (5) The Dealer Member must have written procedures to supervise the marking of orders as recommended or non-recommended. (6) The Dealer Member must be able to generate reports enabling supervisors to determine the accuracy of marking orders as recommended or non-recommended. (7) The Dealer Member’s system must select accounts for review under its policies and procedures without regard to whether an order is marked recommended or non-recommended. <p>3982. – 3999. – Reserved</p>

ATTACHMENT B

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

**TEXT OF RELEVANT PROVISIONS OF EXISTING IIROC DEALER MEMBER RULES
17, 18, 29, 38, 200, 1300, 1800, 1900, 2400, 2500, 2600, 2700, 3100 AND 3200**

RULE 17

DEALER MEMBER MINIMUM CAPITAL, CONDUCT OF BUSINESS AND INSURANCE

- 17.13. Each Dealer Member shall from time to time furnish to an officer of the Corporation such statistical information with respect to such Dealer Member's business as, in the opinion of the Board of Directors, may be necessary in the interests of all the Dealer Members of the Corporation provided that no request for such information shall be made of any Dealer Member unless approved by the Board of Directors.

RULE 18

REGISTERED REPRESENTATIVES AND INVESTMENT REPRESENTATIVES

- 18.6. (a) A Dealer Member must closely supervise a Registered Representative or Investment Representative who conducts retail business in accordance with the "Registered / Investment Representative Monthly Supervision Report" as specified by the Corporation for a period of six months after the Corporation is notified that the person will deal with retail customers. The Dealer Member must keep this report for inspection by the Corporation.
- (b) Subsection (a) does not apply if:
- (i) the Registered Representative was previously approved for six months or more to advise on trades for retail customers for a securities firm which is a member of a self-regulatory organization or a recognized foreign self-regulatory organization; or
 - (ii) the Investment Representative was previously approved for six months or more to advise on trades or to trade for retail customers for a securities firm which is a member of a Self-Regulatory Organization or a recognized foreign self-regulatory organization.

RULE 29

BUSINESS CONDUCT

- 29.1
- During the period of distribution to the public (as that term is defined in the relevant securities legislation) of any securities a Dealer Member shall not offer for sale or accept any offer to buy all or any part of the securities acquired by such Dealer Member through its participation in such distribution as an underwriter or as a member of a banking or selling group at a price or prices in excess of the stated initial public offering price of such securities.
- 29.2. During the period of distribution to the public (as that term is defined in the relevant securities legislation) of any securities a Dealer Member shall not offer for sale or accept any offer to buy all or any part of the securities acquired by such Dealer Member through its participation in such distribution as an underwriter or as a member of a banking or selling group at a price or prices in excess of the stated initial public offering price of such securities.
- 29.3. During such period of distribution to the public a Dealer Member shall make a bona fide offering of the total amount of such participation to public investors. The term "public investors" does not include any officer or employee of a bank, insurance company, trust company, investment fund, pension fund or similar institutional body or the immediate families of any such officer or employee of any such institution regularly engaged in the purchase or sale of securities for such institution, unless such sales are demonstratively for bona fide personal investment in accordance with the

person's normal investment practice. For the purposes of this Rule 29.3 the term "normal investment practice" shall mean the history of investment in an account with the Dealer Member and if such history discloses a practice of purchasing mainly "hot issues" such record would not constitute a "normal investment practice".

- 29.3A. A Dealer Member shall give priority to orders for the accounts of customers of the Dealer Member over all other orders for the same security at the same price. The phrase "orders for the accounts of customers of the Dealer Member" shall not include an order for an account in which the Dealer Member or an employee of the Dealer Member has an interest, direct or indirect, other than an interest in a commission charged.
- 29.4. The period of distribution to the public in respect of any securities shall continue until the Dealer Member shall have notified the applicable securities commission that it has ceased to engage in the distribution to the public of such securities.
- 29.5. Every director of a corporation any of whose securities are held by the public has a fiduciary obligation not to reveal any privileged information to anyone not authorized to receive it. Except to the extent referred to in the third paragraph of this Rule 29.5, a director is not released from the necessity of keeping information of this character to himself or herself until there has been full public disclosure of such information, particularly when the information might affect the market price of the corporation's securities. Any director of such corporation who is also a Director, Executive or employee of a Dealer Member should recognize that his or her first responsibility in this area is to the public corporation on whose board he or she serves and that he or she must, except to the extent referred to in the third paragraph of this Rule 29.5, meticulously avoid any disclosure of inside information to the Directors, Executives, employees, customers, or research or trading departments of the Dealer Member.

Where a representative of a Dealer Member is not a director of a corporation but is acting in an underwriting or advisory capacity to such corporation and is discussing confidential matters, his or her responsibilities regarding disclosure are the same as those that would apply if such representative were a director of such corporation.

With reference to the two preceding paragraphs of this Rule 29.5, a Director or a representative, as the case may be, of a Dealer Member may consult with other personnel of the Dealer Member if a matter requires such consultation but in this event adequate measures should be taken to guard the confidential nature of the information to prevent its misuse within or outside the organization of the Dealer Member and the responsibilities of any such other personnel regarding disclosure are the same as those that would apply if such personnel were directors of the relevant corporation.

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. **29.7**

- 29.7 (1) No Dealer Member shall issue to the public, participate in or knowingly allow its name to be used in respect of any advertisement, sales literature or correspondence, and no registered or Approved Persons shall issue or send any advertisement, sales literature or correspondence in connection with its or his or her business which:
- (a) contains any untrue statement or omission of a material fact or is otherwise false or misleading;
 - (b) contains an unjustified promise of specific results;
 - (c) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions;
 - (d) contains any opinion or forecast of future events which is not clearly labeled as such;
 - (e) fails to fairly present the potential risks to the client;
 - (f) is detrimental to the interests of the public, the Corporation or its Dealer Members; or
 - (g) does not comply with any applicable legislation or the guidelines, policies or directives of any regulatory authority having jurisdiction.
- 29.7 (2) Each Dealer Member shall develop written policies and procedures that are appropriate for its size, structure, business and clients for the review and supervision of advertisements, sales literature and correspondence relating to its business. All such policies and procedures shall be approved by the Corporation.
- 29.7 (3) The policies and procedures referred to in subsection (2) may provide that such review and supervision will be done by pre-use approval, post use review or post use sampling, as appropriate to the type of material. However, the

following types of advertisements, sales literature or correspondence must be approved prior to publication or use by one or more Supervisors specifically designated to approve each specified type of material:

- (a) Research reports,
- (b) Market letters,
- (c) Telemarketing scripts,
- (d) Promotional seminar texts (not including educational seminar texts),
- (e) Original advertisements/original template advertisements; and
- (f) Any material used to solicit clients that contain performance reports or summaries.

29.7 (4) Where such policies and procedures do not require the approval of advertisements, sales literature or correspondence prior to being issued, the Dealer Member must include provisions for the education and training of registered and Approved Persons as to the Dealer Member's policies and procedures governing such materials as well as follow-ups to ensure that such procedures are implemented and adhered to.

29.7 (5) Copies of all advertisements, sales literature and correspondence and all records of supervision under the policies and procedures required by subsection (2) shall be retained so as to be readily available for inspection by the Corporation. All advertisements, sales literature and related documents must be retained for a period of 2 years from the date of creation and all correspondence and related documents must be retained for a period of 5 years from the date of creation.

29.7A.

- (1) Ownership of Trade Name

Subject to subsection (7) all business carried on by a Dealer Member or by any person on its behalf shall be in the name of the Dealer Member or a business or trade or style name owned by the Dealer Member, an Approved Person in respect of the Dealer Member or an affiliated corporation of either of them.

- (2) Approval of Trade Name

No Approved Person shall conduct any business in accordance with subsection (1) in a business or trade or style name that is not owned by the Dealer Member or its affiliated corporation unless the Dealer Member has given its prior written consent.

- (3) Notification of Trade Name

Prior to the use of any business or trade or style name other than the Dealer Member's legal name, the Dealer Member shall notify the Corporation.

- (4) Transfer of Trade Name

Prior to the transfer of a business or trade or style name to another Dealer Member, the Dealer Member shall notify the Corporation.

- (5) Single Use of Trade Name

Except where Dealer Members are related or affiliated, no Dealer Member or Approved Person shall use any business or trade or style name that is used by any other Dealer Member unless the relationship with such other Dealer Member is that of an introducing broker/carrying broker arrangement, pursuant to Rule 35.

- (6) Legal Name

The Dealer Member's full legal name shall be included in all contracts, account statements and confirmations.

- (7) Trade Name of Approved Person to Accompany Legal Name

A business or trade or style name used by an Approved Person may accompany, but not replace, the full legal name of the Dealer Member on materials that are used to communicate with the public. The Dealer Member's

legal name must be at least equal in size to the business or trade or style name used by the Approved Person.

For greater certainty, "materials" that are used to communicate with the public include, but are not limited to, the following:

- (a) Letterhead;
- (b) Business Cards;
- (c) Invoices;
- (d) Trade Confirmations;
- (e) Monthly Statements;
- (f) Websites;
- (g) Research Reports; and
- (h) Advertisements.

(8) Misleading Trade Name

No Dealer Member or Approved Person shall use any business or trade or style name that is deceptive, misleading or likely to deceive or mislead the public.

(9) Prohibition on Use of Trade Name

The Corporation may prohibit a Dealer Member or Approved Person from using any business or trade or style name in a manner that is contrary to the provisions of this Rule or is objectionable or contrary to the public interest.

29.8. No Dealer Member shall impose on any customer or deduct from the account of any customer any service fee or service charge relating to services provided by the Dealer Member for the administration of the customer's account unless written notice shall have been given to the customer on the opening of the account or not less than 60 days prior to the imposition or revision of the fee or charge. For the purposes of this Rule, service fees or charges shall not include interest charged by the Dealer Member in respect of the account and commissions charged for executing trades.

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29.13. Premarketing

- (b) From the commencement of distribution until the earliest of
 - (i) The time at which the receipt for the preliminary prospectus in respect of the distribution is issued;
 - (ii) The time at which a press release that announces the entering into of an enforceable agreement in respect of the distribution is issued and filed in accordance with any blanket ruling or order, or notice made pursuant to an existing blanket ruling or order, of a securities regulatory authority of a province or territory of Canada and provided that all of the conditions set forth in such blanket ruling or order or such notice and its related blanket ruling or order are met; and
 - (iii) The time at which the Dealer Member determines not to pursue the distribution no member shall have communications with a person or company wherever resident which are designed to have the effect of determining the interest of that person or company (or any person or company that it represents) in purchasing securities of the type that are the subject of distribution discussions if such communications are undertaken by any Director, Officer, employee or agent of the Dealer Member:
 - (A) Who participated in or had actual knowledge of the distribution discussions, or

- (B) Whose communications were directed, suggested or induced by a person who participated in or had actual knowledge of the distribution discussions or another person acting directly or indirectly at or upon the direction, suggestion or inducement of a person referred to in (B).

A press release is deemed to have been issued when it is disseminated in accordance with the policies of applicable stock exchanges or, in the case of unlisted securities, when it is released to Canada News-Wire or any other national news distribution service for distribution and is deemed to have been filed when delivered or sent by facsimile to the relevant securities regulatory authority of a province or territory of Canada.

- (c) No Dealer Member shall, in connection with a potential offering of equity securities, have communications of the nature described in Rule 29.13(b) even if such communications would otherwise be exempt from prospectus requirements of securities law, unless the Dealer Member and the issuer or selling security-holder can demonstrate a bona fide intention to distribute the securities pursuant to a prospectus exemption. The restrictions referred to in Rule 29.13(b) shall apply from the time it is reasonable to expect that a decision to abandon an exempt offering of equity securities in favour of a prospectus offering will be taken.
- (d) No Dealer Member shall engage in market making or other principal trading activities in securities that are the subject of distribution discussions if such activities are engaged in by a person referred to in Rule 29.13(b)(A) or at or upon the direction, suggestion or inducement of a person referred to in Rule 29.13(b)(A) or (B).
- (e) A Dealer Member involved in a distribution as an underwriter shall file a certificate with respect to compliance with this Rule 29.13 in respect of such distribution with the Corporation not later than three business days after the date the preliminary short form prospectus (or equivalent document) with respect to such distribution is filed with the principal jurisdiction (as defined in National Policy Statement No. 47). Such certificate shall be signed by the chief executive officer of the Dealer Member or the next most senior officer or by such other person as is fulfilling the duties of the chief executive officer in his or her absence and shall be in such form and contain such information as may from time to time be prescribed by the Corporation and approved by the Director of Corporate Finance of the Ontario Securities Commission or his or her equivalent of any member of the Canadian Securities Administrators who notifies the Corporation that approval of the form of such certificate is required.

RULE 38

COMPLIANCE AND SUPERVISION

- 38.1 A Dealer Member must establish and maintain a system to supervise the activities of each partner, Director, Officer, Registered Representative, Investment Representative, employee and agent of the Dealer Member that is reasonably designed to achieve compliance with the Rules of the Corporation and all other laws, regulations and policies applicable to the Dealer Member's securities and commodity futures business. Such a supervisory system shall provide, at a minimum, the following:
- (i) The establishment, maintenance and enforcement of written policies and procedures acceptable to the Corporation regarding the conduct of the types of business in which it engages and the supervision of each partner, Director, Officer, Registered Representative, Investment Representative, employee and agent of the Dealer Member that are reasonably designed to achieve compliance with the applicable laws, rules, regulations and policies;
 - (ii) Procedures reasonably designed to ensure that each partner, Director, Officer, Registered Representative, Investment Representative, employee and agent of the Dealer Member understands his or her responsibilities under the written policies and procedures in (i);
 - (iii) Procedures to ensure that the written policies and procedures of the Dealer Member are amended as appropriate within a reasonable time after changes in applicable laws, regulations, rules and policies and that such changes are communicated to all relevant personnel;
 - (iv) Sufficient personnel and other resources to fully and properly enforce the written policies and procedures in (i);
 - (v) The designation of Supervisors with the qualifications and authority to carry out the supervisory responsibilities assigned to them. Each Dealer Member shall maintain an internal record of the names of all Supervisors, the scope of their responsibility and the dates for which such responsibility and authority is or

was in effect. The records must be preserved by the Dealer Member for seven years, and on-site for the first year;

- (vi) Procedures for follow-up and review to ensure that supervisory personnel are properly executing their supervisory functions. Where the supervision is conducted and supervisory records are maintained at a branch office, the follow-up and review procedures shall include periodic on-site reviews of branch office supervision and record-keeping as necessary depending on the types of business and supervision conducted at the branch office;
- (vii) The maintenance of adequate records of supervisory activity, including on-site reviews of branch offices as described in (vi), compliance issues identified and the resolution of those issues.

38.2

- (a) A Dealer Member must appoint as many Supervisors as are necessary to properly supervise the Officers, partners, employees and agents of the Dealer Member, taking into account the scope and complexity of its businesses to ensure that the businesses of the Dealer Member are carried out in compliance with the Rules and Rulings of the Corporation and any other laws or regulations governing the Dealer Member's business conduct.
- (b) A Dealer Member must take reasonable steps to ensure that all of its Supervisors are proficient and understand the products that persons under their supervision trade in or advise on and the services that persons under their supervision provide to a sufficient degree to properly supervise those persons. At a minimum, the Dealer Member must ensure that all Supervisors meet the applicable proficiency requirements of Rule 2900.

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38.4

- (a) A Supervisor must fully and properly supervise each partner, Director, Officer, Registered Representative, Investment Representative or agent in accordance with the supervisory responsibilities assigned to the Supervisor, the Rules of the Corporation and the written policies and procedures of the Dealer Member so as to ensure their compliance with the Rules of the Corporation and all other laws, regulations and policies applicable to the Dealer Member's securities and commodity futures business.
- (b) A Supervisor may delegate specific supervisory functions or procedures, provided that:
 - (i) the delegation of such functions is not contrary to applicable laws, regulations, rules or policies;
 - (ii) the person to whom such functions are delegated is qualified by virtue of registration, training or experience to properly execute them;
 - (iii) the Supervisor conducts sufficient follow-up and review to ensure that the person to whom the functions have been delegated is properly executing them; and
 - (iv) the Dealer Member records the terms of the delegation and the follow up and review.

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38.5

Ultimate Designated Person

- (a) A Dealer Member must designate an individual who is approved under the Corporation's rules in the category of Ultimate Designated Person and who shall be responsible to the Corporation for the conduct of the firm and the supervision of its employees and to perform the functions described in paragraph (c).
- (b) A Dealer Member must not designate an individual to act as the firm's Ultimate Designated Person unless the individual is:
 - (i) the chief executive officer or sole proprietor of the Dealer Member;
 - (ii) an Officer in charge of a division of the Dealer Member, if the activity that requires the firm to register under provincial or territorial securities laws occurs only within the division, or
 - (iii) an individual acting in a capacity similar to that of an Officer described in paragraph (a) or (b).

- (c) The Ultimate Designated Person must
 - (i) supervise the activities of the Dealer Member that are directed towards ensuring compliance with the Corporation's Dealer Member rules and applicable securities law requirements by the firm and each individual acting on the Dealer Member's behalf, and
 - (ii) promote compliance by the Dealer Member, and individuals acting on its behalf, with the Corporation's Dealer Member rules and applicable securities laws.

38.7 Chief Compliance Officer

- (a) Every Dealer Member must designate an individual who is approved under the Corporation's rules in the category of Chief Compliance Officer to perform the functions described in paragraph (h).
- (b) A Dealer Member must not designate an individual to act as the firm's Chief Compliance Officer unless the individual is one of the:
 - (i) an Officer or partner of the Dealer Member;
 - (ii) the sole proprietor of the Dealer Member.
- (c) A Dealer Member may appoint the Ultimate Designated Person to act as the Chief Compliance Officer.
- (d) Where a Dealer Member is organized into two or more separate business units or divisions, a Dealer Member may, with the approval of the Corporation, designate a Chief Compliance Officer for each separate business unit or division.
- (e) The Chief Compliance Officer must have the qualifications required under Rule 2900, Part I, section A.2B.
- (f) Notwithstanding subsection (a), a Dealer Member may, with the Corporation's approval, designate an Officer as Acting Chief Compliance Officer if the Chief Compliance Officer terminates his or her employment with the Dealer Member and the Dealer Member is unable to immediately designate another qualified person as Chief Compliance Officer provided that, within 90 days of the termination of the previous Chief Compliance Officer:
 - (i) the Acting Chief Compliance Officer meets the requirement of subsection (e) and is designated by the Corporation as Chief Compliance Officer; or
 - (ii) another qualified person is designated Chief Compliance Officer by the Dealer Member and is approved by the Corporation.
- (g) The Corporation may grant to a Dealer Member an exemption from subsection (e) where it is satisfied that the nature of the Dealer Member's business is such that the qualification is not relevant to the Dealer Member and that to do so would not be prejudicial to the interests of the Dealer Member, its clients, the public or the Corporation. In granting such an exemption, it may impose such terms and conditions as it considers necessary.
- (h) The Chief Compliance Officer of a Dealer Member must do all of the following:
 - (i) establish and maintain policies and procedures for assessing compliance with the Rules and applicable securities laws by the Dealer Member and individuals acting on its behalf;
 - (ii) monitor and assess compliance by the Dealer Member, and individuals acting on its behalf, with the Rules and applicable securities laws;
 - (iii) report to the Ultimate Designated Person as soon as possible if the Chief Compliance Officer becomes aware of any circumstances indicating that the firm, or any individual acting on its behalf, may be in non-compliance with the Rules or applicable securities laws and
 - (A) the non-compliance creates a reasonable risk of harm to a client;
 - (B) the non-compliance creates a reasonable risk of harm to the capital markets; or

- (C) the non-compliance is part of a pattern of non-compliance;
 - (iv) submit an annual report to the firm's board of directors, or individuals acting in a similar capacity for the firm, for the purposes of assessing compliance by the firm, and individuals acting on its behalf, with the Corporation's Dealer Member rules and applicable securities laws.
 - (i) The Chief Compliance Officer must have access to the Ultimate Designated Person and the board of directors (or equivalent) at such times as the Chief Compliance Officer may consider necessary or advisable in view of his or her responsibilities.
- 38.8 The board of directors (or equivalent) of the Dealer Member must review the report of the Chief Compliance Officer and determine what actions are necessary to rectify any compliance deficiencies noted in the report and ensure such actions are carried out. The board of directors (or equivalent) must maintain records of the actions it determines to be necessary and the monitoring to ensure that those actions are carried out.
- 38.9 A Dealer Member must file with the Corporation:
- (a) A copy of a governance document setting out the organizational structure and reporting relationships, which support the compliance arrangement set out above; and
 - (b) Notice of any material changes to the organizational structure and reporting relationships as set out in subsection (a).

RULE 200

MINIMUM RECORDS

- 200.1. As required under Rule 17.2 every Dealer Member shall make and keep current books and records necessary to record properly its business transactions and financial charts including, without limitation:
- (a) Blotters (or other records of original entry) containing an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities (including certificate numbers), all trades in commodity futures contracts and commodity futures contract options, all receipts and disbursements of cash and all other debits and credits. Such records shall show the account for which each such transaction was effected, the trade dates and
 - In the case of trades in securities,
 - (1) The name, class and designation of securities,
 - (2) The number, value or amount of securities and the unit and aggregate purchase or sale price (if any), and
 - (3) The name or other designation of the person from whom the securities were purchased or received or to whom they were sold or delivered;
 - In the case of trades in commodity futures contracts,
 - (4) The commodity and quantity bought or sold,
 - (5) The delivery month and year,
 - (6) The price at which the contract was entered into,
 - (7) The commodity futures exchange, and
 - (8) The name of the dealer if any, used by the Dealer Member as its agent to effect the trade; and
 - In the case of trades in commodity futures contract options,
 - (9) The type and number,

- (10) The premium,
 - (11) The commodity futures contract that is the subject of the commodity futures contract option,
 - (12) The delivery month and year of the commodity futures contract that is the subject of the commodity futures option,
 - (13) The declaration date,
 - (14) The striking price,
 - (15) The commodity futures exchange, and
 - (16) The name of the dealer, if any, used by the Dealer Member as its agent to effect the trade;
- (b) A general ledger (or other records) maintained in detail reflecting all assets and liabilities, income and expense and capital accounts;
- (c) Ledger accounts (or other records) itemizing separately as to each cash and margin account of every customer, all purchases, sales, receipts, deliveries and other trades of securities, commodity futures contracts and commodity futures contract options for such account and all other debits and credits to such account, and with respect to all securities and property received to margin, guarantee or secure the trades or contracts of customers,
- (1) A description of the securities or property received,
 - (2) The date when received,
 - (3) The identity of any deposit institution where such securities or property are segregated,
 - (4) The dates of deposit and withdrawal from such institutions, and
 - (5) The date of return of such securities or property to the customer or other disposition thereof, together with the facts and circumstances of such other disposition,

And with respect to any investments of such money, proceeds or funds segregated for the benefit of the customers,

- (6) The date of which such investments were made,
- (7) The identity of the person or company through or from whom such securities were purchased,
- (8) The amount invested,
- (9) A description of the securities invested in,
- (10) The identity of the deposit institution, other dealer or dealer registered under any applicable securities legislation where such securities are deposited,
- (11) The date of liquidation or other disposition and the money received on such disposition, and
- (12) The identity of the person or company to or through whom such securities were disposed;

In addition, statements must be sent to customers on at least the following basis: monthly for all customers in whose account there was an unexpired and unexercised commodity futures contract option, open commodity futures contract, or exchange contract at the month end; monthly for all customers who have affected a transaction, or the Dealer Member has modified the balance of securities or cash in the customer's account, unless the entries refer to dividends or interest; quarterly for all customers having any debit or credit balance or securities held (including securities held in safekeeping or in segregation) at the end of the quarter. Such monthly statements shall set forth at least in the case of customers with any unexpired and unexercised commodity futures contract option, open commodity futures contract, or exchange contract,

- (1) The opening cash balance for the month in the customer's account,

- (2) All deposits, credits, withdrawals and debits to the customer's account,
- (3) The cash balance in the customer's account,
- (4) Each unexpired and unexercised commodity futures contract option,
- (5) The striking price of each unexpired and unexercised commodity futures contract option,
- (6) Each open commodity futures contract,
- (7) The price at which each open commodity futures contract was entered into.

In addition, a Dealer Member which has acted as an agent in connection with a liquidating trade in a commodity futures contract shall promptly send to customers a statement of purchase and sale setting forth at least:

- (1) The dates of the initial transaction and liquidating trade,
- (2) The commodity and quantity bought and sold,
- (3) The commodity futures exchange upon which the contracts were traded,
- (4) The delivery month and year,
- (5) The prices on the initial transaction and on the liquidating trade,
- (6) The gross profit or loss on the transactions,
- (7) The commission, and
- (8) The net profit or loss on the transactions.

Each such statement shall, in respect of transactions involving securities of the Dealer Member or a related issuer of the Dealer Member, or in the course of a distribution to the public, securities of a connected issuer of the Dealer Member, state that the securities are securities of the Dealer Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member, as the case may be. For the purposes of this paragraph, the terms "related issuer" and "connected issuer" shall have the same meaning as ascribed to them in the Regulation made under the *Securities Act* (Ontario).

- (d) Ledgers (or other records) reflecting the following:
 - (1) Securities in transfer;
 - (2) Dividends and interest received;
 - (3) Securities borrowed and securities loaned;
 - (4) Monies borrowed and monies loaned (together with a record of the collateral therefor and any substitutions in such collateral);
 - (5) Securities failed to receive and failed to deliver;
 - (6) Money, securities and property received to margin, guarantee or secure the trades or contracts of customers, and all funds accruing to customers, which must be segregated for the benefit of customers under any applicable legislation;
- (e) A securities record or ledger reflecting separately for each security as of the trade or settlement dates all long and short positions (including securities in safekeeping) carried for the Dealer Member's account or for the account of customers, showing the location of all securities long and the offsetting position to all securities short and in all cases the name or designation of the account in which each position is carried;

- (f) A commodity record or ledger showing separately for each commodity as of the trade date all long positions or short positions in commodity futures contracts carried for the Dealer Member's account or for the account of customers and, in all cases, the name or designation of the account in which each position is carried;
- (g) An adequate record of each order, and of any other instruction, given or received for the purchase or sale of securities or with respect to a trade in a commodity futures contract or a commodity futures contract option, whether executed or unexecuted, showing:
 - (1) The terms and conditions of the order or instruction and of any modification or cancellation thereof,
 - (2) The account to which the order or instruction relates,
 - (3) The time of entry of the order or instruction and, where the order is entered pursuant to the exercise of discretionary power of a Dealer Member, a statement to that effect,
 - (4) Where the order relates to an omnibus account, the component accounts within the omnibus account on whose behalf the order is to be executed, and the allocation among the component accounts intended on execution,
 - (5) Where the order or instruction is placed by an individual other than,
 - A. The person in whose name the account is operated, or
 - B. An individual duly authorized to place orders or instructions on behalf of a customer that is a company,

The name, sales number or designation of the individual placing the order or instruction,
 - (6) To the extent feasible, the time of execution or cancellation,
 - (7) The price at which the order or instruction was executed, and
 - (8) The time of report of execution;
- (h) Copies of confirmations of all purchases and sales of securities and of all trades in commodity futures contracts and commodity futures contract options and copies of notices of all other debits and credits of money, securities, property, proceeds of loans and other items for the account of customers. Such written confirmations are required to be sent promptly to customers and shall set forth at least the day and the stock exchange or commodity futures exchange upon which the trade took place; the commission, if any, charged in respect of the trade; the fee or other charge, if any, levied by any securities regulatory authority in connection with the trade; the name of the salesman, if any, in the transaction; the name of the dealer, if any, used by the Dealer Member as its agent to effect the trade; and,

In the case of a trade in securities:
 - (1) The quantity and description of the security,
 - (2) The consideration,
 - (3) Whether or not the person or company registered for trading acted as principal or agent,
 - (4) If acting as agent in a trade upon a stock exchange the name of the person or company from or to or through whom the security was bought or sold,
In the case of trades in commodity futures contracts:
 - (5) The commodity and quantity bought or sold,
 - (6) The price at which the contract was entered into,
 - (7) The delivery month and year,

In the case of trades in commodity futures contract options:

- (8) The type and number of commodity futures contract options,
- (9) The premium,
- (10) The delivery month and year of the commodity futures contract that is the subject of the commodity futures contract option,
- (11) The declaration date,
- (12) The striking price;

And in the case of trades in mortgage-backed securities and subject to the proviso below:

- (13) The original principal amount of the trade,
- (14) The description of the security (including interest rate and maturity date),
- (15) The remaining principal amount (RPA) factor,
- (16) The purchase/sale price per \$100 of original principal amount,
- (17) The accrued interest,
- (18) The total settlement amount,
- (19) The settlement date,

Provided that in the case of trades entered into from the third clearing day before month end to the fourth clearing day of the following month, inclusive, a preliminary confirmation shall be issued showing the trade date and the information in clauses (13), (14), (16) and (19) and indicating that the information in clauses (15), (17) and (18) cannot yet be determined and that a final confirmation will be issued as soon as such information is available. After the remaining principal amount factor for the security is available from the central payor and transfer agent, a final confirmation shall be issued including all of the information required above;

And in the case of stripped coupons and residual debt instruments:

- (20) 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,
- (21) 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.

