

## Chapter 13

# SROs, Marketplaces and Clearing Agencies

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### 13.1 SROs

#### 13.1.1 Plain language rule re-write project – Dealer Member Organization and Registration Rules – Proposed Rules 2100 – 2700

#### PLAIN LANGUAGE RULE RE-WRITE PROJECT – DEALER MEMBER ORGANIZATION AND REGISTRATION RULES – PROPOSED RULES 2100 – 2700

##### Summary of the nature and purpose of the proposed Rule

On April 30, 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 2100 through 2700 relating to Dealer Member organization and registration (collectively, 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 substantive change rules:

- (1) Rule 2100, *Ownership of a Dealer Member’s Securities*;
- (2) Rule 2150, *Dealer Member Structure*;
- (3) Rule 2200, *Dealer Member Membership Changes*; and
- (4) Rule 2450, *Acceptable Back Office Arrangements*.

The existing rules relating to ownership, structure, IIROC membership, and back office arrangements of Dealer Members 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 legislation.

##### 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 Dealer Member organization and registration.

###### **Proposed Rules**

In addition to the plain language rewrite of the existing requirements to create the Proposed Rules, the following substantive amendments are proposed:

- o *Issuing certain types of securities*: Existing Dealer Member Rule 5.2 requires Dealer Members to obtain IIROC approval before issuing subordinated debt, restrictive securities, and limited participation securities. In the case of issuances of restrictive and limited participation securities, IIROC only has a regulatory interest where the issuances

result in a change in Dealer Member ownership percentages and/or the acquisition of a significant equity interest. Since changes in ownership percentages and/or the acquisition of a significant equity interest already require approval under a separate existing rule (as well as a separate proposed plain language rule), the requirement to approve issuances of restrictive and limited participation securities has been repealed. [2102]

- *Delegates of District Council:* The proposed Rules 2100 and 2150 relating to ownership of a Dealer Member's securities and structure of a Dealer Member have been rewritten to allow for delegation of some of the District Council's authority. This was done to reflect existing practice and to make the proposed Rules consistent with other Corporation Rules that allow for District Councils to delegate authority for certain functions to subcommittees of the District Council or to IIROC staff. [2107-2109, 2116, 2154, 2156]
- *Prospectuses and underwriting of Dealer Member issues:* Existing Dealer Member Rule 5.9 requires Dealer Members to issue a prospectus and comply with securities laws when publicly distributing their own securities. It also allows Dealer Members to distribute their own securities by way of either an agency or bought deal, and either through another underwriter or itself as underwriter. This section is unnecessary and will be removed in proposed section 2110. All Dealer Members must comply with securities laws and issue a prospectus or alternative to a prospectus under those laws if distributing to the public. Also, Dealer Members are permitted to use any form of underwriting, as long as it complies with securities law, so it is unnecessary to enumerate the possibilities. The requirement in existing Rules 5.9 and 5.10 for Dealer Members to publish summaries of at least two independent valuations if they are underwriting more than 25% of their own issue, or are issuing through another underwriter on an agency basis, will be retained. This requirement is necessary to address conflict issues that may arise when a Dealer Member underwrites its own issues or issues through another underwriter as agent. [2110]
- *Private sales:* Existing Dealer Member Rule 5.11 allows private sales of Dealer Member securities, so long as they are not sold publicly until a prospectus is filed in accordance with securities laws. It also indicates that after a prospectus is filed, the Dealer Member must comply with continuous disclosure requirements under securities laws. The Rule indicates that the Dealer Member must satisfy its District Council that arrangements have been made to preclude the development of a public trading market in the securities. This Rule is unnecessary, since all Dealer Members must file a prospectus under applicable securities laws before its securities are publicly traded, and then they also must comply with continuous disclosure requirements. This section will therefore be removed. [2100]
- *Take-over bids and amalgamations:* Dealer Member Rule 5.12(a) indicates that a Dealer Member may distribute securities through a take-over bid or amalgamation, but that it must satisfy its District Council as to:
  - “(i) The stage in the transaction at which prospectus-type information will be provided;
  - (ii) The securities commission that will be responsible for reviewing and commenting on the information;
  - (iii) The persons to whom the prospectus or similar document will be distributed;
  - (iv) The rescission or withdrawal rights to be made available if the document contains a material inaccuracy”