Each such confirmation shall, in respect of transactions involving securities of the Dealer Member or a related issuer of the Dealer Member, or in the course of a distribution to the public, securities of a connected issuer of the Dealer Member, state that the securities are securities of the Dealer Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member, as the case may be. For the purposes of this paragraph, the terms "related issuer" and "connected issuer" shall have the same meaning as ascribed to them in the Regulation made under the *Securities Act* (Ontario).

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 confirmation slip 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.

The Corporation's policies with respect to electronic delivery of documents are set out in the applicable guideline.

Notwithstanding the provisions of this Rule 200.1(h), a Dealer Member shall not be required to provide a confirmation to a client in respect of a trade in a managed account, provided that:

- (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 applicable securities law, regulation or policy of the jurisdiction in which the client resides or the Dealer Member has obtained an exemption from any such law, regulation or policy by the responsible securities regulatory authority; and
- (iv)
 - (a) where a person other than the Dealer Member manages the account
 - (A) a trade confirmation has been sent to the manager of the account, and
 - (B) the Dealer Member complies with the requirements of Rule 200.1(c); or
 - (b) where the Dealer Member manages the account:
 - (A) the account is not charged any commissions or fees based on the volume or value of transactions in the account;
 - (B) the Dealer Member sends to the client a monthly statement that is in compliance with Rule 200.1(c) and contains all of the information required to be contained in a confirmation under this Rule 200.1(h) except:
 - (1) the day and the stock exchange or commodity futures exchange upon which the trade took place;
 - (2) the fee or other charge, if any, levied by any securities regulatory authority in connection with the trade;
 - (3) the name of the salesman, if any, in the transaction;
 - (4) the name of the dealer, if any, used by the Dealer Member as its agent to effect the trade; and,
 - (5) if acting as agent in a trade upon a stock exchange the name of the person or company from or to or through whom the security was bought or sold,
 - (C) the Dealer Member maintains the information not required to be in the monthly statement pursuant to paragraph (B) and discloses to the client on the monthly statement that such information will be provided to the client on request.
- (i) A record in respect of each cash and margin account:
 - (1) The name and address of the beneficial owner (and guarantor, if any) of such account,
 - (2) In the case of a margin account a properly executed margin agreement containing the signature of such owner (and guarantor, if any), and
 - (3) Where trading instructions are accepted from a person or corporation other than the customer, written authorization or ratification from the customer naming the person or company,

But, in the case of a joint account or an account of a corporation, such records are required only in respect of the person or persons authorized to transact business for such account;

- (j) A record of all puts, calls, spreads, straddles and other options in which the Dealer Member has any direct or indirect interest or which the Dealer Member has granted or guaranteed, containing at least an identification of the security and the number of units involved;
- (k) A record of the proof of money balances of all ledger accounts in the form of trial balances and a record of the computation of risk adjusted capital. Such trial balances and computations shall be prepared currently at least once a month;
- (l) A record of all margin calls whether such calls are made in writing, by telephone or other means of communication;
- (m) a record of the proof of money balances of all ledger accounts in the form of trial balances and record of a reasonable calculation of minimum risk adjusted capital prepared for each month within a reasonable time after each month end; and
- (n) A record of all communications required or made in respect of account transfers pursuant to Rule 2300.

Guide to interpretation of Rule 200.1

Rule 200.1 specifies the various items of information which must be reflected on the firm's books as required by the applicable provincial securities legislation. The Rule does not require the various books and records to be kept in any prescribed form. It is expected, however, that the means of recording the information will be complemented by appropriate internal controls to guard against the risk of falsification and will make available clear and accurate information to the Corporation within a reasonable length of time.

(a) "Blotters"

This term was historically used to describe a dealer's or broker's books of original entry of daily transactions as principals or on behalf of customers. Larger firms now maintain separate data files and daily reports to record each type of transaction such as purchases versus sales, unlisted securities, bonds, cash receipts, cash disbursements and stock record journals.

Blotters generally should record on purchases and sales the party on the other side, security description, quantity, price, accrued interest, commission, settlement amount, trade date, settlement date and the account for which the transaction was done.

(b) "General Ledger"

The general ledger is the primary financial record of the company in which all assets, liabilities, capital, income and expense accounts are summarized. The general ledger is the basis for preparing financial statements and regulatory reports as required by the self-regulatory organizations. Entries made to the general ledger are derived from the various blotters and sub ledgers referred to in section (a) of Rule 200.1.

(c) "Cash, Margin and Firm Accounts"

Accounts must show all trades, settlement dates, cash disbursements and receipts and deliveries or receipts of securities or commodities. This section requires that customer account sub ledgers be kept for each customer cash and margin account and firm inventory account. Monthly statements must be produced for each active account showing a date column, quantity of securities bought or sold, security description and cash debits or credits.

In addition, statements must show the dollar balance carried forward from the previous statement; all entries shown in the account since the previous statement date; and the final dollar balance and the security position as of the statement date. The statements must also indicate the items included in the final security position which are held in safekeeping.

For purposes of Rule 200.1 only, the definition of "customer" includes the investing public, financial institutions, other investment dealers and stock brokers, affiliates and partners, shareholders, directors, officers and employees of a Dealer Member firm and its affiliates.

Dealer Members not depositing customers' free credit balances in a trust bank account should refer to Rule 1200.1 for details of the special notation that must be affixed to all statements sent to customers.

(d) "Secondary or Subsidiary Records"

These records are made up from the blotters or other records of original entry. A brief description of such subsidiary records follows:

(i) "Securities in Transfer"

The purpose of this item of Rule 200.1 is to require the keeping of a record showing all securities "sent to and held by transfer agents". This record usually shows the number of shares or the par value, name of security, name in which it was registered, new name, date sent out to transfer, old certificate number, date received back from transfer, new certificate numbers and date on new certificate.

(ii) "Dividends and Interest Received"

For the purpose of this item of Rule 200.1 it is necessary that a record be maintained by the firm with respect to interest or dividends paid on bonds or stocks, held by the Dealer Member for the customers but registered in some name other than that of the customer. The general practice, which would represent compliance with the rule, is to record on a ledger the security, the record date, the ex-dividend date, the payable date and the entitlement rate. The information is then recorded on the dividend sub ledger. All customers who are "long" are credited with their share of the funds received by the firm on account of the dividend or interest. All customers who are "short" on the dividend record date or the interest payable date are charged with the amount payable on their short position. All bearer securities in the firm's possession or in hypothecation on the record or interest date must be examined to determine against whom the firm must claim for payment.

(iii) "Securities Borrowed and Securities Loaned"

In borrowing securities or in lending securities to other dealers or brokers, it is necessary to enter such transactions in borrowed or loaned accounts set up for each customer. The securities borrowed or loaned account records the date borrowed or date loaned, name of firm from whom borrowed or to whom loaned, quantity, name of security, certificate numbers and the date returned. In some cases, these records also provide an additional column showing the interest rate or premium on stock borrowed or loaned and any collateral provided or received.

(iv) "Monies Borrowed and Monies Loaned, Etc."

A record must be kept of all borrowings. This record should show the name of the customer, the date, the interest rate, the amount of the loan, terms of the loan, and the date when the loan is made and when repaid. The number of shares, or principal amount in the case of bonds, name of the security, and certificate numbers of securities pledged as collateral must be recorded.

(v) "Securities Failed to Receive or Deliver"

These are subsidiary records and are based on information contained on the blotters or other records of original entry. Upon learning that a dealer or broker will fail to deliver on the settlement day, either under the agreement between the buyer and the seller or under clearing house rules, this item requires that records must be kept which show the "fail date" (i.e. the date on which delivery was due but not made), name of security, purchase price, broker or dealer from whom delivery is due, and date received. Conversely, when the firm fails to deliver, it must record the date on which delivery was due, number of shares or principal amount of bonds, name of security, to whom sold, sales price and date on which delivery is made. The total dollar amount of open items on the "fail to receive" and "fail to deliver" records should agree with the "fail to receive" and "fail to deliver" accounts in the firm's general ledger kept pursuant to section (b) of Rule 200.1.

(e) & (f) "Securities and Commodity Record or Ledger"

These sections require that the securities and commodity record be posted currently to show all positions no later than the settlement date. The record may, of course, be posted on the "trade" or execution date or any other date prior to the settlement date. Dealer Members may keep separate "securities and commodity records" or "position records" as they are often called, for equities, debt, options and for commodities. The record should show the name of the security, the customers' and other accounts which are "long" and "short" that security, the daily changes in their position, the location of each security, and the total of the long or short position for the account of customers and the firm and partners. This record should be reviewed frequently to ensure it is "in balance" (i.e. for each security or commodity the total long positions should equal the total short positions).

(g) "Memoranda of Orders"

In this section the term "instruction" shall be deemed to include instructions between partners or directors and employees of a Dealer Member. The term "time of entry" is specified to mean the time when the Dealer Member transmits the order or instruction for execution, or if it is not so transmitted, the time when it is received.

(h) "Confirmations"

The provincial securities commissions require that every person or company registered for trading in securities who has acted as principal or agent in connection with any trade in a security shall promptly send or deliver to the customer a written confirmation of the transaction, setting forth the details required in this section of Rule 200.1. A person or company or a salesperson may be identified in a written confirmation by means of a code or symbols if the written confirmation also contains a statement that the name of the person, company or salesperson will be furnished to the customer on request.

(i) "Records of Cash and Margin Accounts"

A margin agreement between a Dealer Member and a customer shall define at least the following:

- (i) The obligation of the customer in respect of the payment of his or her indebtedness to the Dealer Member and the maintenance of adequate margin and security;
- (ii) The obligation of the customer in respect of the payment of interest on debit balances in his or her account;
- (iii) The rights of the Dealer Member in respect of raising money on and pledging securities and other assets held in the customer's account;
- (iv) The extent of the right of the Dealer Member to make use of free credit balances in the customer's account;
- (v) The rights of the Dealer Member in respect of the realization of securities and other assets held in the customer's account and in respect of purchases to cover short sales, and whether any prior notice is required, and if notice be required, the nature and extent of it and the obligations of the customer in respect of any deficiency;
- (vi) The extent of the right of the Dealer Member to utilize a security in the customer's account for the purpose of making a delivery on account of a short sale;
- (vii) The extent of the right of the Dealer Member to use a security in the customer's account for delivery on a sale by the Dealer Member for his or her or its own account or for any account in which the Dealer Member, any partner therein or any director thereof, is directly or indirectly interested;
- (viii) The extent of the right of the Dealer Member to otherwise deal with securities and other assets in the customer's account and to hold the same as collateral security for the customer's indebtedness; and
- (ix) That all transactions entered into on behalf of the customer shall be subject to the Rules of the Investment Industry Regulatory Organization of Canada and/or any securities exchange if executed thereon.

(j) "Puts, Calls, and Other Options"

Such a record may be kept in any suitable form which shows the date, details regarding the option, name of security, number of shares, and the expiration date; letters pertaining to such options, including those received from and addressed to customers, should be kept together with the record.

(k) & (m) "Monthly Trial Balances and Capital Computations"

Such trial balances and computations will serve as a check upon the current status and accuracy of the ledger accounts which Dealer Members are required to maintain and keep current and will also help to keep Dealer Members currently informed of their capital positions as required under Rule 17.1.

A Dealer Member must keep currently informed as to the excess capital position and make a computation as often as necessary to ensure that there is adequate capital at all times; but Dealer Members must preserve only the monthly computation mentioned above. On the other hand, Dealer Members whose capital position is substantially in excess of

that required, may omit detailed schedules and analyses in support of the computation if they apply a more stringent application of the Rule governing the computation.

For example, when calculating risk adjusted capital, inventories can be grouped into broader margin categories and maximum margin rates applied; offsetting provisions such as those contained in Rule 100.4 can be ignored; and assets partly allowable or of questionable value can be excluded in their entirety.

When a Dealer Member cannot prove that adequate capital exists, the firm must notify the Corporation immediately.

(n) "Account Transfers"

Documentation required pursuant to Rule 2300 in respect of customer account transfers is expected to be by means of electronic communication. In order to protect Dealer Members and customers on account transfers and to ensure that such transfers are effected expeditiously, Dealer Members must ensure that copies of all communications sent or received in respect of account transfers are maintained in an accurate, secure and readily accessible format. .

RULE 1300

SUPERVISION OF ACCOUNTS

1300.1.

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Suitability Generally

- (p) Subject to Rule 1300.1(r) and 1300.1(s), each Dealer Member shall use due diligence to ensure that the acceptance of any order from a customer is suitable for such customer based on factors including the customer's financial situation, investment knowledge, investment objectives and risk tolerance.

Suitability Determination Required When Recommendation Provided

- (q) Each Dealer Member, when recommending to a customer the purchase, sale, exchange or holding of any security, shall use due diligence to ensure that the recommendation is suitable for such customer based on factors including the customer's financial situation, investment knowledge, investment objectives and risk tolerance.

Suitability Determination Not Required

- (r) Each Dealer Member that has applied for and received approval from the Corporation pursuant to Rule 1300.1(t), is not required to comply with Rule 1300.1(p), when accepting orders from a customer where no recommendation is provided, to make a determination that the order is suitable for such customer.
- (s) Each Dealer Member that executes a trade on the instructions of another Dealer Member, portfolio manager, investment counsel, exempt market dealer, bank, trust company or insurer, pursuant to Section I.B (3) of Rule 2700 is not required to comply with Rule 1300.1(p).

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1300.2.

- (a) A Dealer Member must designate a Supervisor to be responsible for the opening of new accounts and for establishing and maintaining procedures acceptable to the Corporation for account supervision to ensure that the handling of client business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the interests of the securities industry. As part of this supervision each new account must be opened pursuant to a new account form which includes the applicable information required by Form No. 2 for Retail Customer accounts, Institutional Customer accounts and for accounts exempt from suitability reviews.

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1300.6.

In addition to any other account supervision requirements under the Rules, the Designated Supervisor must review at least monthly the financial performance of each discretionary account other than a managed account, including a review to determine whether any person permitted to effect discretionary trades for the account should continue to do so. The Designated Supervisor may not delegate the conduct of the review to any other person.

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1300.15.

A Dealer Member that has managed accounts or futures contracts managed accounts must establish and maintain a system acceptable to the Corporation to supervise the activities of those responsible for the management of such accounts under Rule 1300.7. The system must be reasonably designed to achieve compliance with the Rules and Forms of the Corporation. A Dealer Member firm's supervisory system must provide, at a minimum, for the following:

- (a) the establishment and maintenance of written procedures, including:
 - (i) procedures designed to disclose when a responsible person has contravened Rules 1300.18 or 1300.19;
 - (ii) procedures to ensure fairness in the allocation of investment opportunities among its managed accounts;
- (b) the designation of one or more Supervisors specifically responsible for the supervision of managed accounts.
- (c) direct supervision of any Registered Representative providing discretionary management to managed accounts who has less than two years experience providing such discretionary management, including at least one year managing on a discretionary basis more than \$5 million in assets, by
 - (i) a Registered Representative at the Dealer Member or another Dealer Member who is authorized to provide discretionary management to managed accounts and who is not in the period of supervision, or
 - (ii) a person registered as an advisor under Canadian securities legislation who has entered into a contract with the Dealer Member to provide the supervision.

The period of experience includes any period spent providing discretionary management as a registered advisor under Canadian securities legislation or while employed by a government-regulated institution.

- (d) in addition to any other account supervision requirements under the Rules, a review by the Designated Supervisor with respect to each managed account, to be conducted at least quarterly, to ensure that the investment objectives of the client are being diligently pursued and that the managed account or futures contracts managed account is being conducted in accordance with the Rules. The review may be conducted at an aggregate level for managed accounts for which key investment decisions are made centrally and applied across a number of managed accounts, subject to minor variations to allow for client-directed constraints and the timing of client cash flows into the managed account.
- (e) the establishment of a committee, including at least the Designated Supervisor of managed accounts and the Chief Compliance Officer, that shall review at least annually the supervisory system and procedures for managed accounts and recommend to senior management any action necessary to achieve the Dealer Member's compliance with applicable securities legislation and with the Rules and Forms of the Corporation.

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RULE 1800

COMMODITY FUTURES CONTRACTS AND OPTIONS

1800.2.

- (a) A Dealer Member that trades in futures contracts or futures contract options on behalf of customers must designate a Supervisor qualified to supervise trading in futures contracts and futures contract options to be responsible for the opening of new accounts and establishing and maintaining procedures acceptable to the Corporation for account supervision to ensure that the handling of client business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the interests of the securities industry.
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- (c) The Supervisor designated under Rule 1800.2(a) or another Supervisor qualified to supervise futures contracts or futures contract options trading must approve the opening of the account of each customer of the Dealer Member for trading in futures contracts or futures contract options before the customer's first trade in futures contracts or futures contract options.
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- (e) A Dealer Member must have systems and procedures to ensure that in normal circumstances customers of the Dealer Member have access at any time during usual business hours to a Registered Representative or Investment Representative, as appropriate to the services provided to the client, qualified to advise on or trade in futures contracts or futures contract options and registered as necessary in the jurisdiction in which the client resides.

RULE 1900

OPTIONS

1900.2.

- (a) A Dealer Member that trades in options on behalf of customers must designate a Supervisor qualified to supervise options trading to be responsible for approving customer accounts to trade in options and for establishing and maintaining procedures acceptable to the Corporation for the supervision of account activity involving options, to ensure that the handling of customer business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the interests of the securities industry;
- (c) The Supervisor designated under Rule 1900.2(a) or another Supervisor qualified to supervise options trading must approve each customer account of the Dealer Member for trading in options before the customer's first trade in options;

RULE 2400

RELATIONSHIPS BETWEEN DEALER MEMBERS AND FINANCIAL SERVICES ENTITIES:

SHARING OF OFFICE PREMISES

Minimum Standards for Shared Premises

7. Supervision

- (b) Adequate resources and appropriate systems – The Dealer Member must have written procedures and systems in place for the supervision of shared office premises reasonably designed to ensure that representatives adhere to the provisions contained in this Rule in order that clients are not confused as to with which entity they are dealing. The Dealer Member must have sufficient supervisory resources allocated at head office and at the shared office premises to effectively implement supervisory procedures required under this Rule. The Dealer Member must have a program for communicating the provisions in this Rule to the representatives at the shared office premises and ensuring that the provisions are understood and implemented.

RULE 2500

MINIMUM STANDARDS FOR RETAIL CUSTOMER ACCOUNT SUPERVISION

Introduction

- (c) The compliance with the know-your-client rule and suitability of investment requirements is primarily the responsibility of the Registered Representative. The supervisory standards in this Rule relating to know-your-client and suitability are intended to provide Supervisors with guidelines on how to monitor the handling of these responsibilities by the Registered Representative.

I. Establishing and Maintaining Procedures, Delegation and Education

Introduction

Effective self-regulation begins with the Dealer Member establishing and maintaining a supervisory environment which fosters the business objectives of the Dealer Member and enables the Dealer Member to meet regulatory requirements and its obligations to its customers. To that end a Dealer Member must establish and maintain procedures which are supervised by qualified individuals. A major aspect of self-regulation is the ongoing education of staff in all areas of business conduct.

A. Establishing Procedures

1. A Dealer Member must:
 - (a) appoint Supervisors and supervisory personnel who have the necessary knowledge of industry regulations and Dealer Member policy to properly perform their duties;
 - (b) maintain written policies and procedures to document supervision requirements; and
 - (c) supply written instructions to all Supervisors and alternates to advise them on what is expected of them.
2. A Dealer Member must have a procedure establishing the approval process for new policies and procedures. Those having a significant impact on the Dealer Member's compliance system should be approved by senior management.

B. Maintaining Procedures

1. A Dealer Member must have a reasonable process to review the efficacy of its business conduct procedures and practices and rectify any deficiencies identified.

C. Risk-based procedures

1. A Dealer Member may select accounts for review on the basis of risk-based procedures, taking into account factors such as the size of account, nature of the trading, products traded, volume of activity, commissions generated or Approved Persons advising the customer.
2. A Dealer Member must document the basis used for selecting accounts for review in its policies and procedures.
3. The procedures for selecting accounts for review must be applied consistently across retail accounts.
4. At a minimum, a Dealer Member must conduct enhanced supervision of trading by Approved Persons who have had a history of questionable conduct. Evidence of such conduct can include trading activity that frequently raises questions in account reviews, frequent or serious client complaints, regulatory investigations, frequent account credit problems or failure to take appropriate remedial action on account problems identified.

D. Delegation

1. Supervisors may delegate tasks but not responsibility.
2. A Dealer Member must advise Supervisors of those specific functions that cannot be delegated.
3. The Supervisor delegating the task must ensure that these tasks are being performed adequately and that exceptions are brought to his or her attention.
4. Those to whom tasks are delegated must have the qualifications to perform them and should be advised in writing what is expected.

E. Education

1. A Dealer Member must provide all sales and supervisory personnel with the current sales practices and policies relevant to their functions. The provision can be done through access to electronic systems on which

the policies and procedures are maintained, in which case personnel must be trained on use of the systems. A Dealer Member should obtain and record acknowledgements from all sales and supervisory personnel that they have read and understood the policies and procedures relevant to their responsibilities.

2. A Dealer Member must provide introductory and continuing education to all Approved Persons on the Dealer Member's policies and procedures and any relevant changes to them.
3. A Dealer Member must communicate information contained in compliance-related bulletins from the Corporation and other SROs and Regulatory Organizations to all sales and other Approved Persons to whom it is relevant. A Dealer Member must maintain procedures relating to the method and timing of distribution of compliance-related bulletins.

F. Records

1. A Dealer Member must maintain records of supervisory review for seven years.
2. A Dealer Member must maintain the records in a manner that permits them to be provided to the Corporation promptly for the first two years after its creation and within a reasonable time thereafter.
3. The evidence must record who conducted the review and when, inquiries made, replies received and actions taken.

II. Opening New Accounts

Introduction

To comply with the "Know-Your-Client" rule each Dealer Member must establish procedures to maintain accurate and complete information on each client. The first step towards compliance with this rule is completing proper documentation when opening new accounts. Accurate completion of the documentation when opening a new account allows both the Registered Representative and the supervisory staff to conduct the necessary review to ensure that recommendations made for any account are appropriate for the client and in keeping with his investment objectives. Maintaining accurate and current documentation will allow the Registered Representative and the supervisory staff to ensure that all recommendations made for any account are appropriate for the client and in keeping with the client's investment objectives.

"Know-Your-Client" procedures must also be directed at meeting a Dealer Member's gatekeeper obligations by identifying clients that present a high risk of conducting improper activities in the securities markets. For example, if a Dealer Member is concerned about a client's reputation, the Dealer Member must make all reasonable inquiries to resolve the concern. This includes making a reasonable effort to determine, for example, the nature of the client's business. Dealer Members should refuse to accept instructions from clients who, in the Dealer Member's judgment, are engaged in illegal, unfair or abusive trading activities. "Know-Your-Client" procedures must also meet the requirements of anti-money laundering and terrorist financial legislation and regulations.

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III. Account Supervision Generally

Introduction

Rule 38.1 requires a Dealer Member to implement systems of supervision and control to ensure that is reasonably designed to achieve compliance with the Rules and Rulings of the Corporation and all other laws, regulations and policies applicable to the Dealer Member's securities and commodity futures business. This section provides guidance on the means used by Dealer Members to meet that requirement with respect to retail customer accounts.

A. Supervisory Structure

1. In maintaining a supervisory structure and appointing Supervisors, a Dealer Member must take into consideration all factors necessary to ensure the adequacy of the supervision, including the products traded, type of trading, location of business and other functions of Supervisors.
2. Where the Dealer Member conducts retail business in business locations outside its Head Office, it should consider the following:

- A resident Supervisor is in the best position to know the Registered Representatives in the office, know or meet many of the clients, understand local conditions and needs, facilitate business through the timely approval of new accounts and respond immediately to questions or problems. However, a Dealer Member may determine to what extent a resident Supervisor is necessary, considering factors such as:
 - The number of Registered Representatives in the location
 - The experience of Registered Representatives in the location
 - The nature of the business conducted in the location
 - The availability of a Supervisor or Supervisors in nearby locations
 - Other systems and controls mitigating the risk of remote supervision
 - Where a business location does not have a Supervisor working in the office, it must have an outside Supervisor assigned to it. A Dealer Member's policies and procedures and the instructions to the outside Supervisor must include provision for periodic visits to the location by the Supervisor as necessary to ensure that business is being conducted properly at the location.
3. While it is not always possible in a very small firm, a Dealer Member should ensure independent supervision of all retail accounts. A Supervisor's advice and trades for his or her own clients should be supervised by another Supervisor.
 4. A Dealer Member must ensure that a Supervisor who advises and trades for his or her own clients devotes sufficient time and attention to his or her supervisory role.
 5. A Dealer Member must ensure that Supervisors are qualified to supervise trading activity in all products traded by those under his or her supervision and any other services that they provide to Retail Customers. Where the Supervisor is not so qualified, the Dealer Member may divide the supervision between two or more Supervisors, but must ensure that there are appropriate mechanisms for them to communicate with one another, that the system ensures that the Dealer Member maintains an overall view of the client's situation and activity and that the assignment of responsibilities is clear and complete. One acceptable mechanism for doing so is the appointment of a primary Supervisor to whom the other Supervisor(s) provide advice with regard to the activity in the products or services the primary Supervisor is not qualified to supervise.
 6. A Dealer Member's supervisory system must provide Supervisors with the information necessary to properly conduct their supervision. For account reviews this includes readily accessible client information and full information about account activity including relevant non-trade activity such as receipts, deliveries, deposits, withdrawals and journal entries.
 7. A Dealer Member's supervisory system must provide for back-up during the absence of responsible Supervisors. For any prolonged absence of a Supervisor, the back-up Supervisor should be advised as necessary of any ongoing issues or concerns as necessary to provide proper supervision.
 8. A Dealer Member must have systems of supervision and review to ensure that Supervisors are properly fulfilling their supervisory functions. This requirement can be met by a two-tiered system of first and second level reviews as described in this policy.
 9. A Supervisor must have sufficient authority to take effective and timely remedial action where account activity or any other matter under his or her supervision falls or appears to fall outside the bounds of proper conduct, just and equitable principles of trade or good business practice. Escalation for a decision by a more senior Supervisor or Executive will be considered an acceptable form of action.

B. Supervision of Account Activity

A Dealer Member must have systems and procedures to supervise trading activity in retail accounts. The supervision must provide reasonable assurance that the Dealer Member is meeting its regulatory obligations, including those to clients such as suitability and gatekeeper obligations such as preventing market abuses. The following principles should be taken into consideration:

1. Reviews may be conducted on a pre-trade or post-trade basis. A properly crafted pre-trade review process may obviate or lessen the need for post-trade reviews.
2. Review procedures must cover all accounts. Where a Dealer Member offers both commission and fee-based accounts, it cannot select accounts for review solely on the basis of commission levels; it must also have a procedure for selecting fee-based accounts for review.
3. Reviews procedures must be able to identify patterns of activity that are not apparent by reviewing trades singly. For example, a review of trading over a longer period may raise questions about the overall level of activity even though each trade, looked at singly, appears to be suitable for the client.
4. Reviews must encompass non-trade issues such as late payment, margin problems, trade cancellations or transfers and flows of funds or securities that might be suspicious of money laundering.
5. The selection of activity for post-trade review may be done using a risk-based approach reasonably designed to detect improper activity. A risk-based approach can be used to determine the period of activity to be reviewed. For example, in some cases it may be appropriate to conduct longer-term reviews of monthly activity; in others they may consider shorter or longer periods.
6. Reviews must take into consideration, and reviewers must have access to, information about customers that may reasonably be assessed as presenting a higher risk of improper market activity such as those known by the Dealer Member to have access to material non-public information about issuers, holders of control blocks of public issuers and market professionals.
7. All account activity of employees and agents should be subject to review.
8. Reviews must be done on a timely basis, as established in the Dealer Member's policies and procedures. The timing should be reasonably designed to identify as early as possible matters requiring supervisory attention.
9. It is acceptable to use computer analysis to assist in selecting activity to be reviewed.

IV. Two-Tier Reviews

In a Dealer Member with multiple business locations conducting Retail Customer account activity, a two-tier system of post-trade activity reviews as described in this section is an acceptable structure.

The first level review will normally be conducted by a Supervisor at each business location having a resident Supervisor. Such reviews may also be carried out on a regional basis or at a Dealer Member's head office provided that the systems and resources to conduct the review are available at the regional or head office and that the Dealer Member has adequate systems and procedures for dealing with any issues identified.

The second-tier review will normally be conducted at the Dealer Member's Head Office, but may also be done regionally. The second level of supervision is generally not at the same depth as first level supervision. It should and be reasonably designed to identify serious account problems, including all those listed regarding first level reviews, that may have been missed by the first level supervision and ensure that first level supervision is being adequately conducted.

Where second level reviews are conducted by personnel or a department responsible only for monitoring activity, the Dealer Member should have procedures for referring issues that cannot be resolved with first level Supervisors to a higher level Supervisor who has the authority to resolve them.

A. First-Tier Daily Reviews

A first-tier review examines the previous day's trading using means described in the Dealer Member's procedures to attempt to detect the following:

- unsuitable trading;
- undue concentration of securities in a single account or across accounts;
- excessive trade activity;

- trading in restricted securities;
- conflict of interest between Registered Representative and client trading activity;
- excessive trade transfers, trade cancellations etc. indicating possible unauthorized trading;
- inappropriate / high risk trading strategies;
- quality downgrading of client holdings;
- excessive / improper crosses of securities between clients;
- improper employee trading;
- front running;
- account number changes;
- late payment;
- outstanding margin calls;
- violation of any internal trading restrictions ;
- undisclosed short sales;
- manipulative or deceptive trading;
- insider trading.

B. First-Tier Monthly Reviews

1. A first-tier monthly review should encompass the areas of concern as described in subsection IV.A for daily activity reviews.
2. It may not be possible to review each statement produced. A first-tier monthly review starts with the selection, on a basis reasonably designed to detect improper account activity, of Retail Customer accounts to be reviewed. A Dealer Member can meet this obligation by reviewing the activity of all customers charged gross commissions of \$1,500 or more for the month.
3. A first-tier monthly review should include all non-client accounts showing any activity other than receipt of dividends or interest or payment of interest.
4. This review should be completed within 21 days of the period covered unless precluded by unusual circumstances.

C. Second-Tier Daily Reviews

1. Daily reviews should cover the following:
 - trades meeting criteria established in the Dealer Member's policies and procedures. For this purpose, the following meet the requirement:
 - stock trades with a value over \$5,000 and a price under \$5.00 per share;
 - stock trades with value over \$20,000 and a price at or over \$5.00 per share;
 - bond trades over \$100,000 value per trade;
 - non-client trading;
 - client accounts of producing Supervisor;

- all client accounts not reviewed by a Supervisor;
 - trade cancellations;
 - trading in restricted accounts;
 - trading in suspense accounts;
 - account number changes;
 - late payment;
 - outstanding margin calls.
2. Daily reviews should be completed no later than the business day following the activity unless precluded by unusual circumstances.

D. Second-Tier Monthly Reviews

1. A Dealer Member must select accounts for second-tier review based on criteria established in its policies and procedures. This requirement can be met using the following criteria:
- accounts of customers charged more than \$3,000 in commission during the month;
 - accounts of, all customers and non-clients charged more than \$1,500 in commission during the month that were not subject to a first level review by the normal first level Supervisor, including the customer accounts of producing first-tier Supervisors.
2. Monthly reviews should be completed within 21 business days of the period covered unless precluded by unusual circumstances.

E. Other Activity

In addition to transactional activity, a Dealer Member must have systems and procedures designed to identify, deal with and keep first level Supervisors informed about other client related matters such as:

- client complaints;
- cash account violations;
- transfers of funds and securities between unrelated accounts or between non-client and client accounts or deposits from non-client to client accounts;
- trading while under margined.

V. Option Account Supervision

Introduction

A Dealer Member dealing in options or Exchange traded commodity or index warrants must appoint a Supervisor (the "Designated Options Supervisor") qualified to supervise options trading to have overall responsibility for the opening of new option accounts and the supervision of account activity. The Designated Options Supervisor must ensure that the Dealer Member implements policies and procedures reasonably designed to ensure that all recommendations made for any account are and continue to be appropriate for the customer and in keeping with his or her investment objectives. In addition, a Dealer Member should, where the level of options trading activity warrants it, have a qualified Supervisor to assist in supervisory activities and to carry out the functions of the Designated Options Supervisor in his or her absence. All supervisory procedures regarding options must be conducted by options qualified Supervisors.

A. Account Opening and Approval

3. The Designated Options Supervisor or another options qualified Supervisor must approve all accounts to trade in options and their approval and the date of approval must be recorded.

4. The approving Supervisor must determine whether the risk characteristics of the strategies the customer intends to use are appropriate for the customer and in keeping with his or her investment objectives and risk tolerance. If they are not, the approving Supervisor should restrict the account from using inappropriate strategies and note with the option account approval any trading restrictions imposed. The Supervisor must ensure that the Registered Representative handling the account is aware of any restrictions.

B. Activity Reviews

1. A Dealer Member's supervisory procedures must include reviews of option trading activity for suitability, exceeding position or exercise limits, concentration, commission activity, and exposure of uncovered positions.
2. A two-tier post-trade review system using the following criteria is not mandatory but will be deemed to meet the review requirement:
 - Daily first-tier review of all option trading activity;
 - Daily second-tier review of opening option trading activity in excess of ten contracts in any one account.

C. Monthly Reviews

Accounts must be selected for monthly first- and second-tier reviews of account using criteria reasonably designed to detect improper activity. For accounts that trade in equities and fixed income products as well as options, it may be appropriate to use the criteria described in Section IV.D. For accounts in which the trading is more concentrated in options, the criteria should take into account the risks related to the type of strategies being used.

D. Other Options Policies and Procedures

A Dealer Member's policies and procedures must include, where applicable:

1. The Designated Options Supervisor's involvement in the approval and daily and monthly reviews of any discretionary managed accounts trading in options. The Designated Options Supervisor need not conduct such reviews but should be aware of the use of options in discretionary or managed accounts and exercise heightened care to ensure that it is conducted and supervised properly.
2. Procedures to ensure clients are notified of impending expiry dates.
3. Procedures to ensure the dissemination of information on new developments in the trading and regulation of options in a prudent and appropriate manner; and the dissemination to all clients of any changes in a firm's business policy.
4. Procedures for notifying clients of significant changes in options contracts in which they have open positions resulting from changes to the underlying security.
5. Procedures to ensure that only qualified Registered Representatives or Investment Representatives engage in trading in or advising on options and that they do so only after the Corporation has been notified as required in Rule 18.
6. Procedures to review and approve advertising and sales literature relating to options. The Designated Options Supervisor need not conduct such reviews but should be aware of the use of advertising or sales literature and exercise heightened care to ensure that it is prepared and supervised properly.
7. Procedures requiring the review and approval of the use of and solicitation of clients to use option programmes.

VI. Future and Futures Options Account Supervision

Introduction

A Dealer Member dealing in futures contracts and futures contract options must designate a Supervisor qualified to supervise futures contract and futures contract options trading (the "Designated Futures Supervisor") to have overall responsibility for the opening of new futures and futures options accounts and the supervision of account activity. The

Designated Futures Supervisor must ensure that the Dealer Member implements policies and procedures reasonably designed to ensure that all recommendations made for any account are and continue to be appropriate for the client and in keeping with his or her investment objectives. In addition, a Dealer Member should, where the level of futures and futures options trading activity warrants it, have a qualified Supervisor to assist in supervisory activities and to carry out the functions of the Designated Futures Supervisor in his or her absence. All supervisory procedures regarding futures and futures options must be conducted by futures and futures options qualified Supervisors.

A. Account Opening and Approval

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2. The Designated Futures Supervisor or another futures qualified Supervisor must approve all accounts and their approval and the date of approval must be recorded before any trading.
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4. The approving Supervisor must determine whether the risk characteristics of the futures contracts or futures contract options and strategies the customer intends to use are appropriate for the customer and in keeping with his or her investment objectives and risk tolerance. If they are not, the approving Supervisor should restrict the account from using inappropriate contracts or strategies and record with the futures account approval any trading restrictions imposed. The approving Supervisor must ensure that the Registered Representative handling the account is aware of any restrictions.
5. A Dealer Member's futures account application or futures account agreement must include, other than for a hedging account, a risk limit for futures trading indicating the maximum amount of cumulative loss the client can afford to sustain. The maximum loss can be stated on a lifetime basis or on an annual basis. If the loss limit is stated on an annual basis, the Dealer Member must have a procedure to update it annually and the Designated Futures Supervisor or a Supervisor qualified to supervise futures must review and approve the updated loss limit and ensure that it takes into account any previously accumulated losses.

B. Supervision

A Dealer Member's supervisory procedures must be reasonably designed to detect improper activity such as the following:

- excessive day trading resulting in trading large numbers of contracts;
- trading while under margin;
- trading without approval of the account;
- trading beyond margin or credit limits;
- cumulative losses exceeding risk limits;
- unsuitable trading;
- inappropriate trading strategies;
- position and exercise limits;
- front running;
- conflicts of interest;
- excessive commission activity;
- speculative trading in hedge accounts;
- exposure to delivery through holding contracts into delivery month;
- excessive risk or loss to account guarantors.

C. Other Futures Policies and Procedures

A Dealer Member's policies and procedures must include where applicable:

1. The Designated Futures Supervisor's involvement in the approval and daily and monthly reviews of discretionary or managed futures or futures options accounts. The Designated Futures Supervisor should approve any use of discretionary authority in a futures account.
2. A monthly review of the financial performance of each discretionary account by the Designated Futures Supervisor or a Supervisor qualified in futures contracts acting under the Designated Futures Supervisor's supervision.
3. Procedures to ensure that positions with pending delivery months are handled properly.
4. Procedures to ensure the dissemination of information on new developments in the trading and regulation of futures contracts, such as changes in minimum margin requirements, in a prudent and appropriate manner; and the dissemination to all clients of any changes in a firm's business policy.
5. Procedures to ensure that only qualified Registered Representatives engage in trading in or advising on futures contracts or futures contracts options and that they do so only after the Corporation has been notified as required in Rule 18.
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7. Procedures requiring the review and approval of the use and solicitation of clients to use futures programmes.

VII. Discretionary Account Supervision

Introduction

Simple discretionary accounts are accounts where the discretionary authority has not been solicited and which are designed to accommodate customers who are frequently or temporarily unavailable to authorize trades.

A Dealer Member must consent to accepting discretionary accounts and have the proper documentation and supervisory procedures in place to handle such accounts.

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B. Entry of Orders

1. A Supervisor must approve any discretionary order for a discretionary account handled by a Registered Representative prior to the order being entered unless:
 - the Registered Representative is qualified to provide discretionary management services and the Dealer Member has notified the Corporation that he or she provides those services, or
 - the Registered Representative is also an approved Executive.

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C. Account Supervision

1. The Supervisor designated under Rule 1300.4(a) must review discretionary orders entered by an Executive no later than next day unless the Executive is also a Registered Representative qualified to provide discretionary management services and the Dealer Member has notified the Corporation that he or she provides those services.

VIII. Client Complaints

Each Dealer Member must establish policies and procedures to deal effectively with client complaints. Such policies and procedures must comply with Rule 2500B regarding client complaint handling, and also address complaints that may fall outside the scope of Rule 2500B. All complaints made in writing must be provided with a written response from Dealer Members.

RULE 2500B

CLIENT COMPLAINT HANDLING

1. Introduction

This rule establishes minimum requirements for the client complaint handling process including timely complaint resolution, record retention, and internal discipline. Clients who are considered to be institutional clients pursuant to Rule 2700 are not subject to this rule. There are additional requirements set out in Rule 3100 that are also applicable to the processes of handling client complaints.

2. General

A "complaint" subject to this rule must be submitted by a client or a person authorized to act on behalf of a client and includes:

- A recorded expression of dissatisfaction with a Dealer Member or employee or agent alleging misconduct; and
- A verbal expression of dissatisfaction with a Dealer Member or employee or agent alleging misconduct where a preliminary investigation indicates that the allegation may have merit.

Alleged misconduct includes, but is not limited to, allegations of breach of confidentiality, theft, fraud, misappropriation or misuse of funds or securities, forgery, unsuitable investments, misrepresentation, unauthorized trading relating to the client's account(s), other inappropriate financial dealings with clients and engaging in securities related activities outside of the Dealer Member.

Complaints are to be handled by sales supervisors or compliance staff (or the equivalent) and a copy must be filed with the compliance department / function (or the equivalent) of the Dealer Member.

A matter which is the subject of a civil claim or arbitration is not considered a "complaint" for the purposes of this rule.

3. Designated complaints officer

The Dealer Member must appoint an individual to act as the designated complaints officer. The individual must have the requisite experience and authority to oversee the complaint handling process and to act as a liaison with the Corporation.

4. Complaint procedures / standards

Establish written procedures for dealing with complaints

Dealer Members must have written policies and procedures to ensure that complaints are dealt with effectively, fairly and expeditiously. Such policies and procedures must address the following:

- the fair and thorough investigation of the complaint;
- the process by which an assessment is made regarding the merit of the complaint;
- where the complaint is determined to have merit, the process to be followed in determining what offer should be made to the client; and
- the remedial actions which may be appropriate to be taken within the firm.

Policies and procedures must not allow for complaints to be dismissed without due consideration of the facts of each case. There must be a balanced approach to dealing with complaints that objectively considers the interests of the complainant, the Dealer Member, the registered representative, employee or agent of the Dealer Member, and/or any other relevant parties. Each Dealer Member must ensure that registered representatives and their supervisors are made aware of all complaints filed by their clients.

Each Dealer Member must put procedures in place so that its senior management is made aware of complaints of serious alleged misconduct and of all legal actions.

Dealer Members must have policies and procedures in place to monitor the general nature of complaints. When a Dealer Member reasonably determines that the number and / or severity of complaints is significant, or when a Dealer Member detects frequent and repetitive complaints made with respect to the same matter which may on a cumulative basis indicate a serious problem, then internal procedures and practices must be reviewed, with recommendations to be submitted to the appropriate management level to remedy any such systemic or recurring matters.

Client access to complaint process

At time of account opening, Dealer Members must provide new clients with:

- a written summary of the Dealer Member's complaint handling procedures, which is clear and can be easily understood by clients; and
- a copy of a Corporation approved complaint handling process brochure.

On an ongoing basis, Dealer Members must make available to their clients (either on their website or by other means) a written summary of the Dealer Member's complaint handling procedures, so that clients can stay informed on how to submit a complaint.

Complaint acknowledgement letter

The Dealer Member must send an acknowledgement letter to the complainant within five (5) business days of receipt of a complaint.

The acknowledgement letter must include the following:

- (a) The name, job title, and full contact information of the individual at the Dealer Member handling the complaint;
- (b) A statement indicating that the client should contact the individual at the Dealer Member handling the complaint if he / she would like to inquire about the status of the complaint;
- (c) An explanation of the Dealer Member's internal complaint handling process, including but not limited to the role of the designated complaints officer;
- (d) A reference to an attached copy of a Corporation approved complaint handling process brochure and a reference to the statutes of limitations contained in the document;
- (e) The ninety (90) calendar days timeline to provide a substantive response to complaints; and
- (f) A request for any information reasonably required to investigate the complaint.

Complaint substantive response letter

The Dealer Member must send a substantive response letter to the complainant. The substantive response letter must be accompanied by a copy of a Corporation approved complaint handling process brochure.

Dealer Members must respond to client complaints as soon as possible and no later than ninety (90) calendar days from the date of receipt by the firm. The ninety (90) days timeline must include all internal processes (with the exception of any internal ombudsman processes offered by an affiliate of the firm) of the Dealer Member that are made available to the client. The client must be advised if he / she is not to receive a final response within the ninety (90) days time frame, including the reasons for the delay and the new estimated time of completion.

The Dealer Member is required to advise the Corporation if it is unable to meet the ninety (90) days timeline and must provide reasons for the delay.

The substantive response must be presented in a manner that is fair, clear and not misleading to the client, and must include the following information:

- (a) A summary of the complaint;
- (b) The results of the Dealer Member's investigation;
- (c) The Dealer Member's final decision on the complaint, including an explanation; and

- (d) A statement describing to the client the options available if the client is not satisfied with the Dealer Member's response, including:
 - (i) arbitration;
 - (ii) if a request is made within 180 days from the date of the Dealer Member's final response, the ombudsperson service (i.e. the Ombudsman for Banking Services and Investments);
 - (iii) submitting a regulatory complaint to the Corporation for an assessment of whether disciplinary action is warranted;
 - (iv) litigation / civil action; and
 - (v) other applicable options.

In addition, where an internal ombudsman process is offered by an affiliate of the Dealer Member, the Dealer Member must disclose in the substantive response letter:

- (a) that the use of the internal ombudsman process is voluntary; and
- (b) the estimated length of time the process is expected to take based on historical data..

Duty to assist in client complaint resolution

Approved Persons must co-operate with Dealer Members where they were employed or acted as agent when moving to a different firm after events or activities resulted in a client complaint.

Dealer Members must co-operate with each other if events relating to a complaint took place at more than one Dealer Member or the Approved Person is an employee or agent of another Dealer Member.

5. Settlement agreements

A release entered into between a Dealer Member and a client may not impose confidentiality or similar restrictions aimed at preventing a client from initiating a complaint to the securities regulatory authorities, self regulatory organizations or other enforcement authorities, or continuing with any pending complaint in progress, or participating in any further proceedings by such authorities.

6. Complaint record retention

The complaint file must be maintained for seven (7) years and retrievable within a reasonable period of time.

Each Dealer Member must keep an up-to-date record in a central, readily accessible place of all recorded submissions and follow-up documentation received by it relating to the conduct, business, and affairs of the Dealer Member, or an employee or agent of the Dealer Member for a period of two (2) years from the date of receipt of the complaint.

The following information must be retained for each complaint:

- (a) The complainant's name;
- (b) The date of the complaint;
- (c) The nature of the complaint;
- (d) The name of the individual who is the subject of the complaint;
- (e) The security or services which are the subject of the complaint;
- (f) The materials reviewed in the investigation;
- (g) The name, title, and date individuals were interviewed for the investigation; and
- (h) The date and conclusions of the decision rendered in connection with the complaint.

7. Internal Discipline

Each Dealer Member must establish procedures to ensure that breaches of the Rules of the Corporation as well as applicable securities legislation are subjected to appropriate internal disciplinary measures.

RULE 2600

INTERNAL CONTROL POLICY STATEMENTS

INTERNAL CONTROL POLICY STATEMENT 1

GENERAL MATTERS

- (v) Industry practice.

Determining whether internal control is adequate is a matter of judgement. However, internal control is not adequate if it does not reduce to a relatively low level the risk of failing to meet control objectives stated in this series of Policy Statements and, as a consequence, one or more of the following conditions has occurred or could reasonably be expected to do so:

- (i) A Dealer Member is inhibited from promptly completing securities transactions or promptly discharging the Dealer Member's responsibilities to clients, to other brokers, or to the industry;
- (ii) Material financial loss is suffered by the Dealer Member, clients or the industry;
- (iii) Material misstatements occur in the Dealer Member's financial statements;
- (iv) Violations of regulations occur to the extent that could reasonably be expected to result in the conditions described in (i) to (iii) above.

Other Policy Statements in this series set out control objectives, required and recommended firm policies and procedures and indications that internal control is not adequate. While recommended firm policies and procedures will be appropriate in many cases to meet the stated objectives, they constitute merely one of a number of methods which Dealer Members may utilize. It is recognized that Dealer Member firms may conduct their business in compliance with legal and regulatory requirements although they may employ procedures which differ from the recommended firm policies and procedures contained in the Policy Statements. The information is designed to provide guidance to Dealer Member firms in the preparation of procedures tailored to the specific needs of their individual environment in meeting the stated control objectives.

Dealer Members must maintain a detailed written record which as a minimum should include the specific policies and procedures approved by senior management to comply with these Internal Control Policy Statements. These policies and procedures must be reviewed and approved in writing by senior management at least annually, or more frequently as the situation arises, for their adequacy and suitability. One method of documentation is to note on a copy of this Statement the recommended policies and procedures which have been selected, and details of their performance such as who performs them, when, and how performance is evidenced. Other forms of documentation, such as procedures manuals, flow charts and narrative descriptions are recommended.

RULE 2700

MINIMUM STANDARDS FOR INSTITUTIONAL CUSTOMER ACCOUNT OPENING, OPERATION AND SUPERVISION

Introduction

This Rule covers the opening, operation and supervision of Institutional Customer accounts, which are accounts for investors that are not individuals who meet the requirements of the definition herein.

This document sets out minimum standards governing the opening, operation and supervision of Institutional Customer accounts.

Pursuant to Rule 38, the Dealer Member must provide adequate resources and qualified supervisors to achieve compliance with these standards.

Adherence to the minimum standards requires that a Dealer Member have in place procedures to properly open and operate Institutional Customer accounts and monitor their activity. Following these minimum standards, however, does not:

- (a) relieve a Dealer Member from complying with specific SRO by-laws, rules, regulations and policies and securities or other legislation applicable to particular trades or accounts; (e.g. best execution obligation, restrictions on short selling, order designations and identifiers, exposure of customer orders, trade disclosures);
- (b) relieve a Dealer Member from the obligation to impose higher standards where circumstances clearly dictate the necessity to do so to ensure proper supervision; or
- (c) preclude a Dealer Member from establishing higher standards.

Any account other than an Institutional Customer account governed by these standards will be governed by the Minimum Standards for Retail Account Supervision (Rule 2500).

A Dealer Member may, with the written approval of the Corporation, establish policies and procedures that differ from this Rule, provided that, in the opinion of the Corporation, the Dealer Member's policies and procedures are appropriate to supervise trading of its Institutional Customers.

I. Customer Suitability

1. When dealing with an Institutional Customer, a Dealer Member must make a determination whether the customer is sufficiently sophisticated and capable of making its own investment decisions in order to determine the level of suitability owed to that Institutional Customer. Where a Dealer Member has reasonable grounds for concluding that the Institutional Customer is capable of making an independent investment decision and independently evaluating the investment risk, then a Dealer Member's suitability obligation is fulfilled for that transaction. If no such reasonable grounds exist, then the Dealer Member must take steps to ensure that the Institutional Customer fully understands the investment product, including the potential risks.
2. In making a determination whether a customer is capable of independently evaluating investment risk and is exercising independent judgment, relevant considerations could include:
 - (a) any written or oral understanding that exists between a Dealer Member and its customer regarding the customer's reliance on the Dealer Member;
 - (b) the presence or absence of a pattern of acceptance of the Dealer Member's recommendations;
 - (c) the use by a customer 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;
 - (d) the use of one or more investment dealers, portfolio managers, investment counsel or other third party advisors;
 - (e) the general level of experience of the customer in financial markets;
 - (f) the specific experience of the customer with the type of instrument(s) under consideration, including the customer's ability to independently evaluate how market developments would affect the security and ancillary risks such as currency rate risk; and
 - (g) the complexity of the securities involved.
3. A Dealer Member has no suitability obligation under Section I.1 and is not required to make a determination required under Section I.2 when the Dealer Member executes a trade on the instructions of another Dealer Member, a portfolio manager, investment counsel, exempt market dealer, bank, trust company or insurer.
4. A Dealer Member has no suitability obligation under Section I.1 and is not required to make a determination required under Section I.2 when the Dealer Member executes a trade on the instructions of an Institutional Customer that:

- (a) is also a “permitted client”, as defined in National Instrument 31-103;
- (b) is not a customer described in Section 1.3; and
- (c) has waived, in writing, the protections offered to them under Sections 1.1 and 1.2.

II. New Account Documentation and Approval

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- 3. Each new account must be approved by a Supervisor who is Department Head or his or her designate prior to the initial trade or promptly thereafter. Such approval must be recorded in writing or auditable electronic form.
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III. Establishing and Maintaining Procedures, Delegation and Education

Introduction

Effective self-regulation begins with the Dealer Member establishing and maintaining a supervisory environment which fosters both the business objectives of the Dealer Member and maintains the self-regulatory process. To that end, a Dealer Member must establish and maintain procedures which are supervised by qualified individuals.

A. Establishing Procedures

- 1. A Dealer Member must appoint a Designated Supervisor, who has the necessary knowledge of industry regulations and Dealer Member policy to properly establish procedures reasonably designed to ensure adherence to regulatory requirements and to supervise Institutional Customer Accounts.
- 2. Written policies must be established to document and communicate supervisory requirements.
- 3. All alternate Supervisors must be advised of and adequately trained for their supervisory roles.
- 4. All policies established or amended should have senior management approval.