Dealer Members must provide information as required in securities laws and regulation, so these requirements are duplicative. Additionally, it is inappropriate that IIROC pass judgment on which securities commission is reviewing documentation. Furthermore, withdrawal and rescissions rights are included in securities legislation. For these reasons, this section will be removed from the plain language rewrite of this rule. The requirement that valuations be obtained in non-arm's length transactions will be retained. [2111]

- *Compliance with securities legislation or regulations:* Dealer Member Rule 5.16A provides that the provisions of Rules 5.9 to 5.16 do not apply if a Dealer Member's activity is in compliance with any securities legislation or regulation that specifically addresses the activity in question. With the removal of rules that overlap with securities legislation and regulation as contemplated above, this provision will no longer be required and will be removed. [2100]
- *Related companies and associates:* Existing Dealer Member Rule 6.3 requires that a Dealer Member, or an executive, director, investor, or employee of a Dealer Member, obtain District Council approval before investing in related companies or associates. In proposed section 2154, the requirement for approval prior to investing in associates has been removed. Investment in other entities is only relevant to IIROC if it is in another broker dealer or adviser, and the requirement to obtain approval for this has been retained. [2154]

- *Confidentiality of client information:* In proposed Rule 2157(13), the provisions relating to confidentiality of client information in shared premises have been amended so as not to duplicate federal and provincial privacy legislation. [2157]
  - *Reasons for resigning:* In existing Dealer Member Rule 8.2, Dealer Members are required to provide the reasons for their resignation. In proposed Rule section 2203, this requirement has been removed. IIROC's primary concern is ensuring that clients are properly protected in the event of a resignation. Provided a Dealer Member fulfills the other requirements of resignation, including providing audited financial statements that show the Dealer Member is able to meet its liabilities, IIROC is not primarily concerned with the reasons for the resignation. Therefore this requirement was determined to be unnecessary. [2203]
  - *Representations on acquisition or amalgamation of Dealer Members:* Currently, Dealer Member Rules 8.3 and 8.3A require that, upon the acquisition of a Dealer Member by another Dealer Member, or amalgamation of Dealer Members, the remaining Dealer Members must certify that they have sufficient liquid assets to meet all the liabilities, other than subordinated loans. Current Dealer Member Rule 17.1 also requires all Dealer Members maintain adequate risk adjusted capital (based on comparing liquid assets to liabilities) at all times. This would include Dealer Members that remain after acquisition and amalgamation transactions. The separate certification requirements in Rules 8.3 and 8.3A are therefore redundant and have been removed from sections 2204 (Acquisitions) and 2205 (Amalgamations). IIROC normally requires pro forma financial statements in acquisitions and amalgamations of Dealer Members, and this has been codified in the proposed Rule. [2204-2206]
  - *Effective date of resignation:* Dealer Member Rule 8.5 currently indicates that a resignation will take effect on the "close of business" on the day that IIROC determines the resigning Dealer has met the requirements of the resignation rules. This wording has been removed in proposed Rule 2207, as it is unnecessarily specific. Also, a requirement that IIROC publish a notice indicating the effective date of resignation of a Dealer Member has been added. It has historically been the practice of IIROC to publish a notice indicating the effective date of resignations, and this practice is being formalized in the rule. [2207]
  - *Suspension and termination of membership:* Dealer Member Rule 8.8 currently allows for termination of the membership of a Dealer Member if the Dealer Member has ceased its activities in the securities business or has been acquired by a non-member. Before a termination can take place, the Dealer Member must be given the opportunity for a hearing in accordance with the Consolidated Enforcement Rules (currently contained in Dealer Member Rule 20) and the applicable District Council must approve the termination. Proposed Rules 2210 and 2211 seek to:
    - broaden the scope of this rule to include the ability to suspend members; and
    - require IIROC approval (rather than District Council approval) of the termination / suspension.
- The proposed rules will continue to give the affected Dealer Member the opportunity for a hearing in accordance with the Consolidated Enforcement Rules. [2210-2211]
- *New defined terms:* Current Dealer Member Rule 35 does not include definitions for the terms "Canadian registered firm", "introducing broker / carrying broker arrangement" and "clearing arrangement". Definitions for these terms have been added to codify current guidance as to which back office sharing arrangements are acceptable to IIROC and which activities performed collectively comprise an introducing broker / carrying broker arrangement and a clearing arrangement. [2460(2) though (4)]
  - *New restriction on Type 3 and 4 introducing brokers:* When the rules for introducing broker / carrying broker arrangements were originally developed, the intention was that the client accounts of the introducing broker would all be reported on one of the arrangement broker's book – either those of the introducing broker or the carrying broker. The current rule wording, however, does not specifically prohibit a Dealer Member from entering into a Type 3 or 4 introducing broker / carrying broker arrangement and then subsequently entering into a Type 1 or 2 introducing broker / carrying broker arrangement. This prohibition has now been added to the proposed rule. [2473(1)(iv)]