B. Maintaining Procedures

- 1. Evidence of supervisory reviews must be maintained for seven years and on-site for one year.
- 2. A periodic review of supervisory policies and procedures should be carried out by the Dealer Member to ensure they continue to be effective and reflect any material changes to the businesses involved.

C. Delegation of Procedures

- 1. Tasks and procedures may be delegated but not responsibility.
- 2. The Supervisor delegating the task must take steps designed to ensure that these tasks are being performed adequately and that exceptions are brought to his/her attention.
- 3. Those to whom tasks are delegated must have the qualifications to perform them and should be advised in writing what is expected.

D. Education

- 1. The Dealer Member’s current sales practices and policies must be made available to all sales and supervisory personnel. Dealer Members should obtain and record acknowledgements from all sales and supervisory personnel that they have received, read and understood the policies and procedures relevant to their responsibilities.
- 2. A major aspect of self-regulation is the ongoing education of staff. The Dealer Member is responsible for appropriate training of institutional sales and trading staff, as well as ensuring that Continuing Education requirements are being met.

E. Compliance Monitoring Procedures

Dealer Members must establish compliance procedures for monitoring and reporting adherence to rules, regulations, requirements, policies and procedures. A compliance monitoring system should be reasonably designed to prevent and detect violations. The compliance monitoring system will ordinarily include a procedure for reporting results of its monitoring efforts to management and, where appropriate, the board of directors or its equivalent.

IV. Supervision of Accounts

A. Policies and Procedures

1. Dealer Members must implement policies and procedures for the supervision and review of activity in the accounts of Institutional Customers. Such procedures may include periodic reviews of account activity, exception reports or other means of analysis.
2. The policies and procedures may vary depending on factors including, but not limited to, the type of product, type of customer, type of activity or level of activity.
3. The policies and procedures should outline the action to be taken to deal with problems or issues identified from supervisory reviews.

B. Account Activity Detection

The supervisory procedures and the compliance monitoring procedures should be reasonably designed to detect account activity that is or may be a violation of applicable securities legislation, requirements of any self-regulatory organization applicable to the account activity and the rules and policies of any marketplace on which the account activity takes place, and would include the following:

1. Manipulative or deceptive methods of trading;
2. Trading in restricted list securities;
3. Employee or proprietary account front running;
4. Exceeding position or exercise limits on derivative products; and
5. Transactions raising a suspicion of money laundering or terrorist financing activity.

V. Client Complaints

1. Each Dealer Member must establish procedures to deal effectively with client complaints.
 - (a) The Dealer Member must acknowledge all written client complaints.
 - (b) The Dealer Member must convey the results of its investigation of a client complaint to the client in due course.
 - (c) Client complaints involving the sales practices of a Dealer Member, its partners, Directors, Officers or employees must be in writing and signed by the client and then handled by sales supervisors or compliance staff. Copies of all such written submissions must be filed with the compliance department of the Dealer Member.
 - (d) Each Dealer Member must ensure that Registered Representatives and their Supervisors are made aware of all complaints filed by their clients.
2. All pending legal actions must be made known to head office.
3. Each Dealer Member must put procedures in place so that senior management is made aware of complaints of serious misconduct and of all legal actions.
4. Each Dealer Member must maintain an orderly record of complaints together with follow-up documentation for regular internal/external compliance reviews. This record must cover the past two years at least.

5. Each Dealer Member must establish procedures to ensure that breaches of the by-laws, regulations, rules and policies of the SROs as well as applicable securities legislation are subjected to appropriate internal disciplinary procedures.
6. When a Dealer Member finds complaints to be a significant factor, internal procedures and practices should be reviewed, with recommendations for changes to be submitted to the appropriate management level.

RULE 3100

REPORTING AND RECORDKEEPING REQUIREMENTS

Introduction

This Rule establishes minimum requirements concerning information that registrants are required to report to Dealer Members and information that Dealer Members are required to report to the designated self-regulatory organization ("SRO").

Dealer Members and registrants should also refer to the Uniform Application for Registration/Approval (or any form replacing the Uniform Application for Registration/Approval), which also sets out information that Dealer Members and registrants must report to their designated SRO.

Definitions

For the purposes of this Rule:

"business days" means a day other than Saturday, Sunday or any officially recognized Federal or Provincial statutory holiday.

"civil claim" includes civil claims pending before a court or tribunal.

"compensation" means the payment of a sum of money, securities, reversal of a securities transaction, inclusion of a securities transaction (whether either transaction has a realized or unrealized loss) or any other equivalent type of entry which is intended to offset or counterbalance an act of misconduct. A correction of a client account or position as a result of good faith trading errors and omissions is not considered to be "compensation" for the purposes of Rule 3100.

"designated SRO" means the self-regulatory organization that has been assigned the prime audit jurisdiction for the Dealer Member under the Canadian Investor Protection Fund Agreement.

"exchange contracts" include, but are not limited, to commodity futures contracts and commodity futures options.

"legislation or law" includes, but is not limited to, any rules, policies, regulations, rulings or directives of any securities commission.

"misrepresentation" means:

- i) an untrue statement of fact; or
- ii) an omission to state a fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

"registrant" means any partner, director, officer or registered or approved person of a Dealer Member.

"securities – related" means:

- (i) any matter related to securities or exchange contracts; or
- (ii) any matter related to the handling of client accounts or dealings with clients; or
- (iii) any matter that is the subject of any legislation or law concerning securities or exchange contracts of any jurisdiction, inside or outside of Canada; or
- (iv) any matter that is the subject of by-laws, rules, regulations, rulings or policies of any securities or financial services regulatory or self-regulatory organization in any jurisdiction, inside or outside of Canada.

“service complaints” means any complaint by a client which is founded on customer service issues and is not the subject of:

- i) any legislation or law concerning securities or exchange contracts of any jurisdiction, inside or outside of Canada; or
- ii) by-laws, rules, regulations, rulings or policies of any securities or financial services regulatory or self-regulatory organization in any jurisdiction, inside or outside of Canada.

I. REPORTING REQUIREMENTS

A. Reporting Requirements to Member

- 1. Each registrant shall report to the Dealer Member, within two business days, whenever:
 - (a) there is any change to the information contained in his or her Uniform Application for Registration/Approval (or any form replacing the Uniform Application for Registration/Approval);
 - (b) he or she has reason to believe that he or she is or may have been in contravention of:
 - (i) any provision of any legislation or law concerning securities or exchange contracts of any jurisdiction, inside or outside of Canada; or
 - (ii) any by-laws, regulations, rules, rulings or policies of any regulatory or self-regulatory organization, professional licensing or registration body in any jurisdiction, inside or outside of Canada.
 - (c) he or she is the subject of any customer complaint in writing; or
 - (d) he or she is aware of a customer complaint, whether in writing or any other form, with respect to any other registrant involving allegations of theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading.
- 2. Each Dealer Member shall designate a person or department with whom the reports and records required by Part I Section A shall be filed.

B. Reporting Requirements to Designated SRO

- 1. Each Dealer Member shall report to its designated SRO, in such detail and frequency as prescribed by the SRO:
 - (a) Whenever there is any change to the information contained in the Uniform Application for Registration/Approval or Form 33-109F4 under Rule 40 or any registrant;
 - (b) whenever the Dealer Member, or any current or former registrant is charged with, convicted of, pleads guilty or no contest to, any criminal offence, 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;
 - (c) whenever the Dealer Member, or a current or former registrant, is:
 - (i) named as a defendant or respondent in, or is the subject of, any proceeding or disciplinary action alleging contravention of any legislation or law concerning securities or exchange contracts, of 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;
 - (ii) named as a defendant or respondent in, or is the subject of, any proceeding or disciplinary action alleging contravention of the by-laws, regulations, rules, rulings or policies of any regulatory or self-regulatory organization, professional licensing or registration body 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; or
 - (iii) denied registration or a license by any regulatory or self-regulatory organization, professional licensing or registration body, in any jurisdiction, inside or outside of Canada, while in the employ of the Dealer Member.

- (d) all customer complaints in writing, except service complaints, against the Dealer Member or any current or former registrant;
 - (e) all securities-related civil claims and arbitration notices filed, against the Dealer Member, or against any current or former registrant, in any jurisdiction inside or outside Canada, while in the employ of the Dealer Member, or concerning matters that occurred while in the employ of the Dealer Member;
 - (f) all resolutions of any matters reportable pursuant to I.B.1(b),(c),(d) and (e) of this Rule, including, judgements, awards, private settlements and arbitrations, in any jurisdiction, inside or outside of Canada;
 - (g) whenever a registrant is the subject of any internal disciplinary action where:
 - (i) there is a customer complaint in writing pursuant to Part I B. 1(d) of this Rule;
 - (ii) there is a securities-related civil claim or arbitration notice pursuant to Part I B.1(e) of this Rule;
 - (iii) there is an internal investigation pursuant to Part I B. 1(h) and Part II of this Rule;
 - (iv) member initiated disciplinary action involves suspension, termination, demotion or the imposition of trading restrictions;
 - (v) member initiated disciplinary action, arising from any source other than (i)–(iii), involves the withholding of commissions or imposition of fines in excess of \$5,000 for a single matter, \$15,000 cumulatively for a one calendar year period or where commission has been withheld or fines imposed three or more times during one calendar year period.
 - (h) whenever an internal investigation, pursuant to Part II of this Rule, is commenced and the results of such internal investigation when completed.
2. Documentation associated with each item required to be reported under Part I Section B shall be maintained and available to the designated SRO, upon request, for a minimum of 2 years from the resolution of the matter.
 3. Where the designated SRO is the Corporation, it shall have the power to impose a prescribed administrative fee for failure to comply with any of the reporting requirements set out in this policy. The Corporation may also impose any other penalties pursuant to Rule 20.

II. INTERNAL INVESTIGATIONS

1. The Dealer Member shall conduct an internal investigation where it appears that the Dealer Member, or any current or former registrant, while in the employ of the Dealer Member, has violated any provision of any legislation or law, or has violated any by-laws, rules, regulations, rulings or policies of any regulatory or self-regulatory organization relating to theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading, in any jurisdiction, inside or outside of Canada.
2. Records of investigations under Part II Section 1 shall be:
 - (a) in sufficient detail to show the cause, steps taken and result of each investigation; and
 - (b) maintained and available to the designated SRO upon request for a minimum of two years from the completion of the investigation.

III. SETTLEMENT AGREEMENTS

1. No registrant shall, without prior written consent of the Dealer Member, enter into any settlement with a customer, whether the settlement is in the form of monetary payment, delivery of securities, reduction of commissions or any other form, and whether the settlement is the result of a customer complaint or a finding by the individual or Dealer Member. Such prior written consent and the terms and conditions of such shall be kept on record by the Dealer Member.

2. Part III Section 1 shall not apply to any registrant authorized by the Dealer Member to negotiate or enter into settlement agreements in the normal course of his/her duties with respect to settlement agreements that do not arise out of activities involving the registrant.

RULE 3200

MINIMUM REQUIREMENTS FOR DEALER MEMBERS SEEKING APPROVAL UNDER RULE 1300.1(T) FOR SUITABILITY RELIEF FOR TRADES NOT RECOMMENDED BY THE MEMBER

A. Minimum requirements for Dealer Members offering solely an order-execution service, either as the Dealer Member's only business or through a separate business unit of the Dealer Member

2. Written Policies and Procedures

- (a) The Dealer Member or separate business unit of the Dealer Member must have written policies and procedures covering all of the matters outlined in this Rule.
- (b) The Dealer Member or separate business unit of the Dealer Member must have a program for communicating those policies and procedures to all its registered representatives and investment representatives and ensuring that the policies and procedures are understood and implemented.

5. Systems and Books and Records

- (a) The order-entry systems and records of the Dealer Member or separate business unit of the Dealer Member must be capable of labeling all account documentation relating to customers, including monthly statements and confirmations, as "order-execution only accounts" or some variant thereof.
- (b) The monthly statements of a separate business unit of a Dealer Member shall not be consolidated with the account statements of any other business unit of the Dealer Member or of the Dealer Member itself.

B. Minimum requirements for Dealer Members offering both an advisory and an order-execution only service

4. Supervision

- (a) The Dealer Member or separate business unit of the Dealer Member must have written procedures for the supervision of trading reasonably designed to ensure that customers are not provided with recommendations as a result of the customer having an account with the separate business unit of the Dealer Member and with another separate business unit of the Dealer Member or with the Dealer Member itself.
- (b) The Dealer Member or separate business unit of the Dealer Member must have written procedures and systems in place to review customer trading and accounts for those concerns listed in Rule 2500 other than those related solely to suitability.
- (c) The Dealer Member or separate business unit of the Dealer Member must maintain an audit trail of supervisory reviews as required in Rule 2500.
- (d) The Dealer Member or separate business unit of the Dealer Member must have sufficient supervisory resources allocated at head office and branch levels to effectively implement the supervisory procedures required under this Rule.

5. Systems and Books and Records

- (a) The Dealer Member's order-entry systems and records must be capable of recording whether each order is being done on a recommended or non-recommended basis. If the Dealer Member permits customers to enter orders on-line for direct transmission to a trading system, the order entry system

must require the customer to indicate whether the trade was recommended or non-recommended. If there is default marking, it must be "recommended."

- (b) The Dealer Member must disclose on the confirmation for each trade by an account whether the transaction was recommended or non-recommended.
- (c) The Dealer Member must disclose on the monthly statement whether each trade was executed on a recommended or non-recommended basis, but is not required to disclose on monthly statements which securities positions resulted from which type of trade.
- (d) The Dealer Member must maintain records of complaints or requests from customers to change the designation of a trade as recommended or non-recommended.
- (e) The Dealer Member must be able to generate reports enabling supervisors to supervise the accuracy of recommended/non-recommended disclosure on orders. Possible methods of meeting this requirement are included as Appendix A to this Rule.
- (f) The Dealer Member's systems must be able to select accounts or generate exception reports to show accounts requiring review as specified in its policies and procedures and Rule 2500 without regard to whether the trades were marked as recommended or non-recommended.

RULE 3400

RESEARCH RESTRICTIONS AND DISCLOSURE REQUIREMENTS

Introduction

This Rule establishes requirements that analysts must follow when publishing research reports or making recommendations. These requirements represent the minimum procedural requirements that Dealer Members must have in place to minimize potential conflicts of interest. The Disclosure required under Rule 3400 must be clear, comprehensive and prominent. Boilerplate disclosure is not sufficient.

These requirements are based on the recommendations of the Securities Industry Committee on Analyst Standards with input from both industry and non-industry groups.

Requirements

- 1. Each Dealer Member shall have written conflict of interest policies and procedures, in order to minimize conflicts faced by analysts. All such policies must be approved by and filed with the Corporation.
- 2. Each Dealer Member shall prominently disclose in any research report:
 - (a) any information regarding its, or its analyst's business with or relationship with any issuer which is the subject of the report which might reasonably be expected to indicate a potential conflict of interest on the part of the Dealer Member or the analyst in making a recommendation with regard to the issuer. Such information includes, but is not limited to:
 - (i) whether, as of the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month, the Dealer Member and its affiliates collectively beneficially own 1% or more of any class of the issuer's equity securities,
 - (ii) whether the analyst or any associate of the analyst responsible for the report or recommendation or any individuals directly involved in the preparation of the report hold or are short any of the issuer's securities directly or through derivatives,
 - (iii) whether any partner, director or officer of a Dealer Member or any analyst involved in the preparation of a report on the issuer has, during the preceding 12 months provided services to the issuer for remuneration other than normal course investment advisory or trade execution services,

- (iv) whether the Dealer Member firm has provided investment banking services for the issuer during the 12 months preceding the date of issuance of the research report or recommendation,
 - (v) the name of any partner, director, officer, employee or agent of the Dealer Member who is an officer, director or employee of the issuer, or who serves in any advisory capacity to the issuer, and
 - (vi) whether the Dealer Member is making a market in an equity or equity related security of the subject issuer.
- (b) the Dealer Member's system for rating investment opportunities and how each recommendation fits within the system and shall disclose on their websites or otherwise, quarterly, the percentage of its recommendations that fall into each category of their recommended terminology; and
- (c) its policies and procedures regarding the dissemination of research.

A Dealer Member shall comply with subsections (b) and (c) by disclosing such information in the report or by disclosing in the report where such information can be obtained.

3. Where an employee of a Dealer Member makes a public comment (which shall include an interview) about the merits of an issuer or its securities, a reference must be made to the existence of any relevant research report issued by the Dealer Member containing the disclosure as required above, if one exists, or it must be disclosed that such a report does not exist.
4. Where a Dealer Member distributes a research report prepared by an independent third party to its clients under the third party name, the Dealer Member must disclose any items which would be required to be disclosed under requirement 2 of Rule 3400 had the report been issued in the Dealer Member's name. This requirement does not apply to research reports issued a dealer regulated by the Financial Industry Regulatory Authority or issued by persons governed by other regulators approved by the Corporation, and does not apply if the Dealer Member simply provides to clients access to the independent third party research reports or provides independent third party research at the request of clients. However, where this requirement does not apply, Dealer Members must disclose that such research is not prepared subject to Canadian disclosure requirements.
5. No Dealer Member shall issue a research report prepared by an analyst if the analyst or any associate of the analyst serves as an officer, director or employee of the issuer or serves in any advisory capacity to the issuer.
6. Any Dealer Member that distributes research reports to clients or prospective clients in its own name must disclose its research dissemination policies and procedures on its website or by other means.
7. Each Dealer Member who distributes research reports to clients or prospective clients shall have policies and procedures reasonably designed to prohibit any trading by its partners, directors, officers, employees or agents resulting in an increase, a decrease, or liquidation of a position in a listed security, or a derivative instrument based principally on a listed or quoted security, with knowledge of or in anticipation of the distribution of a research report, a new recommendation or a change in a recommendation relating to a security that could reasonably be expected to have an effect on the price of the security.
8. No individual directly involved in the preparation of the report can effect a trade in a security of an issuer, or a derivative instrument whose value depends principally on the value of a security of an issuer, regarding which the analyst has an outstanding recommendation for a period of 30 calendar days before and 5 calendar days after issuance of the research report, unless that individual receives the previous written approval of a designated partner, officer or director of the Dealer Member. No approval may be given to allow an analyst or any individual involved in the preparation of the report to make a trade that is contrary to the analyst's current recommendation, unless special circumstances exist.
9. Dealer Members must disclose in research reports if in the previous 12 months the analyst responsible for preparing the report received compensation based upon the Dealer Member's investment banking revenues.
10. No Dealer Member may pay any bonus, salary or other form of compensation to an analyst that is directly based upon one or more specific investment banking services transactions.
11. Each Dealer Member shall have policies and procedures in place reasonably to prevent recommendations in research reports from being influenced by the investment- banking department or the issuer. Such policies and procedures shall, at minimum:
 - (i) prohibit any requirement for approval of research reports by the investment banking department;

- (ii) limit comments from the investment banking department on research reports to correction of factual errors;
 - (iii) prevent the investment banking department from receiving advance notice of ratings or rating changes on covered companies; and
 - (iv) establish systems to control and keep records of the flow of information between analysts and investment banking departments regarding issuers that are the subject of current or prospective research reports.
12. No Dealer Member may directly or indirectly offer favorable research, a specific rating or a specific price target, a delay in changing a rating or price target or threaten to change research, a rating or a price target of an issuer as consideration or inducement for the receipt of business or compensation from an issuer.
13. Dealer Members must disclose in research reports if and to what extent an analyst has viewed the material operations of an issuer. Dealer Members must also disclose where there has been a payment or reimbursement by the issuer of the analyst's travel expenses for such visit.
14. No Dealer Member may issue a research report for an equity or equity related security regarding an issuer for which the Dealer Member acted as manager or co-manager of
- (i) an initial public offering of equity or equity related securities, for 40 calendar days following the date of the offering; or
 - (ii) a secondary offering of equity or equity related securities, for 10 calendar days following the date of the offering;
- but requirement 14(i) and (ii) do not prevent a Dealer Member from issuing a research report concerning the effects of significant news about or a significant event affecting the issuer within the applicable 40 or 10 day period.
- 14.1. Requirement 14 does not apply where the subject securities are exempted from restrictions under provisions relating to market stabilization in securities legislation or in the Universal Market Integrity Rules.
15. When a Dealer Member distributes a research report covering six or more issuers, such a report may indicate where the disclosures required under Rule 3400 may be found.
16. Dealer Members must issue notice of their intention to suspend or discontinue coverage of an issuer. However, no issuance is required when the sole reason for the suspension is that an issuer has been placed on a Dealer Member's restricted list.
17. Dealer Members must obtain an annual certification from the head of the research department and chief executive officer which states that their analysts are familiar with and have complied with the CFA Institute Code of Ethics and Standards of Professional Conduct whether they are members of the CFA Institute or not.
18. Where a supervisory analyst of a Dealer Member serves as an officer or director of an issuer, then the Dealer Member must not provide research on the issuer.
19. Dealer Members must pre-approve analysts outside business activities.
20. Where Dealer Members set price targets as recommended under guideline 4, Dealer Members must disclose the valuation methods used.

Guidelines

In addition to the above requirements, when establishing policies and procedures as referred to under requirement 1 of Rule 3400, Dealer Members must comply with the following best practices, where practicable:

- 1. Dealer Members should distinguish clearly in each research report between information provided by the issuer or obtained elsewhere and the analyst's own assumptions and opinions.
- 2. Dealer Members should disclose in their research reports and recommendations reliance by the analyst upon any report or study by third party experts other than the analyst responsible for the report. Where there is such reliance, the name of the third party experts should be disclosed.

3. Dealer Members should adopt standards of research coverage that include, at a minimum, the obligation to maintain and publish current financial estimates and recommendations on securities followed, and to revisit such estimates and recommendations within a reasonable time following the release of material information by an issuer or the occurrence of other relevant events.
4. Dealer Members should set price targets for recommended transactions, where practicable, and with the appropriate disclosure.
5. Dealer Members should use specific securities terminology in research reports where required to do so by Securities Legislation. Where such terminology is not required, Dealer Members should use the specific technical terminology that is required by the relevant industry, professional association or regulatory authority or in the absence of required terminology use technical terminology that is customarily in use. Where necessary, for full understanding, a glossary should be included.
6. A Dealer Member should make its research reports widely available through its websites or by other means for all of its clients whom the Dealer Member has determined are entitled to receive such research reports at the same time.
7. Where feasible by virtue of the number of analysts, Dealer Members should appoint one or more supervisory analyst or head of research to be responsible for reviewing and approving research reports as required under Rule 29.7, who should be a partner, director or officer of the Dealer Member and should have the CFA designation or other appropriate qualifications. Dealer Members may have more than one supervisory analyst where necessary.
8. Dealer Members should require their analyst employees to obtain the Chartered Financial Analyst designation or other appropriate qualifications.
9. Dealer Members should require that the head of the research department, or in small firms where there is no head then the analyst or analysts report to a senior officer or partner who is not the head of the investment banking department. However, no policies or procedures will be approved under requirement 1 unless the Corporation is satisfied that they address the relationship between the investment- banking department and research department.

ATTACHMENT C

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

PLAIN LANGUAGE RULES 3400- 3900

TABLE OF CONCORDANCE

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
New Provision			3300	R. 3301. – 3399. - Reserved		[New - Non-substantive - Reserved sections]
New Provision			3400	R. 3401. Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 1300: Supervision of Accounts	1300.01	{p}	3400	R. 3402. General Suitability Requirements	{1} {i}	
Rule 1300: Supervision of Accounts	1300.01	{q}	3400	R. 3402. General Suitability Requirements	{1} {ii}	
New Provision			3400	R. 3402. General Suitability Requirements	{2}	[New - Substantive - to codify existing IIROC expectation]
Rule 1300: Supervision of Accounts	1300.01	{p} and {q}	3400	R. 3403. Assessing Suitability for retail clients	{1}	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500, Introduction	{c}	3400	R. 3403. Assessing Suitability for retail clients	{2}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700I	{1}	3400	R. 3404. Determining Suitability for institutional clients	{1} through {3}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700I	{2}	3400	R. 3404. Determining Suitability for institutional clients	{4}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700I	{2} {a}	3400	R. 3404. Determining Suitability for institutional clients	{4} {i}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700I	{2} {b}	3400	R. 3404. Determining Suitability for institutional clients	{4} {ii}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700I	{2} {c}	3400	R. 3404. Determining Suitability for institutional clients	{4} {iii}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700I	{2} {d}	3400	R. 3404. Determining Suitability for institutional clients	{4} {iv}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700I	{2} {e}	3400	R. 3404. Determining Suitability for institutional clients	{4} {v}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700I	{2} {f}	3400	R. 3404. Determining Suitability for institutional clients	{4} {vi}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700I	{2} {g}	3400	R. 3404. Determining Suitability for institutional clients	{4} {vii}	
Rule 1300: Supervision of Accounts	1300.01	{r}	3400	R. 3405. Suitability Determination not required	{1} {i}	
Rule 1300: Supervision of Accounts	1300.01	{s}	3400	R. 3405. Suitability Determination not required	{1} {ii}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700I	{3}	3400	R. 3405. Suitability Determination not required	{1} {ii}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700I	{4}	3400	R. 3405. Suitability Determination not required	{1} {iii}	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member	3200A	{5} {a}	3400	R. 3406. Order execution-only services	{1} {i}	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member	3200A	{5} {b}	3400	R. 3406. Order execution-only services	{1} {ii}	

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member	3200B	{1}	3400	R. 3406. Order execution-only services	{2} {i}	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member	3200B	{5} {a}	3400	R. 3406. Order execution-only services	{2} {ii}	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member	3200B	{5} {b}	3400	R. 3406. Order execution-only services	{2} {iii} {a}	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member	3200B	{5} {c}	3400	R. 3406. Order execution-only services	{2} {iii} {b}	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member	3200	{5} {d}	3400	R. 3406. Order execution-only services	{2} {iv}	
New Provision			3400	R. 3407. – 3499. - Reserved		[New - Non-substantive - Reserved sections]
Rule 0029: Business Conduct			3500	R. 3501. Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 0029: Business Conduct	29.02		3500	R. 3502. Distributions	{1}	
Rule 0029: Business Conduct	29.04		3500	R. 3502. Distributions	{2}	
Rule 0029: Business Conduct	29.03		3500	R. 3503. New issues	{1}, {2} and {3}	
Rule 0029: Business Conduct	29.03A		3500	R. 3504. Client priority	{1}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
New Provision			3500	R. 3505. Commission Fees		[New - Substantive - New provision introduced for consistency with section 3506.]
Rule 0029: Business Conduct	29.08		3500	R. 3506. Service Fees	{1} and {2}	
New Provision			3500	R. 3506. Service Fees	{3}	[New-Substantive provision provides an exemption for institutional clients]
Rule 0029: Business Conduct	29.05		3500	R. 3507. Inside information	{1} {2} {3} {4} and {5}	[Amended - Substantive] Section now refers to: special relationship rather than fiduciary relationship, material non-public information rather than privileged information, in the necessary course of business rather than anyone not authorized to receive the information
Rule 0029: Business Conduct	29.13	{b} {i}	3500	R. 3508. pre-marketing	{1} {i}	
Rule 0029: Business Conduct	29.13	{b} {ii}	3500	R. 3508. pre-marketing	{1} {ii}	
Rule 0029: Business Conduct	29.13	{b} {iii}	3500	R. 3508. pre-marketing	{1} {iii}	
Rule 0029: Business Conduct	29.13	{b} {iii} last paragraph	3500	R. 3508. pre-marketing	{2}	
Rule 0029: Business Conduct	29.13	{d}	3500	R. 3508. pre-marketing	{3}	
Rule 0029: Business Conduct	29.13	{b} {iii} A	3500	R. 3508. pre-marketing	{4} {i}	
Rule 0029: Business Conduct	29.13	{b} {iii} B	3500	R. 3508. pre-marketing	{4} {ii}	
Rule 0029: Business Conduct	29.13	{c}	3500	R. 3508. pre-marketing	{5}	
Rule 0029: Business Conduct	29.13	{e}	3500	R. 3508. pre-marketing	{6}	
Rule 0029: Business Conduct	29.13	{e}	3500	R. 3508. pre-marketing	{7}	
New Provision			3500	R. 3509. - 3599. - Reserved		[New - Non-substantive - Reserved sections]
Rule 0029: Business Conduct	29.13	{e} Certificate	3500	Schedule A		
Rule 3400: Research Restrictions and Disclosure Requirements			3600	R. 3601. Introduction		[New - Non-substantive - Introduction section]
Rule 0029: Business Conduct	29.7	{1}	3600	R. 3602. Advertising	{1}	

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 0029: Business Conduct	29.7	{2}	3600	R. 3602. Advertising	{2}	Substantive - Deleted requirement for policies and procedures to be approved by IIROC.
Rule 0029: Business Conduct	29.7	{3}	3600	R. 3602. Advertising	{4} and {5}	
Rule 0029: Business Conduct	29.7	{4}	3600	R. 3602. Advertising	{6}	
Rule 0029: Business Conduct	29.7	{5}	3600	R. 3602. Advertising	{7}	Substantive - change in the record retention period
Rule 3400: Research Restrictions and Disclosure Requirements			3600	R. 3603. - 3605. - Reserved		[New - Non-substantive - Reserved sections]
Rule 3400: Research Restrictions and Disclosure Requirements	Introduction		3600	R. 3606. Policies and procedures	{1}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 1		3600	R. 3606. Policies and procedures	{1}	Substantive - Deleted requirement for policies and procedures to be approved by and filed with IIROC.
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 2	{a} {i} - {vi}	3600	R. 3607. Research report disclosure of potential conflicts of interest	{1} and {2}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 2	{b}, {c} and last paragraph	3600	R. 3608. Additional disclosures	{1} and {2}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 6		3600	R. 3608. Additional disclosures	{1} {ii}	
Rule 3400: Research Restrictions and Disclosure Requirements	Introduction	(second last sentence in first paragraph)	3600	R. 3609. Quality of disclosures in a research report	{1}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 2		3600	R. 3609. Quality of disclosures in a research report	{1}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 4		3600	R. 3610. Independent third party research	{1} and {2}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 15		3600	R. 3611. Multiple coverage	{1}	

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 13		3600	R. 3612. Visiting an issuer	{1}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 5		3600	R. 3613. Relationship with the issuer	{1}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 18		3600	R. 3613. Relationship with the issuer	{2}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 16		3600	R. 3614. Notice to discontinue coverage	{1}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 20		3600	R. 3615. Setting price targets	{1}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 12		3600	R. 3616. Inducement for favourable rating	{1}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 3		3600	R. 3617. Public comments	{1}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 7		3600	R. 3618. Policies and procedures on trading	{1}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 8		3600	R. 3618. Policies and procedures on trading	{2} {3} and {4}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 9		3600	R. 3619. Prohibition on investment banking compensation	{1}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 10		3600	R. 3619. Prohibition on investment banking compensation	{2}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 11		3600	R. 3620. Relationship with investment banking	{1} and {2}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 14		3600	R. 3621. Quiet periods	{1} and {2}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 14.1		3600	R. 3621. Quiet periods	{3}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 19		3600	R. 3622. Outside business activities	{1}	
Rule 3400: Research Restrictions and Disclosure Requirements	Requirement 17		3600	R. 3623. Annual certification	{1}	
Rule 3400: Research Restrictions and Disclosure Requirements			3600	R. 3624. - 3699. - Reserved		[New - Non-substantive - Reserved sections]
Rule 3400: Research Restrictions and Disclosure Requirements	Guidelines 1 to 9		3600			[Repealed - Non-substantive - Guidelines as to best practices in developing policies and procedures on research reports have been moved to Guidance Note 3600-3.]
New Provision			3700	R. 3701. Introduction		[New - Non-substantive - Introduction section]
Rule 3100 Reporting and recordkeeping requirements	Definitions	"civil claim"				[Repealed - Non-substantive - Definition unnecessary]
Rule 3100 Reporting and recordkeeping requirements	Definitions	"Compensation"				[Repealed - Non-substantive - Term not used in the rule]
Rule 3100: Reporting and recordkeeping requirements	3100I	{A} {1} {a}	3700	R. R. 3702. Reporting by an Approved Person to the Dealer Member	{1} {i}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{A} {1} {b}	3700	R. 3702. Reporting by an Approved Person to the Dealer Member	{1} {ii}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{A} {1} {c}	3700	R. 3702. Reporting by an Approved Person to the Dealer Member	{1} {iii}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{A} {1} {d}	3700	R. 3702. Reporting by an Approved Person to the Dealer Member	{1} {iv}	
Rule 2500B: Client Complaint Handling	2500B	{4}	3700	R. 3702. Reporting by an Approved Person to the Dealer Member	{2}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700V	{2}	3700	R. 3702. Reporting by an Approved Person to the Dealer Member	{2}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{A} {2}	3700	R. 3702. Reporting by an Approved Person to the Dealer Member	{3}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {1} {a}	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{1} {i}	

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {1} {d}	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{1} {ii}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {1} {h}	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{1} {iii}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {1} {h}	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{1} {iv}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {1} {b}	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{1} {v} {a}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {1} {c} {i}	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{1} {v} {b}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {1} {c} {ii}	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{1} {v} {c}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {1} {c} {iii}	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{1} {v} {d}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {1} {e}	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{1} {v} {e}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {1} {f}	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{1} {vi}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {1} {g} {i}	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{1} {vii} {a}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {1} {g} {ii}	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{1} {vii} {b}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {1} {g} {iii}	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{1} {vii} {c}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {1} {g} {iv}	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{1} {vii} {d}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {1} {g} {v}	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{1} {vii} {e}	
Rule 3100: Reporting and recordkeeping requirements	3100I	Definitions	3700	R. 3703. Reporting by a Dealer Member to the Corporation	{2}	
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {2}	3700	R. 3704. Failure to report	{1}	
New Provision			3700	R. 3705. - Reserved		[New - Non-substantive - Reserved sections]
Rule 3100: Reporting and recordkeeping requirements	3100II	{1}	3700	R. 3706. Requirement to commence an internal investigation	{1}	

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 3100: Reporting and recordkeeping requirements	3100	Definitions		R. 3706. Requirement to commence an internal investigation	{2}	
Rule 3100: Reporting and recordkeeping requirements	3100II	{2} {a}	3700	R. 3707. Records of an internal investigation	{1}	
Rule 2500B: Client Complaint Handling	2500B	{7}	3700	R. 3708. Internal Discipline	{1}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700V	{5}	3700	R. 3708. Internal Discipline	{1}	
New Provision			3700	R. 3709. Reserved		[New - Non-substantive - Reserved sections]
Rule 3100: Reporting and recordkeeping requirements	3100III	{1} and {2}	3700	R. 3710. Entering into settlement agreements	{1} and {2}	
Rule 2500B: Client Complaint Handling	2500B	{5}	3700	R. 3711. Release		
New Provision			3700	R. 3712. - 3714. - Reserved		[New - Non-substantive - Reserved sections]
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700V	{1}	3700	R. 3715. Policies and Procedures	{1}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700V	{1} {a}	3700	R. 3715. Policies and Procedures	{2} {i}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700V	{1} {b}	3700	R. 3715. Policies and Procedures	{2} {ii}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700V	{1} {d}	3700	R. 3715. Policies and Procedures	{2} {iii}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700V	{3}	3700	R. 3715. Policies and Procedures	{2} {iv}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700V	{1} {c}	3700	R. 3715. Policies and Procedures	{2} {v}	

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700V	{6}	3700	R. 3715. Policies and Procedures	{3}	
New Provision			3700	R. 3716. - 3719. - Reserved		[New - Non-substantive - Reserved sections]
Rule 2500: Minimum Standards for Retail Customer Account Supervision	2500VIII		3700	R. 3720. Retail Client Complaints	{1} - {2}	
Rule 2500B: Client Complaint Handling	2500B	{2}	3700	R. 3721. Application	{1} through {3}	
Rule 2500B: Client Complaint Handling	2500B	{2}	3700	R. 3722. Handling client complaints	{2}	
Rule 2500B: Client Complaint Handling	2500B	{3}	3700	R. 3722. Handling client complaints	{3}	
Rule 2500B: Client Complaint Handling	2500B	{4}	3700	R. 3723. Complaint policies and procedures	{1} through {3}	
Rule 2500B: Client Complaint Handling	2500B	{4}	3700	R. 3724. Client access	{1} and {2}	
Rule 2500B: Client Complaint Handling	2500B	{4}	3700	R. 3725. Client Acknowledgement letter	{1} and {2}	
Rule 2500B: Client Complaint Handling	2500B	{4}	3700	R. 3726. Response to client complaints	{1} through {4}	
Rule 2500B: Client Complaint Handling	2500B	{4}	3700	R. 3727. Duty to assist in client complaint resolution	{1} and {2}	
Rule 2500B: Client Complaint Handling	2500B	{6}	3700	R. 3728. Client complaint file	{1}	
New Provision			3700	R. 3729-3779 Reserved		[New - Non-substantive - Reserved sections]
Rule 2500B: Client Complaint Handling	2500B	{4}	3700	R. 3780. Reporting legal actions	{1}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700V	{3}	3700	R. 3780. Reporting legal actions	{1}	
			3700	R. 3781-3784 Reserved		[New - Non-substantive - Reserved sections]
Rule 3100: Reporting and recordkeeping requirements	3100I	{B} {2}	3700	R. 3785. Events reported to the Corporation	{1}	
Rule 2500B: Client Complaint Handling	2500B	{6}	3700	R. 3786. Client Complaints	{1}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	2700V	{4}	3700	R. 3786. Client Complaints	{2}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
New Provision			3700	R. 3787. - 3799. – Reserved		[New - Non-substantive - Reserved sections]
			3800	R. 3800. Business Records		[Amended - Substantive - Replacement of references to futures contracts, futures contract options, and options etc. with the term "derivatives" throughout]
New Provision			3800	R. 3801. Introduction	{1} and {2}	[New - Non-substantive - Introduction section]
New Provision			3800	R. 3802. General requirements for record retention	{1}	[New - Substantive - New section added. Section conforms to National Instrument 31-103 ("NI 31-103"), Division 2 Books and Records]
				R. 3803-3804-Reserved		[New - Non-substantive - Reserved sections]
Rule 0200: Minimum Records	200.01	{Introduction}	3800	R. 3805. General requirements to maintain books and records	{1}	
Rule 0200: Minimum Records	200.01	Guide to interpretation [Introduction]	3800	R. 3805. General requirements to maintain books and records	{2}	
Rule 0200: Minimum Records	200.01	Guide to interpretation [Introduction]	3800	R. 3805. General requirements to maintain books and records	{3}	
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.13		3800	R. 3805. General requirements to maintain books and records	{4}	[Amended - Substantive - Board approval requirement removed]
Rule 0200: Minimum Records	200.01	{a}	3800	R. 3806. Trade Blotters (records of original entry)	{1} and {2}	
Rule 0200: Minimum Records	200.01	Guide to Interpretation {a}	3800	R. 3806. Trade Blotters (records of original entry)	{1} and {2}	
Rule 0200: Minimum Records	200.01	{b}	3800	R. 3807. General ledger	{1}	
Rule 0200: Minimum Records	200.01	Guide to Interpretation {b}	3800	R. 3807. General ledger	{1}	
Rule 0200: Minimum Records	200.01	{c}	3800	R. 3808. Client and non-client ledger accounts	{1} through {3}	
Rule 0200: Minimum Records	200.01	Guide to Interpretation {c}	3800	R. 3808. Client and non-client ledger accounts	{1} through {3}	

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 0200: Minimum Records	200.01	{d}	3800	R. 3809. Other ledger accounts	{1} through {14}	
Rule 0200: Minimum Records	200.01	Guide to interpretation {d} {i}	3800	R. 3809. Other ledger accounts	{1}	
Rule 0200: Minimum Records	200.01	Guide to interpretation {i}	3800	R. 3809. Other ledger accounts	{1}	
Rule 0200: Minimum Records	200.01	Guide to interpretation {d} {ii}	3800	R. 3809. Other ledger accounts	{2}	
Rule 0200: Minimum Records	200.01	Guide to Interpretation {d} {iv}	3800	R. 3809. Other ledger accounts	{3}	
Rule 0200: Minimum Records	200.01	Guide to Interpretation {d} {iv}	3800	R. 3809. Other ledger accounts	{4}	
Rule 0200: Minimum Records	200.01	Guide to interpretation {d} {ii}	3800	R. 3809. Other ledger accounts	{5}	
Rule 0200: Minimum Records	200.01	Guide to interpretation {d} {ii}	3800	R. 3809. Other ledger accounts	{6}	
Rule 0200: Minimum Records	200.01	Guide to interpretation {d} {ii}	3800	R. 3809. Other ledger accounts	{7}	
Rule 0200: Minimum Records	200.01	Guide to interpretation {d} {iii}	3800	R. 3809. Other ledger accounts	{8}	
Rule 0200: Minimum Records	200.01	Guide to interpretation {d} {v}	3800	R. 3809. Other ledger accounts	{9}	
Rule 0200: Minimum Records	200.01	Guide to interpretation {d} {v}	3800	R. 3809. Other ledger accounts	{10}	
Rule 0200: Minimum Records	200.01	Guide to interpretation {d} {v}	3800	R. 3809. Other ledger accounts	{11}	
Rule 0200: Minimum Records	200.01	Guide to interpretation {e} - {f}	3800	R. 3809. Other ledger accounts	{12} through {14}	
Rule 0200: Minimum Records	200.01	{e}	3800	R. 3810. Ledger accounts - Investment products (excluding derivatives)	{1} and {2}	

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 0200: Minimum Records	200.01	{f}	3800	R. 3811. Ledger accounts – Derivatives	{1}	
Rule 0200: Minimum Records	200.01	{g} [Introduction]	3800	R. 3812. Record of orders received	{1}	
Rule 0200: Minimum Records	200.01	{g} {{1} - {8} except {5}}	3800	R. 3812. Record of orders received	{2}	[Amended - Substantive - Identifying opening and closing transactions added as a new requirement]
New Provision			3800	R. 3812. Record of orders received	{2}{vi}	[New - Substantive - The "time of modification" added as new a requirement]
Rule 0200: Minimum Records	200.01	{g} {5}	3800	R. 3812. Record of orders received	{3}	
Rule 0200: Minimum Records	200.01	{l}	3800	R. 3812. Record of orders received	{4}	
Rule 0200: Minimum Records	200.01	{n}	3800	R. 3813. Account transfers	{1}	
Rule 0200: Minimum Records	200.01	Guide to Interpretation {n}	3800	R. 3813. Account transfers	{1}	
New Provision			3800	R. 3814. - 3829. – Reserved.		[New - Non-substantive - Reserved sections]
Rule 0200: Minimum Records	200.01	{h}	3800	R. 3830. Delivery of confirmations – Frequency	{1}	
Rule 0200: Minimum Records	200.01	Guide to Interpretation {h}	3800	R. 3830. Delivery of confirmations – Frequency	{1}	
Rule 0200: Minimum Records	200.01	{h}	3800	R. 3831. Requirements for confirmations - General content	{1} through {4}	[Amended - Substantive – Confirmation content requirements have been conformed with requirements in National Instrument 31-103 ("NI 31-103"), section 14.12 Content and delivery of trade confirmation]
Rule 0200: Minimum Records	200.01	Guide to Interpretation {h}	3800	R. 3831. Requirements for confirmations - General content	{1} through {4}	
Rule 0200: Minimum Records	200.01	{h}	3800	R. 3832. Additional requirements for confirmations relating to specific investment products – Content	{1} through {5}	
Rule 0200: Minimum Records	200.01	{h}	3800	R. 3833. Managed account confirmations	{1} through {4}	
New Provision			3800	R. 3834. - 3839. – Reserved.		[New - Non-substantive - Reserved sections]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 0200: Minimum Records	200.01	{c} [paragraph after subsection {12}]	3800	R. 3840. Delivery of client account statements - Frequency	{1} and {2}	
Rule 0200: Minimum Records	200.01	{c} [paragraph after subsection {12}]	3800	R. 3841. Requirements for client account statements - Content	{1} through {7}	[Amended - Substantive - Statement content requirements have been conformed with requirements in National Instrument 31-103 ("NI 31-103"), section 14.14 Client Statements]
New Provision			3800	R. 3842. Consolidated statements	{1}	[New - Substantive - New section added for consolidated statements based on IDA Notice MR-0087]
New Provision			3800	R. 3843. - 3899. – Reserved.		[New - Non-substantive - Reserved sections]
Rule 0200: Minimum Records	200.01	Guide to interpretation {g}	3800			Removed
Rule 0200: Minimum Records	200.01	{j}	3800	N/A		Substantive - Moved to Guidance Note 3800-2
New Provision			3900	R. 3901. Introduction	{1} through {3}	[New - Non-substantive - Introduction section]
New Provision			3900	R. 3902. Contents	{1}	[New - Non-substantive - Added table of contents for clarity within the rule
Rule 0038: Compliance and Supervision	38.01	Introduction	3900	R. 3903. Policies and Procedures	{1} and {2}	
Rule 0038: Compliance and Supervision	38.01	{i}	3900	R. 3903. Policies and Procedures	{1} through {3}	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1{T} for suitability relief for trades not recommended by the Member	Part A	{2} {a}	3900	R. 3903. Policies and Procedures	{1} through {3}	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1{T} for suitability relief for trades not recommended by the Member	Part A	{2} {b}	3900	R. 3903. Policies and Procedures	{4}	

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1{T} for suitability relief for trades not recommended by the Member	Part B	{2} {a}	3900	R. 3903. Policies and Procedures	{1} through {3}	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1{T} for suitability relief for trades not recommended by the Member	Part B	{2} {b}	3900	R. 3903. Policies and Procedures	{4}	
Rule 0038: Compliance and Supervision	38.01	{ii}	3900	R. 3903. Policies and Procedures	{4}	
Rule 0038: Compliance and Supervision	38.01	{iii}	3900	R. 3903. Policies and Procedures	{5} and {6}	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1{T} for suitability relief for trades not recommended by the Member	Part A	{4}	3900	R. 3903. Policies and Procedures	{1} - {6}	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1{T} for suitability relief for trades not recommended by the Member	Part B	{4}	3900	R. 3903. Policies and Procedures	{1} through {6}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part I	{E}	3900	R. 3903. Policies and Procedures	{4}, {5} and {6}	
Rule 0038: Compliance and Supervision	38.02		3900	R. 3904. Supervisory Personnel and Resources	{1} and {2}	
Rule 0038: Compliance and Supervision	38.03		3900			[Non-Substantive - Deleted. Redundant within registration provisions]
Rule 0038: Compliance and Supervision	38.01	{iv}	3900	R. 3904. Supervisory Personnel and Resources	{1}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 0038: Compliance and Supervision	38.01	{v}	3900	R. 3904. Supervisory Personnel and Resources	{2}	
Rule 0038: Compliance and Supervision	38.01	{vi}	3900	R. 3904. Supervisory Personnel and Resources	{3}	
Rule 0038: Compliance and Supervision	38.04	{a}	3900	R. 3905. Individual Supervisory Responsibility	{1}	
Rule 0038: Compliance and Supervision	38.04	{b}	3900	R. 3906. Delegation of Supervisory Tasks	{1}	
Rule 0038: Compliance and Supervision	38.04	{b} {i}	3900	R. 3906. Delegation of Supervisory Tasks	{2}	
Rule 0038: Compliance and Supervision	38.04	{b} {ii}	3900	R. 3906. Delegation of Supervisory Tasks	{3}	
Rule 0038: Compliance and Supervision	38.04	{b} {iii}	3900	R. 3906. Delegation of Supervisory Tasks	{4} {ii}	
Rule 0038: Compliance and Supervision	38.04	{b} {iv}	3900	R. 3906. Delegation of Supervisory Tasks	{4} {i}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part I	D {1}	3900	R. 3906. Delegation of Supervisory Tasks	{1}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part I	D {2}	3900	R. 3906. Delegation of Supervisory Tasks	{4} {i} {iii}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part I	D {3}	3900	R. 3906. Delegation of Supervisory Tasks	{4} {ii}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part I	D {4}	3900	R. 3906. Delegation of Supervisory Tasks	{3}	
Rule 0038: Compliance and Supervision	38.01	{v}	3900	R. 3907. Supervision Records	{1}	
Rule 0038: Compliance and Supervision	38.01	{vi}	3900	R. 3907. Supervision Records	{3}	
Rule 0038: Compliance and Supervision	38.01	{vii}	3900	R. 3907. Supervision Records	{2}	
Rule 0038: Compliance and Supervision	38.05	{a}	3900	R. 3908. Appointment of Ultimate Designated Person (UDP)	{1}	
Rule 0038: Compliance and Supervision	38.05	{b}	3900	R. 3908. Appointment of Ultimate Designated Person (UDP)	{2}	
Rule 0038: Compliance and Supervision	38.05	{c}	3900	R. 3909. Responsibility of the UDP	{1} and {2}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 0038: Compliance and Supervision	38.07	{a}	3900	R. 3910. Appointment of Chief Compliance Officer (CCO)	{1}	
Rule 0038: Compliance and Supervision	38.07	{b}	3900	R. 3910. Appointment of Chief Compliance Officer (CCO)	{2}	
Rule 0038: Compliance and Supervision	38.07	{c}	3900	R. 3910. Appointment of Chief Compliance Officer (CCO)	{3}	
Rule 0038: Compliance and Supervision	38.07	{d}	3900	R. 3910. Appointment of Chief Compliance Officer (CCO)	{4}	
Rule 0038: Compliance and Supervision	38.07	{e}	3900	R. 3910. Appointment of Chief Compliance Officer (CCO)	{5}	
Rule 0038: Compliance and Supervision	38.07	{g}	3900	R. 3910. Appointment of Chief Compliance Officer (CCO)	{5}	
Rule 0038: Compliance and Supervision	38.07	{f}	3900	R. 3911. Replacing a Chief Compliance Officer	{1} and {2}	
Rule 0038: Compliance and Supervision	38.07	{h} {i}	3900	R. 3912. Responsibility of the Chief Compliance Officer	{1} {i}	
Rule 0038: Compliance and Supervision	38.07	{h} {ii}	3900	R. 3912. Responsibility of the Chief Compliance Officer	{1} {ii}	
Rule 0038: Compliance and Supervision	38.07	{h} {iii}	3900	R. 3912. Responsibility of the Chief Compliance Officer	{1} {iii}	
Rule 0038: Compliance and Supervision	38.07	{i}	3900	R. 3912. Responsibility of the Chief Compliance Officer	{2}	
Rule 0038: Compliance and Supervision	38.07	{h} {iv}	3900	R. 3913. CCO Report to Dealer Member's board of directors	{1}	
Rule 0038: Compliance and Supervision	38.08		3900	R. 3913. CCO Report to Dealer Member's board of directors	{2} and {3}	
Rule 0038: Compliance and Supervision	38.09		3900	R. 3914. Governance Document	{1}	
Rule 0038: Compliance and Supervision	38.06	{a}	3900	R. 3915. Appointment of Chief Financial Officer (CFO)	{1} {2} and {3}	
Rule 0038: Compliance and Supervision	38.06	{c}	3900	R. 3916. Responsibility of Chief Financial Officer	{1} and {2}	
Rule 0038: Compliance and Supervision	38.06	{b}	3900	R. 3917. Replacing a Chief Financial Officer	{1} and {2}	

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 2600: Internal Control Policy Statements	Statement 1 - General Matters	{v} last paragraph	3900	R. 3918. Annual Supervisory Review of Financial and Operational Policies and Procedures	{1}	
Rule 2400: Relationship between Dealer Member & Financial Service Entities	Minimum Standards for Shared Office Premises	7 {b}	3900	R. 3919. Supervision of Shared Office Premises	{1} - {2}	
			3900	R. 3920-3924 Reserved		[New - Non substantive - Reserved sections]
Rule 0038: Compliance and Supervision	38.01	{i}	3900	R. 3925. Supervision by Designated Persons	{1}	
Rule 1300: Supervision of Accounts	1300.02	{a}	3900	R. 3925. Supervision by Designated Persons	{2} and {3}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	Part II	{3}	3900	R. 3925. Supervision by Designated Persons	{2}	
New Provision			3900	R. 3925. Supervision by Designated Persons	{4}	[Substantive - Clarifies that alternate designated Supervisors must be appointed.]
Rule 2500: Minimum Standards for Retail Account Supervision	Establishing and Maintaining Procedures, Delegation and Education	{A} {1} {b}	3900	R. 3926. Account Supervision Policies and Procedures	{1}	
Rule 2500: Minimum Standards for Retail Account Supervision	Establishing and Maintaining Procedures, Delegation and Education	{A} {2}	3900	R. 3926. Account Supervision Policies and Procedures	{1}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	Introduction	4th paragraph	3900	R. 3926. Account Supervision Policies and Procedures	{1}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	Part IV	{A}	3900	R. 3926. Account Supervision Policies and Procedures	{1}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part I	{C} {1}	3900	R. 3926. Account Supervision Policies and Procedures	{2}	

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 2500: Minimum Standards for Retail Account Supervision	Part I	{C} {3}	3900	R. 3926. Account Supervision Policies and Procedures	{2}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part II	Intro – last sentence	3900	R. 3926. Account Supervision Policies and Procedures	{2} {iii}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part I	{A} {2}	3900	R. 3926. Account Supervision Policies and Procedures	{3}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part I	{A} {1} {c}	3900	R. 3926. Account Supervision Policies and Procedures	{4}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	Part III	{C} {iii}	3900	R. 3926. Account Supervision Policies and Procedures	{4}	
New Provision			3900	R. 3926. Account Supervision Policies and Procedures	{5}	[Non-substantive: Clarifies that recordkeeping and access to records must be supervised and controlled. Implied under current Dealer Member Rules]
Rule 2500: Minimum Standards for Retail Account Supervision	Part I	{B}	3900	R. 3926. Account Supervision Policies and Procedures	{6}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	Part III	{B} {2}	3900	R. 3926. Account Supervision Policies and Procedures	{6}	
Rule 0038: Compliance and Supervision	38.01	Introduction	3900	R. 3927. Reviews of Account Activity	{1}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part I	{B} first part	3900	R. 3927. Reviews of Account Activity	{1}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	Introduction		3900	R. 3927. Reviews of Account Activity	{1}	
Rule 0038: Compliance and Supervision	38.01	{vii}	3900	R. 3927. Reviews of Account Activity	{2}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part I	{F}	3900	R. 3927. Reviews of Account Activity	{2}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	Part III	{B} {1}	3900	R. 3927. Reviews of Account Activity	{2}	

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 2500: Minimum Standards for Retail Account Supervision	Part I	{C} {4}	3900	R. 3927. Reviews of Account Activity	{3}	
Rule 1900: Options	1900.02	{a}	3900	R. 3928. Supervision of Options Accounts	{1} and {2}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part V Option Account Supervision	Introduction	3900	R. 3928. Supervision of Options Accounts	{1} - {4}	[Substantive: New as general supervisory requirements to clarify that alternate supervisors must be appointed for all option accounts, not only retail.]
Rule 2500: Minimum Standards for Retail Account Supervision	Part V Option Account Supervision	Introduction	3900	R. 3929. Responsibility of Designated Supervisor for Options Accounts	{1}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part V Option Account Supervision	{A} {3}	3900	R. 3929. Responsibility of Designated Supervisor for Options Accounts	{1} {i}	
Rule 1900: Options	1900.02	{c}	3900	R. 3929. Responsibility of Designated Supervisor for Options Accounts	{1} {i}	
Rule 1900: Options	1900.02	{a}	3900	R. 3929. Responsibility of Designated Supervisor for Options Accounts	{1} {i} - {ii}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part VI	Introduction	3900	R. 3930. Supervision of Futures and Futures Options Accounts	{1} - {4}	[Substantive: New as general supervisory requirements to clarify that alternate supervisors must be appointed for all futures and futures options accounts, not only retail.]
Rule 1800: Commodity Futures Contracts & Options	1800.02	{a}	3900	R. 3930. Supervision of Futures and Futures Options Accounts	{1} and {2}	
Rule 1800: Commodity Futures Contracts & Options	1800.02	{a}	3900	R. 3931. Responsibility of Designated Supervisors for Futures and Futures Options Accounts	{1} {i} - {ii}	
Rule 1800: Commodity Futures Contracts & Options	1800.02	{c}	3900	R. 3931. Responsibility of Designated Supervisors for Futures and Futures Options Accounts	{1} {i}	
Rule 1800: Commodity Futures Contracts & Options	1800.02	{e}	3900	R. 3932. Access to Approved Persons Qualified in Futures and Futures Options	{1}	
			3900	R. 3933-3944 Reserved		[New - Non-substantive - Reserved sections]

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 2500: Minimum Standards for Retail Account Supervision	Part IV	Two-Tier Reviews	3900	R. 3945. Daily and Monthly Trade Supervision	{1}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part IV	{A}	3900	R. 3945. Daily and Monthly Trade Supervision	{2}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part III	{B} {2}	3900	R. 3945. Daily and Monthly Trade Supervision	{3}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part II	{C} {3}	3900	R. 3945. Daily and Monthly Trade Supervision	{4}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part IV	{E}	3900	R. 3946. Additional Supervisory Responsibilities	{1}	
Rule 0018: Registered Representatives & Investment Representatives	18.06		3900	R. 3947. Supervision of New Registered Representatives and Investment Representatives	{1} - {3}	
Rule 1300: Supervision of Accounts	1300.01	{p}	3900	R. 3948. Suitability of Client Orders and Recommendations	{1}	
Rule 1300: Supervision of Accounts	1300.06		3900	R. 3949. Supervision for Discretionary Accounts	{1} {2} and {5}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part VII	{B}	3900	R. 3949. Supervision for Discretionary Accounts	{3}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part VII	{C}	3900	R. 3949. Supervision for Discretionary Accounts	{4}	
Rule 1300: Supervision of Accounts	1300.01	{p}	3900	R. 3950. Responsibility of Designated Supervisor for Retail Options Accounts	{1}	
Rule 1300: Supervision of Accounts	1300.01	{q}	3900	R. 3950. Responsibility of Designated Supervisor for Retail Options Accounts	{1}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part V Option Account Supervision	{D} {5}	3900	R. 3950. Responsibility of Designated Supervisor for Retail Options Accounts	{2}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part V Option Account Supervision	{C}	3900	R. 3950. Responsibility of Designated Supervisor for Retail Options Accounts	{3}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part V Option Account Supervision	{D} {1}	3900	R. 3950. Responsibility of Designated Supervisor for Retail Options Accounts	{3}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 2500: Minimum Standards for Retail Account Supervision	Part V Option Account Supervision	{D} {2}	3900	R. 3950. Responsibility of Designated Supervisor for Retail Options Accounts	{4} {i}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part V Option Account Supervision	{D} {4}	3900	R. 3950. Responsibility of Designated Supervisor for Retail Options Accounts	{4} {ii}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part V Option Account Supervision	{D} {3}	3900	R. 3950. Responsibility of Designated Supervisor for Retail Options Accounts	{4} {iii} - {iv}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part V Option Account Supervision	{D} {7}	3900	R. 3950. Responsibility of Designated Supervisor for Retail Options Accounts	{5}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part V Option Account Supervision	{B}	3900	R. 3951. Supervision of Retail Options Account Trading Activity	{1} and {2}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part V Option Account Supervision	{C}	3900	R. 3951. Supervision of Retail Options Account Trading Activity	{1} and {2}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part VI	{A} {2}	3900	R. 3952. Responsibility of Designated Supervisors for Retail Futures and Futures Options Accounts	{1} {i}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part VI	{A} {5}	3900	R. 3952. Responsibility of Designated Supervisors for Retail Futures and Futures Options Accounts	{1} {i}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part VI	{A} {4}	3900	R. 3952. Responsibility of Designated Supervisors for Retail Futures and Futures Options Accounts	{1} {ii}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part VI	{C} {5}	3900	R. 3952. Responsibility of Designated Supervisors for Retail Futures and Futures Options Accounts	{2}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part VI	{C} {1}	3900	R. 3952. Responsibility of Designated Supervisors for Retail Futures and Futures Options Accounts	{3}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part VI	{C} {2}	3900	R. 3952. Responsibility of Designated Supervisors for Retail Futures and Futures Options Accounts	{3}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 2500: Minimum Standards for Retail Account Supervision	Part VI	{C} {3}	3900	R. 3952. Responsibility of Designated Supervisors for Retail Futures and Futures Options Accounts	{4}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part VI	{C} {4}	3900	R. 3952. Responsibility of Designated Supervisors for Retail Futures and Futures Options Accounts	{5}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part VI	{C} {7}	3900	R. 3952. Responsibility of Designated Supervisors for Retail Futures and Futures Options Accounts	{6}	
Rule 2500: Minimum Standards for Retail Account Supervision	Part VI	{B}	3900	R. 3953. Supervision of Retail Futures and Futures Options Trading Activity	{1}	
			3900	R. 3954-3959 Reserved		[New - Non-substantive - Reserved sections]
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	Part IV	{A}	3900	R. 3960. Supervisory Policies and Procedures for Institutional Accounts	{1}	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision	Part IV	{B}	3900	R. 3960. Supervisory Policies and Procedures for Institutional Accounts	{2}	
Rule 1300: Supervision of Accounts	1300.01	{p}	3900	R. 3961. Suitability of Client Orders and Recommendations	{1}	
			3900	R. 3962- 3969 Reserved		[New - Non-substantive - Reserved sections]
Rule 1300: Supervision of Accounts	1300.15	{b}	3900	R. 3970. Supervision of Managed Accounts	{1} {i}	
Rule 1300: Supervision of Accounts	1300.15	Introduction	3900	R. 3970. Supervision of Managed Accounts	{1} {ii}	
Rule 1300: Supervision of Accounts	1300.15	{a}	3900	R. 3970. Supervision of Managed Accounts	{2}	
Rule 1300: Supervision of Accounts	1300.15	{c}	3900	R. 3970. Supervision of Managed Accounts	{3}	
Rule 1300: Supervision of Accounts	1300.15	{e}	3900	R. 3971. Managed Account Committee	{1}	
Rule 1300: Supervision of Accounts	1300.15	{d}	3900	R. 3972. Managed account review	{1} and {2}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
			3900	R. 3973-3979 Reserved		[New - Non-substantive - Reserved Sections]
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1{T} for suitability relief for trades not recommended by the Member	Part A	{2} {a}	3900	R. 3980. Supervision by Order Execution Only Service Providers	{1}	
New Provision			3900	R. 3981. Supervision of Execution Only Trades in Advisory Accounts	{1}	[Non-substantive: General provision requiring compliance by discount brokers with this section. Implied under existing rules]
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1{T} for suitability relief for trades not recommended by the Member	Part B	{4} {b}	3900	R. 3981. Supervision of Execution Only Trades in Advisory Accounts	{2}	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1{T} for suitability relief for trades not recommended by the Member	Part B	{4} {a}	3900	R. 3981. Supervision of Execution Only Trades in Advisory Accounts	{3}	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1{T} for suitability relief for trades not recommended by the Member	Part B	{5} {a}	3900	R. 3981. Supervision of Execution Only Trades in Advisory Accounts	{4} - {5}	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1{T} for suitability relief for trades not recommended by the Member	Part B	{5} {e}	3900	R. 3981. Supervision of Execution Only Trades in Advisory Accounts	{5}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub Section	Comments
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1{T} for suitability relief for trades not recommended by the Member	Appendix A	{3}	3900	R. 3981. Supervision of Execution Only Trades in Advisory Accounts	{6}	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1{T} for suitability relief for trades not recommended by the Member	Part B	{5} {f}	3900	R. 3981. Supervision of Execution Only Trades in Advisory Accounts	{7}	
			3900	R. 3981-3999 Reserved		[New - Non-substantive - Reserved Sections]
Rule 2500: Minimum Standards for Retail Account Supervision	Part III		3900			[Substantive: Deleted. Not a requirement. Relevant provisions moved to guidance notes.]
Rule 2500: Minimum Standards for Retail Account Supervision	Part III		3900			[Substantive: Deleted. Not a requirement. Relevant provisions moved to guidance notes.
Rule 2500: Minimum Standards for Retail Account Supervision	Part III		3900			[Substantive: Deleted. Not a requirement. Relevant provisions moved to guidance notes.]
Rule 2500: Minimum Standards for Retail Account Supervision	Part III		3900			[Substantive: Deleted. Not a requirement. Relevant provisions moved to guidance notes.]
Rule 2500: Minimum Standards for Retail Account Supervision	Part IV		3900			[Substantive: Deleted. Not a requirement. Relevant provisions moved to guidance notes.]
Rule 2500: Minimum Standards for Retail Account Supervision	Part IV		3900			[Substantive: Deleted. Not a requirement. Relevant provisions moved to guidance notes.]
Rule 2500: Minimum Standards for Retail Account Supervision	Part IV		3900			[Substantive: Deleted. Not a requirement. Relevant provisions moved to guidance notes.]

ATTACHMENT D

GUIDANCE NOTE 3400-1

RECOMMENDATIONS

INTRODUCTION

This Guidance Note provides additional information about determining what constitutes a recommendation for the purpose of Rule 3400.

WHAT IS A RECOMMENDATION?

This Guidance Note does not define all situations that may be appropriately described as a recommendation. Whether or not a recommendation has been made will depend upon all of the relevant facts and circumstances surrounding a trade. These circumstances would include a "reasonable person" test, i.e. would a reasonable person in similar circumstances understand that a recommendation had been made.

The examples provided are not exhaustive or determinative. They are provided solely to assist Dealer Members, bearing in mind that each situation will be judged upon its own facts and circumstances.

ISSUES AND EXAMPLES TO CONSIDER IN DETERMINING WHETHER A RECOMMENDATION IS MADE

- (1) A waiver or disclaimer given to a client stating that the information given to the client by the Dealer Member is not a recommendation is not determinative.
- (2) Marking a trade "solicited" or "unsolicited" will not determine that a recommendation has been made.
- (3) The medium or method of discussing a trade is not determinative. It is the substance of the communication that is the primary factor.
- (4) A Dealer Member's calling itself a discount broker or an "order execution only service" is not determinative.
- (5) A lower commission is not relevant to determining if a recommendation has been made.
- (6) Whether a transaction is a "buy" or "sell" is not relevant.
- (7) The lack of a prior relationship between the client and the Dealer Member does not imply that the Dealer Member is not making recommendations.
- (8) A Dealer Member would usually be making a recommendation under the following circumstances:
 - (i) providing information that is individually tailored to a specific client or class of clients;
 - (ii) developing systems to "data mine" clients' habits and investment preferences and using this information to target specific clients;
 - (iii) promoting a specific security or trading strategy to a client;
 - (iv) the Dealer Member telling a client that it is taking into account the client's objectives and financial situations with respect to the transaction; and
 - (v) when the client has entered an order on-line, pursuant to the Dealer Member's recommendation.
- (9) A Dealer Member would not usually be making a recommendation under the following circumstances:
 - (i) providing or making available investment information, unless the Dealer Member has made an individually tailored proposal;
 - (ii) informing clients or prospective clients of the availability of general categories of investment information;
 - (iii) making general advertisements or statements without a recommendation;

- (iv) posting research on a website or another form of wide distribution;
- (v) distributing a general list of securities for sale;
- (vi) offering hyperlinks or portals to other investment-related web pages;
- (vii) responding to a client's request for certain kinds of investment information; and
- (viii) operating an "order-execution only" service, approved by the Corporation in accordance with the IIROC Dealer Member rules and the guidance provided here.

For purposes of this Guidance Note, the term "investment information" means information prepared by the Dealer Member (or a third party on behalf of the Dealer Member) which includes financial market information, news, research, opinions, charting and portfolio tracking information, asset allocation models, analyst consensus reports, stock quotes, public disclosure documents (including extracts) and information relating to offerings and sales material.

GUIDANCE NOTE 3500-1

CONFIDENTIAL INFORMATION CONTAINMENT

INTRODUCTION

Section 3507(5) requires that a Dealer Member have appropriate procedures to contain material non-public information to prevent its use for illegal insider trading. This Guidance Note draws upon the best practices of Dealer Members for monitoring and/or restricting transactions, including the use of "Grey" (or "Watch") and "Restricted" Lists. IIROC recognizes that procedures will vary from firm to firm depending upon the nature of the firm's business, its size, clientele and the markets in which it does business.

While some Dealer Members do not engage in corporate finance or investment banking activities, all Dealer Members should be mindful of the need to contain inside information which may come into the knowledge of the Dealer Member's employees. This knowledge may be acquired through trading by issuers, research or relationships between employees and corporate insiders. Dealer Members should develop procedures to bring to the attention of management, any instances of non-compliance with the requirements.

Dealer Members should also review their policies and procedures for confidential information containment on a regular basis, including the effectiveness of the Grey and Restricted Lists.

INFORMATION BARRIERS (FIREWALLS)

Dealer Members should ensure they have appropriate physical and procedural means of restricting access to confidential information to only those who need the information. A record of persons with access to the information should be maintained. The following are guidelines for the establishment and maintenance of these information barriers:

Responsible officer - Dealer Members should assign a qualified senior officer, or a sub-committee of the board, accountable to the Audit Committee of the board to oversee the design, implementation and maintenance of the Dealer Member's containment program. The program should be fully documented, including provisions for periodic reviews and timely updates, continuous improvement and continuing staff education.

Definition of confidential information - Dealer Members should have a clear definition of confidential information in the context of the Member and its employees' dealings with issuers.

Education of employees - Dealer Members should have a program to inform employees of the relevant policies and procedures involving the handling of confidential information. The program should include relevant extracts from the "red flags" noted in this Guidance Note. Dealer Members should also ensure that consistent answers are provided to questions for clarification. Dealer Members should also obtain clear, formal employee undertakings to abide by the policies and procedures.

Physical and technological barriers - Dealer Members should have effective physical and technological barriers limiting access to documents and records (both physical and electronic) containing confidential information to those authorized to view them. There should be effective and procedural deterrents supportive and complementary to these barriers. These deterrents should be tested and reviewed regularly.

Outside parties - Any outside parties involved in the implementation or testing of policies and procedures, including deterrents should be bound by solid confidentiality restrictions.

“Over the wall”- Dealer Members should have established processes by which outside individuals might be brought over the wall (information barrier). These processes should include keeping a record on who is brought over the wall and when. This would include both employees and outside consultants or advisors who have access to the confidential information.

Introducing/Carrying brokers – The parties should enter into a clear, non-conflicting agreement regarding respective responsibilities for information containment and leakage detection. The agreements should be reviewed annually.

GREY (OR “WATCH”) LISTS

A Grey List is a list of issuers on which the Dealer Member or any of its employees has confidential information. The grey list has limited circulation for the purpose of watching any trading activity which might suggest that the information has been leaked or used inappropriately. The following guidelines assist members in the creation and use of the list.

Establish clear guidelines – Dealer Members should establish clear guidelines which set out the purpose of the Grey List. This would include the kinds of events that should see a security or family or securities added to or removed from the list and the process of adding or removing from the list. The guidelines should set out the information to be contained on the list including the dates and times of all additions and deletions. The person in charge of maintaining the list should be named, as well as the limited distribution of the list. The safe storage of the list and its data should be noted. The guidelines should specify the ways in which the list will be applied to the firm’s continuous self-supervision activities.

Education of Employees – All persons who are likely to come in contact with confidential information should be trained on Grey List procedures.

List Preparation – The Dealer Member should ensure that access to corporate finance or research department meetings (or the minutes from the meetings) is part of the Grey List preparation

Insider Information on new account applications – Dealer Members should establish a process to capture and update the insider status information received on new account applications. This would include all accounts over which the insider has authority. This information should be available to all supervisory employees.

Trading reviews – Dealer Members should ensure that Grey List trading reviews cover all accounts at the Dealer Member, including:

- proprietary and inventory accounts
- accounts held by employees and their associates at other firms
- accounts of insiders of the issuer.

The review should include securities which are related or derivatives of the Grey List securities.

Questionable Trading – The Dealer Member’s policies and procedures should include the clear process to be followed when questionable trading is detected.

Managing the List – The Dealer Member’s policies and procedures should include an adjudication process for possible exceptions to the list. In addition, there should be a procedure for managing research on Grey List issuers.

RESTRICTED LISTS

Dealer Members should maintain a list of issuers with whom the Dealer Member has a current, publicly disclosed involvement which requires restrictions on the Dealer Member’s trading or advising activities.

Establish Clear Guidelines - Dealer Members should establish clear guidelines which set out the purpose of the Restricted List. This would include the kinds of events that should see a security or family or securities added to or removed from the list and the process of adding or removing from the list. The guidelines should set out the information to be contained on the list including the dates and times of all additions and deletions. The person in charge of maintaining the list should be named, as well as the distribution of the list. The archiving of the list and its data should be noted. The guidelines should specify the ways in which the list will be applied to the firm’s continuous self-supervision activities.

Education of Employees – Dealer Members should train all employees involved in taking orders and handling trades on the trading restrictions of issuers on the Restricted List. If there are categories of restriction, these should be clearly explained to affected employees and their supervisors.

List Preparation – Dealer Members should ensure that all updates to the list are authorized, recorded and disseminated to all employees affected on a reliable and timely basis.

Trading reviews – Dealer Members should ensure that Restricted List trading reviews cover all accounts at the Dealer Member, including:

- proprietary and inventory accounts
- accounts held by employees and their associates at other firms
- accounts of insiders of the issuer

The review should include securities which are related or derivatives of the Restricted List securities.

Questionable Trading – The Dealer Member’s policies and procedures should include the clear process to be followed when questionable trading is detected.

Managing the List – The Dealer Member’s policies and procedures should also include an adjudication process for possible exceptions to the list. In addition, there should be a procedure for managing research reports, sales literature, and investment recommendations on Restricted List issuers.

“RED FLAGS”

There are “red flags” that indicate possible insider trading activity. Dealer Members should have trading surveillance which would detect this kind of activity and train their employees to watch for and report any suspicious client activity to management.

Since an order for an insider must be so indicated upon entry, a Dealer Member’s compliance department should have available a report of all insider trades. This may be obtained from an outside vendor or from the TSX. The report could provide a basis for trading reviews to identify the following:

- A change in the pattern of trading activity of an insider account from inactivity to trading, or from buying and selling to abruptly aggressively buying or selling a significant position in the security.
- Immediate buying or selling of a significant inside position by a new account.
- Orders placed by an insider outside of the recent trading range, for example, a buy order at \$1.20 when the recent trading range was from \$.90 to \$1.00.
- An insider account making a significant profit on a quick flip in the security, or liquidating the security position and then re-establishing it at a more favorable price.
- New accounts that are not insiders that immediately take a substantial position in the security which is traded for a quick profit. The accounts may belong to a nominee or have received an insider tip.
- A pattern of consistent profitable trading by an insider or other account in the security prior to a news release.
- Trading activity by insider accounts and the accumulation of significant positions in the security by other accounts immediately prior to the security being placed on the Member’s Grey List or during the time the security is on the Member’s Grey List.

GUIDANCE NOTE 3500-2

CLIENT PRIORITY IN TSX VENTURE PRIVATE PLACEMENTS

INTRODUCTION

Section 3504 requires Dealer Members to give priority to client orders over all other orders for the same security at the same price. Furthermore, pursuant to the TSX Venture rules, a Dealer Member must observe client priority in private placements where the Member is acting as underwriter, agent, advisor or a member of a selling group or where non-clients at the Dealer Member hold 20% or more of the issued and outstanding securities of the issuer.

PROCEDURES

When a Dealer Member is involved in a small financing or has a small participation in a larger financing, it is impractical to solicit interest from all of the Dealer Member's advisers or from all of their clients. To assist Members in observing client priority, the following procedures are suggested:

General statement – The Dealer Member should send a general statement to clients inviting clients to express their interest in any private placements to their advisor. Possible methods of informing clients are by a general mailing, a note on monthly statements, a change to the account opening packages or other means. The communication to clients should include a general reference to the Dealer Member's procedures to be followed by clients in expressing an interest. The objective is to ensure that clients know and are occasionally reminded of the Dealer Member's procedures.

Specific private placement – For a specific private placement, the Dealer Member must confirm that the company has issued a news release as required by the TSX Venture announcing the amount and the price of the private placement. Non-client subscriptions can only be received after three clear days. Client orders received after the three days have passed still take priority if the final allocation of the securities by the Dealer Member has not been made and communicated to the issuer.

IIROC acknowledges that in non-brokered private placements, the issuer determines the final allocation of securities. However, the Dealer Member should ensure that the client interest is satisfied prior to any non-client participation.

Dealer Member's procedures should require that an RR immediately communicate any expressions of interest to a central location. Failure to do so should be seen as a serious breach of internal procedures likely leading to a disciplinary proceeding.

RECEIPT OF COMPENSATION

Dealer Members should note that receipt by the Dealer Member of a finder's fee or other form of compensation in connection with the distribution of securities, (excepting subsequent resale commissions), is evidence that the Dealer Member is acting as an adviser, agent or underwriter.

GUIDANCE NOTE 3500-3

PRE-MARKETING OF DISTRIBUTIONS

INTRODUCTION

This Guidance Note interprets Dealer Member Rule 3500. Dealer Members should also consult the CSA's notice "Pre-marketing activities in the context of Bought Deals" – CSA Staff Notice 47-704.

EQUITY SECURITIES

Distributions, commencement of distribution and equity securities as referenced in Rule 3500 are defined in Rule 1000 of the IIROC Rulebook. With respect to the definition of equity securities, for the purpose of Rule 3500, Dealer Members should note that when an issuer has the right to pay the redemption or the retraction price by issuing equity shares at a discount to market price rather than paying in cash, this feature is known as a soft redemption or retraction. These securities resemble debt securities and should be treated as such. Preferred shares that carry a soft redemption or retraction feature should not be considered equity securities for purposes of the Rule.

COMMENCEMENT OF DISTRIBUTION DISCUSSIONS

Commencement of distribution refers to the time when a Dealer Member has had distribution discussions with an issuer or selling security holder, or another underwriter that has had discussions with an issuer or selling security holder, that are of "sufficient specificity" that it is reasonable to expect that the Dealer Member (alone or with the other underwriter) will propose an underwriting of securities to the issuer or selling security holder.

The definition in the Rule is designed to ensure that confidential information concerning the issuer's intentions regarding a proposed financing is not communicated to potential purchasers. Private discussions would fall under the definition. However, a public announcement by an issuer of its financial intentions, for example at a public meeting, at which a Dealer Member is present, would not generally be considered distribution discussions, unless it is followed quickly with an offer from the Dealer Member. Where there is a significant time lag between the discussions and the offer, it would generally indicate that the discussions were not of "sufficient specificity" or that the Dealer Member declined to pursue the distribution. Therefore, such discussions would probably not fit under the definition. If there were no distribution discussions and the issuer simply accepts

an offer to underwrite a distribution from a Dealer Member, then the commencement of distribution discussions occurs immediately upon acceptance of the offer. In that case, it may end virtually immediately with the issuance of a news release.

The time period restrictions in Rule 3500 are the same with respect to both principal trading activities and with respect to restrictions on the communication of inside information.

Dealer Members should note that the commencement of the distribution discussions is not affected by the commencement of the restricted period under UMIR. Generally, the commencement of distribution discussions occur prior to the restrictions on principal trading activities and trading of solicited orders by underwriters as contemplated under UMIR.

Timing of commencement of distribution discussions - The commencement of distribution discussions will vary among Dealer Members according to their different underwriting processes. At the latest, it will have commenced at the time the offer to underwrite is made to the issuer.

Although a final decision to make the offer is to be made by an underwriting committee at the Dealer Member, for some Dealer Members, this committee's decision is only a formality. For example, when personnel believe that the committee will follow their recommendation, the decision to make the recommendation could constitute commencement of distribution discussions. As a result, the distribution will have commenced before the committee's decision is made. In these circumstances, there can be no further discussion with potential purchasers by anyone with knowledge of the distribution discussions or by anyone instructed by personnel with knowledge.

End of restrictions - The Rule sets out the three events that allow the Dealer Member to have communications with potential purchasers. One of the events is issuance and filing of a news release, in accordance with regulatory requirements, announcing the signing of the underwriting agreement. Section 7.1 of National Instrument 44-101 sets out conditions that must be met for issuance and filing of a news release. Since some of the conditions in section 7.1 relate to events that must happen after the news release is issued, this places a Dealer Member under some uncertainty that legitimate marketing may become illegitimate pre-marketing if a condition is not met. This problem is exacerbated by the fact that a condition may be outside of the Dealer Member's control. IIROC will not interpret this Rule adversely to the Member if the failure to meet the condition was out of the Member's control.

News release – Although three events define the starting point for communications with potential investors, a news release announcing the distribution ensures that there is equal access to information and meets concerns about tipping and trading on undisclosed material information. Section 7.1 of NI 44-101 requires that a news release be issued and filed when entering into an enforceable underwriting agreement. This would precede communications with potential investors and the filing of a preliminary prospectus.

For listed securities, new releases must be disseminated according to the timely disclosure Policies of The Toronto Stock Exchange or the TSX Venture Exchange, as applicable.

EXEMPT DISTRIBUTIONS AND SPECIAL WARRANTS

When a Dealer Member reasonably expects that an exempt distribution will be abandoned, any subsequent pre-marketing activities will be subject to the Rule.

This interpretation applies to conventional private placements of securities where securities are intended to be issued and held under the "closed system", including special warrant offerings by issuers not eligible to use the short form prospectus system. However, the pre-marketing restrictions of the Rule are applicable to special warrant offerings by issuers if it is intended that the underlying securities are to be qualified by a short form prospectus. IIROC may grant an exemption from this provision if it is expected that there will be a significant delay before the preliminary short form prospectus is filed. A delay for the purpose of filing a notice under section 2.8 of NI 44-101 and the translation of documents to be incorporated by reference will not generally be considered to be a significant delay.

CERTIFICATE

The signing of the certificate is not done personally, but "on behalf of the Dealer Member". However, there may be circumstances where the conduct of the person signing may be considered by IIROC to be conduct unbecoming, not in the public interest or a matter of continued fitness for registration under securities law. The certificate permits delegation of the enquiry function, but delegation should only be to a senior executive who is appropriate to perform the enquiry.

GUIDANCE NOTE – 3500-4

SOLICITATION FEES

A solicitation fee may be paid by offerors to soliciting agents in the course of offers, including cash offers, share exchanges and rights offerings. In some cases, the terms of the offer provide that a solicitation fee be paid to the agent for each of its client's shares tendered into the offer, with a maximum payment per beneficial owner.

There may be circumstances where a client's share position exceeds the number required to obtain the maximum solicitation fee. In such a case it is improper to engage in any adjustments as a means of increasing the fees otherwise payable. For example, it is improper to break down house positions or create additional client account names. This creates the impression that several clients have tendered into the offer where, in fact, the position belongs to only one beneficial owner.

Dealer Members should appreciate that this type of activity is dishonest and fraudulent and would constitute "conduct unbecoming".

GUIDANCE NOTE 3600-1

REVIEW OF ADVERTISEMENTS

INTRODUCTION

This Guidance Note provides Dealer Members assistance in complying with the requirements of Section 3602 for the review of advertising materials. Dealer Members should design policies and procedures appropriate for their size, structure, business and clientele, which may vary depending on the type of clients involved.

DEFINITIONS

A Dealer Member's policies and procedures should contain clear and comprehensive definitions of what constitutes advertising, sales literature and correspondence. This should include reference to all communications media, including print, broadcasting and electronic media. Whether materials are classified as correspondence, advertising or sales literature is determined by their content and purpose rather than by the means of dissemination.

COMPLIANCE WITH LAWS

A Dealer Member's policies and procedures should be designed to ensure that all advertisements, sales literature and correspondence comply with Rule 3600 and all other applicable requirements. For reference, these include the following:

- CIPF disclosure
- Disclosure of financial interest or underwriting liability
- Restricted share terms disclosure
- Related/connected issuer disclosure
- National Policy 47-201 – Trading Securities Using the Internet and Other Electronic Means
- Mutual fund advertising restrictions under National Instrument 81-102
- Requirements regarding the electronic delivery of documents

RESPONSIBILITIES OF THE DESIGNATED PERSON

Under sub-section 3602(3), each Dealer Members must designate a partner, director or officer to be responsible for compliance with the requirements relating to advertising, sales literature and correspondence. Where a Dealer Member is organized into separate business units, additional persons may be designated for each unit.

The designated person should ensure that the policies and procedures in place are:

- reviewed periodically for adequacy

- revised to incorporate relevant rule changes; and
- communicated to applicable personnel.

The designated person should also ensure that individuals assigned specific responsibilities under the policies and procedures are aware of their duties and are properly fulfilling them.

GUIDELINES

The following items are guidelines for Dealer Members for developing policies and procedures:

Prohibitions – The policies and procedures should clearly state any prohibition on specific types of advertising, sales literature or correspondence.

Reviews – The policies and procedures should set out the specific review requirements (pre-use approval, post-use review or post-use sampling) for each type of material used by the Dealer Member.

Record retention – Copies of the materials reviewed and records of the reviews and approvals must be maintained as required under Rule 3800. Should a post-use or sampling review disclose problems, a record should be kept of the corrective action.

Pre-use approval – Research reports, market letters, telemarketing scripts, promotional seminar texts, original advertising and any material that is used to solicit clients and contains performance reports or summaries must be subject to pre-use approval for both content and disclosure requirements. The approval record should include the final copy, not a preliminary copy on which changes have been requested.

Templates – Original advertising refers to the first instance of use of an advertising template, which requires pre-approval. Continuous approval is not required for minor changes to the template such as the name of the RR or the location of the branch.

Performance reports – Pre-approval is required for any advertising, sales literature or correspondence used to solicit clients containing performance reports or summaries. This includes advertisements containing performance reports on mutual funds or asset allocation services which should be reviewed for compliance with Section 3602 and NI 81-102. Software-generated portfolio reports to clients or material containing price and volume charts for specific equities or yields for specific fixed income securities do not require pre-approval, but must be subject to post-issuance review.

Post-use or sampling – Where post-use or sampling reviews are used, the policies and procedures should outline the type of review required, responsibility for conducting reviews and taking remedial action as required, the sampling frequency or techniques and records retention requirements. This type of review may be appropriate for specific instances of template advertisements, daily comments following up on published research or correspondence to single clients or small groups of similar clients.

Cross-supervision – An individual should not be responsible for approval or supervision of their own materials.

Research reports by RRs – Any research reports originating outside of the research department must be reviewed for disclosure of relevant conflicts of interest as required under Rule 3600.

Third party research – Dealer Members should satisfy themselves as to the bona fides or any third party research provider. Material that is provided by a party not at arm's length to the issuer, such as an investor relations firm, would constitute sales literature if distributed by the Dealer Member.

INTERNET ADVERTISING

Under Sub-section 3602(3), advertising on the internet requires prior approval from the person designated by the Dealer Member to approve advertising. This would include websites that originate from individuals at the firm.

A Dealer Member must ensure that its policies and procedures regarding advertising approvals include the use of the internet. The authorization for a web-site and the documents accessible on the web-site must be approved by the designated person. Printed copies of the documents must be kept on file by the Dealer Member as evidence of the written approval.

A password protected web-site, such as a site to enter orders, would not fall under the definition of advertising, but material on the web-site regarding specific securities or strategies may constitute sales literature.

A simple link at another entities' web-site, whether or not paid for is not an advertisement, unless it is accompanied by text or graphics promoting the Dealer Member's services.

Dealer Members are cautioned that electronic documents which are stored on the internet and therefore accessible by foreign residents could expose the Dealer Member to foreign jurisdiction regulatory requirements. An example is the rules in the U.S. Investment Advisors Act. Dealer Members may wish to consult their legal counsel on this matter.

In addition, Dealer Members are reminded that any internet advertising must include the required references to CIPF. It is suggested that the web-site include a link to the CIPF web-site address [<http://www.cipf.ten.net/-fcp/>]

GUIDANCE NOTE 3600-2

COMMUNICATIONS BY E-MAIL AND THE INTERNET

INTRODUCTION

Dealer Members should ensure that they have adequate policies and procedures relating to the use of e-mail and the internet, including training on anti-virus protection. Those policies may include the review of outgoing and incoming e-mail through the use of software or sampling techniques. Dealer Members should consult their counsel to ensure that their policies and procedures include proper notice to their employees that e-mails may be subject to supervisory review.

GUIDELINES

Outside origination – Dealer Members should have policies which ensure that all business-related e-mails to clients and prospective clients are logged on the Dealer Member's computer systems for future reference. This can be done by:

- providing secure remote access for employees and agents to the Dealer Member's systems;
- prohibiting the sending of all business-related e-mails through home; or
- requiring that all business-related e-mails are copied to the Dealer Member.

Review of advertising e-mails – Dealer Members should have appropriate record retention and sampling procedures to ensure that e-mails sent to clients that fall under Section 3602 are properly approved and comply with the Dealer Member's policies and procedures.

Client orders – Clients and RRs should be discouraged from using e-mails to communicate orders. If the practice is permitted by the Dealer Member, clients should be warned that communication of orders through an e-mail is subject to a number of risks such as delays in opening and executing instructions or inadequate instructions being given.

Anonymous communications – By making anonymous representations or recommendations in internet chat rooms or bulletin boards, registered representatives may violate conflict of interest or other business conduct rules. Members should therefore have policies and procedures in place to restrict their registered persons from engaging in such activities.

GUIDANCE NOTE 3600-3

RESEARCH REPORT DISCLOSURES AND BEST PRACTICES

This Guidance Note provides guidance on the interpretation of Rule 3600 relating to the preparation of research reports and advice on best practices for Dealer Members.

APPLICATION OF THE RULE

The definition of "analyst" under Rule 1000 includes individuals that are held out as analysts as well as individuals whose responsibilities to the Dealer Member include the preparation of research reports. The definition is meant to include individuals that are employed as analysts, whatever their title. The definition is not meant to include registered representatives who produce reports and written recommendations that may be similar to research reports. Such communications from registered representatives are not subject to the research report requirements under Rule 3600. However, a Dealer Member should ensure that its registered representatives are not held out as analysts and that the registered representative's communications are clear in that they present the registered representative's own conclusions and not those of the Dealer Member.

The definition of "research report" is broad and applies to any material distributed to clients or the general public which contains an analyst's recommendation concerning the purchase, sale or holding of a security. Sales and marketing material that do not

make reference to an analyst's recommendation are not considered research reports. The following are also not considered research reports:

- Reports relating to government debt or government-guaranteed debt; and
- Market analysis, market index, and sector reports.

Dealer Members may provide factual information about fixed income securities such as coupon rate, terms, par amount, weight in indices, and debt ratings from third party agencies. Providing such information is not considered equivalent to making a recommendation. However, statements that include implied recommendations, such as stating that an issue is under-priced, are considered recommendations and are subject to the research report requirements under Rule 3600.

In general, Dealer Members should ensure that individuals that prepare sales and marketing material are aware of the definition of "research report" so as not to inadvertently issue something that would be classified as research.

DISCLOSURES AND OTHER REQUIREMENTS

To meet the requirements under Rule 3600, Dealer Members must ensure that the required disclosure is fairly represented. The following points should be observed:

- (i) research report disclosures should be in the same type size and legibility as that in the body of the report;
- (ii) disclosures should be prominent and not in a mass of fine print or notes on the back pages of a lengthy report;
- (iii) disclosures should be specific and consistent. For example, a disclosure indicating that the Dealer Member may have had "a relationship with an issuer" is too general.

Disclosure of financial interest (Paragraph 3607(2)(ii))

When disclosing ownership interests, a Dealer Member is not required to include information for administrative or clerical staff involved in preparing a research report, but only those who create content.

Disclosure of paid services (Paragraph 3607(2)(iii))

Disclosure must be provided for all fees received from a subject issuer within the preceding 12 months by the Dealer Member and any partner, director, or applicable analyst, whether acting for the Dealer Member, or in a personal capacity. The Rule does not require duplicate disclosure for the individuals when the Dealer Member discloses the services. The Rule excludes normal investment-advisory or trade-execution services, such as an investment account by the issuer.

System for rating investments and distributing research (Section 3608)

A Dealer Member must disclose the system it uses for rating investments and how its research is disseminated. The Dealer Member may have separate systems for assigning ratings to the different types of securities on which it provides research.

A Dealer Member's policies and procedures for distributing research should include:

- (i) who its research is available to (for example, clients only);
- (ii) how its research is distributed (for example, electronically or printed form, or both); and
- (iii) whether all recipients receive the research at the same time.

Public comments (Section 3617)

For the purposes of Rule 3600, a public comment includes any comment made by a Dealer Member's employee about a security or issuer during any of the following:

- (i) a seminar;
- (ii) a public forum (including an interactive electronic forum);
- (iii) a radio or television interview;

- (iv) any other public speaking activity; or
- (v) the writing of a print media article in which an employee comments about an issuer or security.

The Dealer Member meets the requirement by providing guidelines and training for any employee or agent making a public comment. The employee or agent of the Dealer Member meets the requirement by making reasonable efforts to disclose the existence of any relevant research report — or the fact that one does not exist.

Trading restrictions (Section 3618)

The trading restrictions on individuals who prepare research reports do not apply to fixed income research reports that only discuss classes of issuers or sectors of the market. The restrictions apply in the case of reports that contain security specific recommendations – not to sector or class recommendations.

Revenue-based compensation (Section 3619)

Disclosing an analyst's compensation from investment banking revenues does not include compensation based on the overall revenues or profits of the Dealer Member, which may include investment banking revenue or profits.

BEST PRACTICES – PREPARATION OF RESEARCH REPORTS

In each research report, Dealer Members should:

- (i) clearly distinguish between the analysts' own assumptions and opinions and the information the issuer provided or obtained elsewhere;
- (ii) disclose the name of the expert in the research report or recommendation when an analyst relies on a report or study by a third-party expert;
- (iii) set price targets for recommended transactions along with the appropriate disclosure;
- (iv) use the specific securities terminology that applicable securities laws require. If the laws do not require securities terminology, use the specific technical terminology relevant industry, professional association, or regulatory authority requires. If specific terminology is not mandated, a Dealer Member should use terminology that is customarily in use. A Dealer Member may also include a glossary of terms.

Dealer Members should adopt standards for research coverage to be followed in the preparation of all research reports. Current financial estimates and recommendations on securities followed by the Dealer Member should be maintained and published. The Dealer Member should review these estimates and recommendations within a reasonable time after an issuer's release of material information or other relevant occurrence.

Dealer Members should make research reports widely available, through websites or otherwise, to all clients at the same time.

BEST PRACTICES – RESEARCH DEPARTMENT

Rule 3600 requires each Dealer Member to supervise the activities and review the content of research reports that are provided to clients. When the number of research analysts requires it, a Dealer Member should appoint additional supervisory analysts to oversee research reviews. A Dealer Member should ensure that supervisors, and other analyst employees, have a Chartered Financial Analyst designation or other appropriate qualifications.

Section 3620 requires each Dealer Member to have policies and procedures in place to restrict the influence of the investment banking department on the activities of the research department. As a best practice, no one in the research department should report to the investment banking department.

GUIDANCE NOTE 3700-1

REPORTING TIME AND METHODS

Rule 3703 requires Dealer Members to report certain types of events to IIROC, within the time and method prescribed by IIROC. This Guidance Note sets out the time period and method by which each of the following events should be reported:

I. REPORTING TIME PERIOD AND METHOD:

Any changes in the registration information of an Approved Person -3703(1)(i)

- Within the time period and manner prescribed by National Instrument 33-109 *Registration Information*, by use of *Registration of Individuals and Review of Permitted Individuals* form (or by any instrument or form replacing it)

All customer complaints, in writing, against the Dealer Member or any Approved Person except service complaints - 3703(1)(ii)

- Within twenty business days of receipt of a customer complaint against the Dealer Member or any current or former Approved Persons.
- Must be reported through ComSet

Whenever an internal investigation is commenced by the Dealer Member in accordance with 3706 and the results of such internal investigation-3703(1)(iii) and (iv)

- Within five business days of commencement of an internal investigation and within five business days of completion of such internal investigation
- Must be reported through ComSet

Any time the Dealer Member, current or former Approved Person is subject to one of the following:

- (a) Charged with, convicted, plead guilty or no contest to any criminal offense
- (b) named as a defendant or respondent, or is subject of, any proceeding or disciplinary action alleging contravention of any securities laws or exchange contract laws;
- (c) named as a defendant or respondent, or subject of any proceeding or disciplinary action alleging contravention of the requirements or policies of any regulatory or self-regulatory organization, professional licensing or registration body;
- (d) denial of registration or license by any regulatory or self regulatory organization, professional licensing or registration body; or
- (e) subject to a securities related civil claim or arbitration notice.

-3703(1)(v)

- Within five business days of occurrence of any of the above
- Must be reported through ComSet

Resolution of any matters set out above-3703(1)(vi)

- Within five business days of the resolution
- Must be reported through ComSet

Any internal disciplinary action that is taken by a Dealer Member against an Approved Person as result of:

- (a) a client complaint;
- (b) a securities-related civil claim or arbitration notice;
- (c) an internal investigation;
- (d) a Dealer-Member-initiated disciplinary action imposing suspension, termination, demotion, or trading restrictions on the Approved Person; or

- (e) a Dealer Member-initiated disciplinary action not involving clauses (a) to (c) above which results in a monetary penalty:
 - (1) over \$5,000 for a single occurrence;
 - (2) over \$15,000 in total in a calendar year; or
 - (3) imposed three times or more in a calendar year,
- 3703(1)(vii)
- o Within five business days of any internal disciplinary action being taken by the Dealer Member as a result of any of the above events
 - o Must be reported through ComSet

II. OVERLAP OF MATTERS REPORTABLE ON COMSET AND REGISTRATION INFORMATION FORM

Where there is an overlap of items that are reportable on ComSet pursuant to Section 3703 and those that must be reported through the Registrations Department, they must be reported through both.

GUIDANCE NOTE 3700-2

FREQUENTLY ASKED QUESTIONS-RULE 3700

What is a service complaint?

A service complaint is one which is founded on customer service issues and is not the subject of IIROC rules or standards. What is or is not a service complaint will depend on the context of the particular situation, however, a breach of IIROC rules cannot be said to be a service complaint.

Will the information be made public and who will have access to the information?

There is no current plan to make the information public. However, IIROC's position is subject to change based on decisions at the legislative and Securities Commission level.

The Securities Commissions, by virtue of their oversight role, and other Canadian securities regulatory bodies may have access to Rule 3700 information.

Is a Dealer Member required to report under Rule 3700 for persons other than a Partner, Director, Officer or Registered or Approved person of the Dealer Member?

Rule 3700 requires the reporting of matters pertaining to partners, directors, officers or registered or approved persons of the Dealer Member. Dealer Members are not required to report matters related to employees who do not fall within the above categories, however, Dealer Members may voluntarily report such matters should they choose to.

Do daily trade monitoring procedures fall under an internal investigation and require reporting?

Routine daily and other regulatory monitoring will not trigger Internal Investigation Reporting unless it appears that there is a violation related to "theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading" as per Section 3706.

If the inquiry by the Dealer Member reveals that there appears to be a violation related to the above serious set of offences, then Section 3706 requires a thorough internal investigation. The Internal Investigation must be reported when commenced and the results of the internal investigation must be reported upon conclusion of the investigation.

Will Termination Notices also have to be submitted through the Registrations Department and ComSet?

Information in a Termination Notice is not specifically required to be reported through ComSet unless the content of the notice falls within Rule 3700 reportable matters.

Are complaints about good faith trading errors reportable?

A complaint based on a "good faith trading error" would be reportable as a trading error as it is not a service complaint.

If Approved Persons are dually employed by the Dealer Member as well as the Dealer Member's parent bank, is the Dealer Member required to report internal investigations surrounding the Approved Person's bank related activities?

Internal investigations surrounding the Approved Persons' "banking activities" are reportable if the internal investigations are related to theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading or unauthorized trading.

Are denials of exemption applications reportable?

Rule 3700 does not require reporting of denials of exemption applications. Denial of an exemption application simply means that the Approved Person will have to follow the normal course of registration rules and would not raise a red flag and would not trigger a reporting requirement.

What consents will Dealer Members need to obtain from the Approved Person before submitting information pursuant to Rule 3700?

Approved Persons submit to the jurisdiction of the IIROC when they sign the Self Regulatory Organization Certification, therefore Dealer Members do not have to expressly solicit the consent of Approved Persons prior to submitting information pursuant to Rule 3700 as consent is implicit. Dealer Members may wish to consult the applicable privacy legislation.

Why is there no good will settlement category?

IIROC is aware that settlements are often reached as a goodwill gesture and will not assume wrongdoing by the mere fact of a settlement. A goodwill settlement category was not created as it could have lead to excessive and/or inconsistent use of the category.

Will the information provided be secure?

ComSet has been developed to ensure "bank-like" security of the information

Can a record be deleted or updated after it has been submitted in ComSet?

Once a report is submitted, it cannot be deleted. Users may view the records that they have entered into the ComSet system and, depending on the access level of the user, they may update a record.

If a record is updated, can the updates be tracked?

The ComSet system has a Document Audit trail whereby a complete edit history of the record is shown. This history includes the date stamp, time stamp and User Name of the person who edited the record.

What will the IIROC do with this information?

ComSet is a tool that is used by the IIROC in its risk-based approach to compliance and enforcement. ComSet assists IIROC in fulfilling its oversight function by improving its ability to identify areas for compliance review, areas where enforcement action is appropriate, industry problems, and regional issues. ComSet will promote higher standards of business conduct and ethics and will ultimately enhance investor protection.

GUIDANCE NOTE 3700-3

CLIENT COMPLAINT HANDLING

COMPLAINTS GENERALLY

The fair and timely handling of client complaints is vital to the overall integrity of the investment industry. Dealer Members should regard the handling of all client complaints as an essential element of the proper servicing of client accounts generally. Addressing client complaints fairly and on a timely basis demonstrates to clients that their issues are dealt with seriously and enhances investor confidence in the industry. An effective framework for dealing with client complaints is in keeping with appropriate standards of professionalism for the industry.

As a result, it is important that Dealer Members establish policies and procedures to deal effectively with client complaints. Such policies and procedures must address the general requirements of section 3720, and the specific requirements of sections 3721 to 3728 regarding client complaint handling. Section 3720 requires Dealer Members to provide a written response to all complaints made in writing. Further, where a written complaint does not relate to a matter within the scope of sections 3721 to 3728, section 3720 also requires that the Dealer Member resolve and respond to the complaint within a reasonable time frame.

COMPLAINTS SUBJECT TO THE REQUIREMENTS OF DEALER MEMBER RULE 2500B

GENERAL

Alleged misconduct

The types of allegations enumerated in the Rule are not an exhaustive list of all matters that may constitute alleged misconduct; other matters may constitute alleged misconduct. Alleged misconduct includes such other matters that relate to client accounts or client dealings with Dealer Members which are of a serious nature and warrant being dealt with through the formal complaint handling process.

Recorded expression of dissatisfaction

A recorded expression of dissatisfaction includes any written submission, electronic communication, or verbal recording.

Verbal expression of dissatisfaction

As set out in the Rule, verbal expressions of dissatisfaction alleging misconduct where a preliminary investigation indicates that the allegation may have merit are to be treated as a complaint subject to the Rule. Implicit in this requirement is the need for Dealer Members to expeditiously undertake a preliminary investigation in order to assess the merits of a verbal expression of dissatisfaction. It is expected that such a preliminary investigation will entail a summary assessment of the merits of a client complaint, and that it will not involve the type of investigation undertaken once a complaint is being dealt with under the formal complaint handling process.

Where a preliminary investigation of a verbal expression of dissatisfaction has been performed and the Dealer Member determines:

1. that there is evidence to indicate that the client complaint may have merit, the complaint should be treated in the same manner as a recorded expression of dissatisfaction. In accordance with its normal investigative process, the Dealer Member may request that the client document the complaint in a recorded form, however a substantive response must be sent within the required timeframe whether or not a client has provided a documented complaint in response to such a request.
2. that the nature of the client complaint is unclear or there is no evidence to indicate that the client complaint has merit, the Dealer Member shall request that the client document and submit the complaint in a recorded form. Where the client:
 - (a) documents and submits the complaint in recorded form, the complaint should be treated in the same manner as if it had originally been submitted as a recorded expression of dissatisfaction; or
 - (b) fails to document and submit the complaint in recorded form, the Dealer Member may exercise their professional judgment and terminate their investigation of the complaint.

Decision to not investigate a complaint or to terminate an investigation of a complaint

A sales supervisor / compliance staff or the equivalent may exercise their professional judgment in deciding whether a complaint requires an investigation. In assessing whether a complaint should be investigated, Dealer Members must consider whether the client would have a reasonable expectation that the complaint should be handled through the process outlined in the Rule. The decision and reason not to commence an investigation of a complaint must be fully documented and maintained in accordance with the complaint record retention requirements.

Complaints made by individuals who are not clients of the Dealer Member are not subject to the Rule, other than complaints submitted by a person authorized to act on behalf of a client. Written client authorizations, as well as formal legal documents, such as powers of attorney or court appointments, are acceptable forms of documentation for establishing a person's authority to act on behalf of a client.

DESIGNATED COMPLAINTS OFFICER

The designated complaints officer is not a registered individual position. The purpose of the position is to ensure that the Dealer Member has someone with the requisite knowledge, experience and authority in place to manage the proper handling of complaints.

Dealer Members may choose to name the Ultimate Designated Person or Chief Compliance Officer or an individual acting in a supervisory capacity over the complaints process for the position of designated complaints officer.

Dealer Members are encouraged to make available to the designated complaints officer and their staff specific training relating to dispute resolution.

COMPLAINT PROCEDURES / STANDARDS

Client access

The information provided to clients on an ongoing basis would include the first point of contact in submitting a complaint and the contact information for the designated complaints officer. The information provided may include the stipulation that the designated complaints officer should generally only be contacted when a complaint had been submitted and the client wishes to express concerns with the handling of the complaint. All client complaints must be handled by qualified sales supervisors/compliance staff or the equivalent. Under no circumstances should individuals who are the subject of a complaint handle complaints made against them.

Complaint substantive response letter – timelines

The ninety (90) calendar days timeline to provide a substantive response to clients must include all internal processes (with the exception of any internal ombudsman processes offered by an affiliate of the firm) of the Dealer Member that are made available to the client that involve but are not limited to the supervisory function / branch management, the compliance function, and legal review.

Complaint substantive response letter - OBSI information

Member firms must inform clients that OBSI will consider a client complaint at the earlier of:

- (i) the date the complaint substantive response is provided to the client; or
- (ii) ninety (90) days after the receipt of the complaint.

This can be done, depending upon the status of the complaint, either as part of the substantive response letter or as part of any letter informing the client that the complaint will not be resolved within ninety (90) days.

Duty to assist clients in documenting complaints

Dealer Members should be prepared to assist clients in submitting a complaint, in particular if the client is handicapped in any way, is a senior with special needs or a language or a literacy issue is involved.

COMPLAINT RECORD RETENTION

Records in a central, readily accessible place must be retrievable within two (2) business days and documents kept for an extended period of time must be retrievable within five (5) business days unless there are reasonable, extenuating circumstances.

GUIDANCE NOTE 3800-1

ELECTRONIC BUSINESS RECORDS

INTRODUCTION

This Guidance Note contains information about electronic communications by Dealer Members, specifically:

- (i) electronic delivery of documents to clients under Rule 3800; and

- (ii) the use of electronic or digital signatures for agreements, contracts or transactions.

ELECTRONIC DELIVERY OF DOCUMENTS

A Dealer Member may communicate electronically with a client if Corporation requirements refer to a “written acknowledgement” by the client or “notice” from the Dealer Member or client. All disclosures required on confirmations and statements, including the fine print on the back of the document, must be included if delivered electronically. A Dealer Member may not communicate electronically with a client if Corporation requirements refer to a client’s “consent” or if the client’s signature is required, unless such electronic signature is legally valid. This is discussed under “Use of Electronic or Digital Signatures” below.

Prerequisites for Electronic Delivery

A Dealer Member must notify the Corporation before implementing an electronic delivery system, setting out the degree of compliance with National Policy (NP) 11-201 and any deviations from it. This notice must include:

- the documents to be transmitted electronically and the information they contain;
- the method of electronic delivery;
- a copy of any electronic forms or website screens that the Dealer Member will use;
- the procedures to obtain client consent and the form of the consent;
- the procedures to ensure adequate record retention and audit trails;
- back-up procedures;
- time during which documents will be available electronically;
- procedures for allowing third-party access to client communication when authorized; and
- identification of situations when it is important that clients acknowledge notices and back-up procedures to ensure the notice is brought to the clients’ attention.

A Dealer Member must take reasonable precautions to ensure the integrity, confidentiality and security of personal information sent electronically. Personal information includes confirmations, account statements and other documents specifically identifying the client. A Dealer Member must ensure that the information cannot be tampered with or altered.

In addition to this Guidance Note, Dealer Members should consult *National Policy 11-201, Delivery of Documents by Electronic Means* that has been adopted by all Securities Commissions as guidelines for electronic communication. The Policy does not mandate any particular procedure or rules, allowing Dealer Members to determine their own processes. The Policy sets out four components to electronic delivery that should be satisfied in order to constitute good delivery.

National Policy 11-201 applies to documents that are required to be delivered under applicable securities laws. It does not apply to the electronic delivery of documents that are provided voluntarily to clients, although Dealer Members may wish to conform to their procedures for both types of documents.

The rest of this Guidance Note summarizes the components of NP 11-201 applicable to electronic delivery.

Notice of delivery

The intended recipient should have notice of the electronic delivery of the document. Notice may be affected in any manner, electronic or non-electronic, such as electronic mail, telephone or communication in paper form.

Some forms of electronic delivery may not require a separate notice, such as delivery by electronic mail where the mail itself is sufficient notice. In cases where a document is available on a website for downloading, clients should be notified of its availability.

Access

The intended recipient of the document should have easy access to the document. The delivering Dealer Member should ensure that:

- (i) Electronic access is not burdensome or overly complicated;
- (ii) The document should remain available to recipients for an appropriate period of time;
- (iii) The recipient should be able to retain a permanent record of the document; and
- (iv) A paper version of every electronic document is available upon request.

While Dealer Members are entitled to operate in an electronic environment, we caution Dealer Members that they must comply with all applicable securities legislation in the conduct of their business. Failure to deliver a paper version of documents may constitute a breach of their obligations under securities legislation. We recommend that Dealer Members continue to make available, at no cost to clients, paper versions of documents if clients so request.

Evidence of delivery

Consent received from the recipient is evidence of delivery. In the absence of consent, a delivering Dealer Member may obtain other evidence of delivery; for example, the fact that a document was sent via e-mail and not returned may be sufficient.

Delivery of an unaltered document

A deliverer should ensure, to the extent possible, that no alteration or corruption of a document occurs during electronic delivery. Deficiencies in the completeness or integrity of an electronically delivered document will raise questions as to whether the document has been delivered.

Consent

A Dealer Member may satisfy the Notice of Delivery above, by obtaining the informed consent of the client and delivering the document in accordance with that consent. The consent will create the inference that:

- (i) the recipient will receive notice of the electronic delivery of the document;
- (ii) the recipient has the necessary technical ability and resources to access the document; and
- (iii) the recipient will actually receive the document.

A Dealer Member may obtain a “blanket” consent that would be applicable to purchases of all new issues or mutual funds. The consent must indicate how notice will be given to clients of documents which are posted on a website. This may be satisfied by a client’s consent to monitor the website on a regular basis, thereby eliminating the need for the Dealer Member to give notice. Consent is not necessary; however, in the event of a dispute, a Dealer Member has the burden of proving that the recipient received notice and actually received the document. A client can revoke consent at any time. A client has the sole discretion to receive documents electronically or in paper form. A sample consent form can be found in Appendix A to National Policy 11-201.

National Policy 11-201 states that electronic and paper delivery should be made contemporaneously.

USE OF ELECTRONIC OR DIGITAL SIGNATURES

The Corporation will recognize electronic signatures in those jurisdictions where they are legally valid. Dealer Members are advised to refer to the applicable provincial legislation to ensure that they satisfy the requirements (see list of provincial legislation below). The Dealer Member must also have the appropriate technological capabilities. This will include a requirement that the technology guarantees non-repudiation of the signature by the signer.

Dealer Members must note that consent is required prior to the use of an electronic signature. This consent may be implied from the person’s conduct if there are reasonable grounds to believe that the consent is genuine and is relevant to the information or document.

Most provincial legislation clarifies that an electronic signature does not have to look like a “physical” signature in order to be valid. For example, the signature can be a code, sound or symbol of any kind and could be part of or separate from the document it signs, as long as the association with the document is clear.

There does not appear to be a restriction or limitation on the use of an electronic signature for electronic contracts. As long as the association of the electronic signature with the person and the document is established and the intent to sign is demonstrated, the electronic signature will be valid.

Some specific legislative requirements are:

- A document or information in electronic form must be accessible by the other person so as to be usable for subsequent reference;
- A document or information in electronic form must be capable of being retained by the other person;
- A document or information in electronic form must be organized in the same or substantially the same way as the specific non-electronic form;
- The electronic signature is reliable for the purpose of identifying the person; and
- The association of the electronic signature with the relevant electronic document is reliable.

In respect of these two latter points, the requirements will not be satisfied by the acceptance of an e-mail from a client nor by use of a Dealer Member's password protected web-site.

A Dealer Member must obtain a legal opinion that confirms that the Dealer Member's digital signature technology and system satisfied the legislative requirements in the jurisdictions it is intended to be applied. A Dealer Member may supply its own opinion or one from a certification authority that generates and assigns keys under a public key infrastructure (PKI) and issues certificates which serve to identify and authenticate the signer and his/her associates with the public key. FundSERV is an example of a PKI initiative by serving as a certification authority.

Examples of signature requirements under Corporation requirements

- Cross Guarantee Agreement
- Introducing Broker/Carrying Broker Disclosure
- Guarantee Agreement
- Guarantor Provision of Information
- Margin Account Agreement
- Waiver of Receipt of Client Confirmation Statements for Managed Account
- Accounts of Employees of Other Dealer Members
- Managed or Discretionary Account Agreement
- Managed Account Consent for Specific Transactions
- Futures Trading Agreement/Futures Options Trading Agreement
- Option trading Agreement
- Segregation Agreement
- Cash and Securities Loan Transaction Agreements
- Authorization to Transfer Account Form
- Suitability related disclosure for clients of suitability-exempt Dealer Members
- Form 1 – Joint Regulatory Financial Questionnaire and Report
- Form 2 – New Client Application Form

Provincial electronic commerce legislation

Alberta – *Electronic Transactions Act*

British Columbia – *Electronic Transactions Act*

Manitoba – *Electronic Commerce and Information Act*

New Brunswick – *Electronic Transactions Act*

Newfoundland – *Electronic Commerce Act*

Nova Scotia – *Electronic Commerce Act*

Ontario – *Electronic Commerce Act*

Prince Edward Island – *Electronic Commerce Act*

Quebec – *An Act to establish a legal framework for information technology (see also article 2827 of the Civil Code of Quebec)*

Saskatchewan – *Electronic Information and Documents Act*

Yukon – *Electronic Commerce Act*

GUIDANCE NOTE 3800-2

CONTENT AND RETENTION OF BOOKS AND RECORDS

INTRODUCTION

This Guidance Note addresses the content of records a Dealer Member is required to maintain under Rule 3800 and the retention of records relating to supplementary information used in the preparation of the Monthly Financial Reports (MFR).

CONTENT OF RECORDS

Rule 3800 requires a Dealer Member to maintain adequate books and records for audit trail, compliance and reporting purposes. This Guidance Note sets out what the Corporation considers “adequate” for certain of these records.

Blotters

The blotters a Dealer Member is required to maintain pursuant to section 3806 may be produced as separate data files and daily reports, recording each type of transaction such as purchases versus sales, unlisted investment products, bonds, cash receipts, cash disbursements and stock record journals.

- (1) As a minimum, the blotter for trades in securities should show:
- (i) the name, class and designation of the securities;
 - (ii) the number, value or amount of securities;
 - (iii) the unit and total purchase or sale price (if any);
 - (iv) the trade date;
 - (v) the settlement date;
 - (vi) the commission;
 - (vii) the accrued interest, if applicable; and
 - (viii) the name of the counterparty.

- (2) As a minimum, the blotter for trades in options should show:
- (i) the type of option (put or call);
 - (ii) the name of the underlying security;
 - (iii) whether the transactions are opening or closing transactions;
 - (iv) the premium
 - (v) the number of shares or underlying interest,
 - (vi) the expiry month and year;
 - (vii) the strike price; and
 - (viii) the marketplace upon which the transaction took place.

A Dealer Member must maintain a record of all puts, calls, spreads, straddles and other options in which it has a direct or indirect interest, or which it has granted or guaranteed.

This record must include any letters relevant to the options, including those sent to clients or received from them.

- (3) As a minimum, the blotter for trades in futures contracts should show:
- (i) the commodity and quantity bought or sold;
 - (ii) whether the transactions are opening or closing transactions;
 - (iii) the expiry month and year;
 - (iv) the contract price;
 - (v) the futures exchange; and
 - (vi) the name of any dealer (if any) that acted as the Dealer Member's agent for the trade.
- (4) As a minimum, the blotter for trades in futures contract options should show:
- (i) the type and number of the option;
 - (ii) whether the transactions are opening or closing transactions;
 - (iii) the premium;
 - (iv) the futures contract that is the subject of the option;
 - (v) the expiry month and year of the futures contract option;
 - (vi) the declaration date;
 - (vii) the strike price;
 - (viii) the futures exchange; and
 - (ix) the name of any dealer (if any) that acted as the Dealer Member's agent for the trade.

Position Records

A Dealer Member may keep separate position records for equities, debt and derivatives.

Record of Orders Received

In order to show an adequate record of the order, a record of an omnibus order must show a breakdown of individual accounts and quantities.

Monthly Calculation of Excess Capital

If a Dealer Member with substantial excess capital applies more stringent rules, the Dealer Member may omit detailed schedules and analyses that support the calculation. For example, a Dealer Member may group inventories into broader margin categories, apply maximum margin rates, ignore offsetting provisions and exclude assets that are partially allowable or of questionable value.

RECORD RETENTION FOR EXAMINATION PURPOSES

Records must be retained in a readily available location. After the prescribed time limits expire, the records may be placed in long-term off-premises storage subject to industry and statutory records retention guidelines.

Due to the fact that record retention requirements differ under different legislation and those retention periods may be changed from time to time, it is suggested that record retention periods for specific type of records should be reviewed from time to time to ensure its continued accuracy.

In addition to the filing document, a Dealer Member must retain supporting documentation in sufficient detail to enable Corporation Examiners to verify the accuracy of the reports and questionnaires. Included with these documents are items such as:

- (1) The trial balance (general ledger, clients, brokers and inventory sub-ledgers)
- (2) Status slips;
- (3) Clearing reports;
- (4) Exception and delinquency reports;
- (5) Inventory and client margin reports;
- (6) Interest and dividend reports;
- (7) Security count and reconciliation sheets;
- (8) Segregation control reports;
- (9) Security position record; and
- (10) Working papers required to substantiate the daily or weekly capital calculations and to monitor early warning.

The records required under Rule 3800 must be kept for a minimum of seven years and in accordance to National Instrument 31-103 ("NI 31-103") unless Corporation Rules allow for a different retention period. Under NI 31-103, records required to be kept include, but are not limited to, records that do the following:

- (1) permit timely creation and audit of financial statements and other financial information required to be filed;
- (2) permit determination of the Dealer Member's capital position;
- (3) demonstrate compliance with the Dealer Member's capital and insurance requirements;
- (4) demonstrate compliance with internal control procedures;
- (5) demonstrate compliance with the Dealer Member's policies and procedures;
- (6) permit the identification and segregation of client cash, investment products, and other property;
- (7) identify all transactions conducted on behalf of the Dealer Member firm and each of its clients, including the parties to the transaction and the terms of the purchase or sale;

- (8) provide an audit trail for client instructions and orders, and each trade transmitted or executed for a client or by the Dealer Member firm on its own behalf;
- (9) permit the generation of account activity reports for clients;
- (10) provide pricing for investment products as may be required by securities legislation;
- (11) document the opening of client accounts, including any agreements with clients;
- (12) demonstrate compliance with Corporation Rules on know your client and suitability;
- (13) demonstrate compliance with complaint-handling requirements;
- (14) document correspondence with clients; and
- (15) document compliance and supervision actions taken by the Dealer Member.

GUIDANCE NOTE 3800-3:

CONTENT AND RETENTION OF BOOKS AND RECORDS

This Guidance Note provides Dealer Members with additional information about:

- (i) confirmations to clients of average price or accumulation accounts; and
- (ii) the pledge of investment products by the client to outside financial institutions.

AVERAGE PRICE ACCOUNTS

This guidance covers accounts where a Dealer Member accumulates stock to provide a client with a single fill at an average price.

Printing the unwinding trade

If a Dealer Member has a firm, time-stamped, client order and accumulates stock in an inventory account for administrative purposes only, the transfer of the position to the client should not be "printed" on an Exchange. There is no change in beneficial ownership as the client is the beneficial owner of the stock at all times.

If a Dealer Member is accumulating stock based on an indication of interest from a client, or an order with a contingency that has not occurred (e.g. an all or none order), then the client is under no obligation to purchase the stock. In this case, an unwinding trade(s) to the client should be printed on an Exchange as the Dealer Member is at risk while taking on the position (since the client is not the beneficial owner of the stock while in inventory). A Dealer Member may not use an error account to unwind the position to the client if the market has moved.

Confirmation to the client

It is preferable to give clients a confirmation showing each individual trade. If a client requests a single confirmation, it is acceptable to show the date of the trades as the date of the transfer to the client, even though the trades at the average price may appear to be outside the then current market.

Regardless of the process, a Dealer Member must retain records of each individual trade and of the transfer to the client. These records must be available to the client or the regulators upon request.

Carried and non-carried accounts

Type 3 and 4 Introducing Brokers are permitted to show both carried and non-carried accounts in the same monthly statement. The statement should separate transactions for and positions held in, each type of account. An explanatory note should state which account(s) each Carrying Broker carries and which accounts are not carried.

Sample disclosure for consolidated portfolio reports

A Dealer Member may utilize this sample disclosure or prepare its own disclosure:

"This [portfolio summary] is prepared from information we believe to be reliable. It is not an official statement of your investment product positions at [name of Dealer Member]. Some of the positions shown in this statement may be held at other financial institutions where they are not covered by the Canadian Investor Protection Fund (CIPF).

Please consult the monthly statements you receive from [name of Dealer Member] to determine which positions are eligible for protection by CIPF, including information as to the investment products held in segregation.

If there are any discrepancies between the transactions or positions shown on the monthly statements you receive from [name of Dealer Member] and those shown in this [portfolio summary], please report them to [contact name or department]."

PLEDGE OF THE CLIENT'S INVESTMENT PRODUCTS

Dealer Members should carefully review any arrangements whereby investment products are pledged or guaranteed to a lending financial institution to ensure that the investment products are properly recorded on the client's statement and the Dealer Member's stock records.

Client purchases on margin

A Dealer Member may finance client purchases on margin by arranging for a call loan directly with a bank and using that portion of the client unpaid investment products as collateral or pledge for the call loan. Under Corporation requirements the client statement must show the security transaction, the money balance and the security holdings of the client in segregation or non-segregation. The Dealer Member's stock record must show the location of all investment products held on behalf of clients, including those pledged to the bank.

Personal client bank loans and guarantees

When a client directs that investment products be delivered out of the account to a bank as a pledge against a personal loan, mortgage, etc. and the Dealer Member does not retain custody over the investment product, the client's investment products are no longer in the Dealer Member's control and must not be shown as a security position in the client's account or on the Dealer Member's stock record.

Where a Dealer Member, the client and the bank enter into a tri-party loan agreement between the client and the bank and the agreement requires that the investment product (under control of the Dealer Member) cannot be withdrawn from the client's account without the prior written consent of the bank, these security positions must be recorded on behalf of the client on the Dealer Member's books and records. This arrangement is used primarily to simplify tax event reporting by the Dealer Member on the client's security position.

GUIDANCE NOTE 3900-1

SUPERVISION OF ACCOUNTS

INTRODUCTION

This Guidance Note sets out IIROC's expectations for Dealer Member supervision of client account activity. It provides guidance on meeting the requirements of Rule 3900.

Compliance with relevant business conduct requirements is primarily the responsibility of the registered representative. However, Rule 3900 requires each Dealer Member to effectively supervise all account activity to ensure compliance with IIROC requirements and securities legislation. The supervisory standards in Rule 3900 provide Supervisors with a checklist against which to monitor the handling of these responsibilities by the registered representative.

The Dealer Member's policies and procedures must provide for the screening of trading activity to detect issues for further enquiry or investigation. A Dealer Member is not required to enquire into or investigate every trade that meets the selection criteria in Rule 3900 or this Guidance Note, but must exercise reasonable judgment in selecting items for further investigation.

SUPERVISION OF RETAIL ACCOUNTS

Section 3926 requires a Dealer Member to establish and maintain written policies and procedures for supervising accounts that set out its standards of supervision and the steps to review account activity. This section provides guidance on meeting these requirements.

A. *Supervisory Structure*

An effective supervisory structure takes into consideration all factors necessary to ensure adequate supervision, including the products traded, type of trading, location of business and other functions of Supervisors. Where the Dealer Member conducts retail business in business locations outside its Head Office, it should consider the following:

- A resident Supervisor is in the best position to know the Registered Representatives in the office, know or meet many of the clients, understand local conditions and needs, facilitate business through the timely approval of new accounts and respond immediately to questions or problems. However, a Dealer Member may determine to what extent a resident Supervisor is necessary, considering factors such as:
 - The number of Registered Representatives in the location
 - The experience of Registered Representatives in the location
 - The nature of the business conducting in the location;
 - The availability of a Supervisor or Supervisors in nearby locations;
 - Other systems and controls mitigating the risk of remote supervision.
- Where a business location does not have a Supervisor working in the office, it must have an outside Supervisor assigned to it. The Supervisor must conduct periodic visits to the location as necessary to ensure that business is being conducted properly at the location.

While it is not always possible in a very small firm, a Dealer Member should ensure independent supervision of all retail accounts. A Supervisor's advice and trades for his or her own clients should be supervised by another Supervisor.

A Dealer Member must have in place an effective supervisory program to review trading in all accounts and to provide the needed supervision and compliance resources. In developing its program a Dealer Member should consider the following:

- A Supervisor who advises and trades for his or her own clients may not be able to devote sufficient time and attention to his or her supervisory role.
- If a Supervisor is not qualified to supervise trading activity in all products traded by those under his or her supervision and any other services that they provide to retain customers, a Dealer Member may divide the supervision between two or more Supervisors, provided there are appropriate mechanisms for them to communicate with one another, that the system ensures that the Dealer Member maintains an overall view of the client's situation and activity and that the assignment of responsibilities is clear and complete. One acceptable mechanism for doing so is the appointment of a primary Supervisor to whom the other Supervisor(s) provide advice with regard to the activity in the products or services the primary Supervisor is not qualified to supervise.
- Supervisors need information to properly conduct their supervision. For account reviews this includes readily accessible client information and full information about account activity including relevant non-trade activity such as receipts, deliveries, deposits, withdrawals and journal entries.
- A Dealer Member's supervisory system must provide for back-up during the absence of responsible Supervisors. For any prolonged absence of a Supervisor, the back-up Supervisor should be advised of any ongoing issues or concerns as necessary to provide proper supervision.

Section 3926 requires a Dealer Member to have written policies and procedures for supervising accounts that set out its standards of supervision and the steps to review account activity. IIROC recommends a two-tiered system of first and second level reviews as described in this Guidance Note.

A Supervisor should have sufficient authority to take effective and timely remedial action where account activity or any other matter under his or her supervision falls or appears to fall outside the bounds of proper conduct, just and equitable principles of trade or good business practice. Escalation for a decision by a more senior Supervisor or Executive will be considered an acceptable form of action.

B. Supervision of Account Activity

Effective policies and procedures will provide reasonable assurance that the Dealer Member is meeting its regulatory obligations, including those to clients such as suitability and gatekeeper obligations such as preventing market abuses. The following principles should be taken into consideration:

- Reviews may be conducted on a pre-trade or post-trade basis. A properly crafted pre-trade review process may obviate or lessen the need for post-trade reviews.
- Review procedures must cover all accounts. Where a Dealer Member offers both commission and fee-based accounts, it cannot select accounts for review solely on the basis of commission levels; it must also have a procedure for selecting fee-based accounts for review.
- Patterns of activity may not be apparent by reviewing trades singly. For example, a review of trading over a longer period may raise questions about the overall level of activity even though each trade, looked at singly, appears to be suitable for the client.
- Reviews must encompass non-trade issues such as late payment, margin problems, trade cancellations or transfers and flows of funds or securities that might be suspicious in nature.
- The selection of activity for post-trade review may be done using a risk-based approach reasonably designed to detect improper activity, provided the reviewer has access to all relevant information necessary to properly make the risk assessment. A risk-based approach can be used to determine the period of activity to be reviewed. For example, in some cases it may be appropriate to conduct reviews of activity over a monthly period; in others they may consider shorter or longer periods. Similarly, some customers may reasonably be assessed as presenting a higher risk of improper market activity such as those known by the Dealer Member to have access to material non-public information about issuers, holders of control blocks of public issuers and market professionals.
- All account activity of employees and agents must be subject to review.
- Reviews must be done on a timely basis, as established in the Dealer Member's policies and procedures. The timing should be reasonably designed to identify matters requiring supervisory attention as quickly as possible.

Reviews of activity in institutional accounts may vary depending upon type of product or customer, activity or level of activity.

It is acceptable to use computer analysis to assist in selecting activity to be reviewed.

C. Two-Tier Reviews

In a Dealer Member with multiple business locations conducting retail account activity, a two-tier system of post-trade activity reviews as described in this section is an acceptable structure.

The first-tier review will normally be conducted by a Supervisor at each business location having a resident supervisor. Such reviews may also be carried out on a regional basis or at a Dealer Member's head office provided that the systems and resources to conduct the review are available at the regional or head office and that the Dealer Member has adequate systems and procedures for dealing with any issues identified.

The Dealer Member's procedures for first-tier daily review of the previous day's trading must be designed to detect the issues described in section 3945. The review should be completed on the business day following the activity unless precluded by unusual circumstances.

A first-tier monthly review should cover the same areas as daily activity reviews. It may not be possible to review every statement produced. A first-tier monthly review starts with the selection, on a basis reasonably designed to detect improper account activity, of retail client accounts to be reviewed. A Dealer Member can meet this obligation by reviewing activity of all customers charged gross commissions of \$1,500 or more for the month for trading in equity and fixed income products.

A first-tier monthly review should also cover all non-client accounts with any activity other than receipt of dividends or interest, or payment of interest.

This review should be completed within 21 days of the period being reviewed unless precluded by unusual circumstances.

The second-tier review will normally be conducted by the Dealer Member's Head Office, but may also be done regionally. The second level of supervision is generally not at the same depth as first level supervision. It should be reasonably designed to

identify serious account problems that may have been missed by the first level supervision and to ensure that first level supervision is being adequately conducted. Where second-tier reviews are conducted by personnel or a department responsible only for monitoring activity, the Dealer Member should have procedures for referring issues that cannot be resolved by first-tier Supervisors to a higher level Supervisor who has the authority to resolve such issues.

The Dealer Member's policies and procedures should include criteria for trading activity subject to second-tier daily reviews. The following criteria would satisfy the requirements under Rule 3900:

- stock trades with a value over \$5,000 and a price under \$5.00 per share;
- stock trades with value over \$20,000 and a price at or over \$5.00 per share;
- bond trades over \$100,000 value per trade;
- non-client trading;
- client accounts of producing branch managers;
- all client accounts not reviewed by a branch manager;
- trade cancellations;
- trading in restricted accounts;
- trading in suspense accounts;
- account number changes;
- late payments;
- outstanding margin calls.

Second-tier daily reviews should be completed on the business day following the activity unless precluded by unusual circumstances.

The following criteria for second-tier monthly account reviews would satisfy the Dealer Member's obligations under Rule 3900:

- accounts of customers charged more than \$3,000 in commission during the month;
- accounts of all client and non-clients charged more than \$1,500 in commissions during the month that were not subject to a first level review by the normal first level Supervisor, including the client accounts of producing first level Supervisors.

Second-tier monthly reviews should be completed within 21 business days of the period being reviewed unless precluded by unusual circumstances.

GUIDANCE NOTE 3900-2

SUPERVISION OF ACCURACY

TRADES MARKED RECOMMENDED/NON-RECOMMENDED

Introduction

Section 3981 requires that a Dealer Member that provides order execution only service in advisory accounts must have procedures to supervise accuracy in the marking of orders as "recommended" or "non-recommended". A Dealer Member may design its own procedures and reports, but the Dealer Member's systems must be capable of generating reports necessary to properly supervise the accounts. The following are examples of reports and procedures that would be acceptable.

Report Indicating Trade Marked “Recommended/Non-Recommended”

The reports used for daily trading review should indicate whether a trade has been designated as recommended or non-recommended. Supervisors or employees reviewing the reports should be alert to patterns suggesting trades have been improperly marked as non-recommended. Examples of these patterns are:

- (i) More than one client of an RR trades the same security on the same day (though note that such situations may be explained through wide-spread holdings or trading of the securities).
- (ii) Trades in securities that were covered in the Dealer Member’s research reports, or for which the Dealer Member has recently changed its research recommendation. While a research report is not determinative that an RR has made a recommendation, the RR should be questioned about use of research reports as a basis for recommendations.
- (iii) Crosses between client accounts of the same RR.

Statistical or Exception Reports

A Dealer Member should be able to generate statistical or exception reports capable of revealing patterns of trade designation. For example:

- (i) A report to show the percentages of trades designated as recommended and non-recommended by RR and branch office. High percentages of trades being marked as non-recommended may indicate inaccuracies; however, this depends upon the nature of the RR’s or branch’s business.
- (ii) A report showing the percentages of trades in particular securities designated as recommended or non-recommended. If the percentages are high, especially for securities covered by the Dealer Member’s research reports, this may indicate inaccurate marking. The report may be able to identify frequent trades by particular RRs or branches in one security over more than one day, all marked non-recommended.

Supervisor’s Responsibilities

Dealer Member’s procedures should provide instructions to supervisors on the requirement to review reports and the steps to take in investigating questionable patterns. Investigations should be documented as required by Rule 3200.

Where reviews are conducted at the branch level, head office must have review procedures to ensure the supervisory requirements are being met.

Frequency of Complaints

Supervisors should also review complaint reports to detect patterns of complaints of inaccurate marking of trades by a particular RR or branch.

GUIDANCE NOTE 3900-3

SUPERVISION OF OPTIONS, FUTURES, AND FUTURES OPTIONS ACCOUNTS ACTIVITY

INTRODUCTION

This Guidance Note sets out the Corporation’s expectations for the supervisory review of options contract, futures contract and futures options contract trading accounts. Part B of Rule 3900 set out specific requirements for supervision of these accounts. General Corporation requirements, in particular Parts C and D of Rule 3900 on supervision of retail accounts and institutional accounts in general, apply to options contract, futures contract and futures option contract trading as long as they are consistent with the specific requirements of Part B of Rule 3900.

CONTENT OF TRADING ACTIVITY REVIEWS

At a minimum, the daily review of trading activity should include:

- Trading options, futures or futures options without approval
- Excessive trading activity resulting in trading large numbers of contracts

- Trading while under margin
- Trading beyond margin or credit limits
- Trading in options and futures that have an underlying restricted security
- Violation of any internal trading restrictions
- Cumulative losses exceeding stated risk capital
- Lack of suitability
- Inappropriate concentration
- Inappropriate or high risk trading strategies
- Exposure of uncovered positions
- Excessive trade transfers and trade cancellations indicating possible unauthorized trading
- Quality downgrading of client holdings
- Excessive or improper crosses of securities between clients
- Improper employee trading
- Account number changes
- Late payments
- Position and exercise limits
- Front running
- Conflicts of interest between an RR and client trading activity
- Excessive commission activity
- All guaranteed accounts
- At a minimum, the monthly review of trading activity should include:
 - Speculative trading in hedge accounts
 - Cumulative losses exceeding stated risk capital
 - Trading beyond approved limits
 - Continual awareness of pending delivery months
 - Acceptability of a client as a hedger
 - All guaranteed accounts