- *Arrangement approval streamlining:* The following are the current approval processes that apply to various arrangements:

<b>Arrangement type</b>	<b>Approval process</b>
Introducing broker / carrying broker arrangement between two Dealer Members	Applicable District Council approval [Rule 35.1(b)]
Introducing broker / carrying broker arrangement between Dealer Member and foreign affiliated dealer	Applicable District Council approval of exemption application [Rule 35.6]
Clearing arrangement between Dealer Member and foreign affiliated dealer	Applicable District Council approval of exemption application [Rule 35.1(h) or 35.6]
Clearing arrangement between Dealer Member and domestic affiliated dealer / arms-length dealer	Board of Director approval for exemption from all requirements [Rule 35.1(h)]

The proposed rule:

- adopts one process for the approval of introducing broker / carrying broker arrangements, IIROC approval; and
  - exempts other arrangements, such as certain clearing arrangements, from requiring IIROC approval. [2474(1)(i), 2474(1)(iv), 2485(1)(iii) and 2491(1)]
- *Margin requirements to be provided by the carrying broker:* The current rule indicates that margin must be provided by the carrying broker for introducing broker unsettled principal trading positions but does not specify how the margin requirement is to be calculated. The proposed rule clarifies that the carrying broker must provide margin on any introducing broker unsettled principal trading positions on an equity deficiency basis. This clarification is consistent with the normal margin treatment of inter-dealer balances. [2475(3)(i), 2476(3)(i), 2477(3)(i) and 2478(3)(i)]
- *Deposits provided to the carrying broker by the introducing broker:* The proposed rule clarifies that deposits provided by the introducing broker to the carrying broker must be reported by the carrying broker as a liability on its Form 1 and MFR. This reflects current practice and Canadian GAAP. The requirements wording for Type 3 and 4 Arrangements has also been conformed to the wording of the current requirements for Type 1 and 2 Arrangements. [2475(7)(i), 2476(7)(i), 2477(7) and 2478(7)]
- *Insurance coverage requirements of the introducing broker:* The proposed rule clarifies that the client net equity of introduced accounts must be considered by Type 1 and 2 introducing brokers when determining adequacy of insurance coverage. This is consistent with the insurance coverage requirements set out in Dealer Member Rule 400. [2475(11)(i), 2476(11)(i)]
- *Clients introduced to the carrying broker:* The proposed rule clarifies that introduced clients are considered to be clients of both the introducing broker and the carrying broker since the services provided to the client, and related obligations, are split between two dealers. Specifically, each dealer must be accountable, and must comply with the applicable IIROC rules, for the services they provide to and obligations they undertake for the client. In addition, the introducing broker must ensure the client is properly served, irrespective of which dealer is providing the particular service. This is consistent with current rule application guidance. [2475(16)(i), 2476(16)(i), 2477(16)(i) and 2478(16)(i)]
- *Handling client cash:* The proposed rule amends the cash handling requirements for Type 2 Arrangements to prohibit the introducing broker from handling client cash in the form of money and to require that any cheques provided to the introducing broker be in the name of the carrying broker. These amendments reflect industry practice for Type 2 Arrangements and are necessary as the introducing broker does not have the same processes/facilities for handling cash as the carrying broker. [2476(18)]
- *Offsets of carrying broker margin requirements against deposits:* The proposed rule introduces a requirement for Type 3 and 4 Arrangements that the carrying broker notify the introducing broker when a portion of any deposit amount is used. This is consistent with the current requirements for Type 1 and 2 Arrangements and is necessary to enable the introducing broker to properly classify its deposit assets as either allowable or non-allowable. [2477(4)(i) and 2478(4)(i)]
- *Arrangements that may be executed with a foreign affiliate:* The proposed rule introduces a new section outlining the general requirements that must be met in order for a Dealer Member to carry client accounts of a foreign affiliate dealer. The general requirements are consistent with those that apply to an introducing broker / carrying broker arrangement between two Dealer Members. [2485(1)]

- *Permitted arrangements not considered to be introducing broker / carrying broker arrangements:* The proposed rule specifically states that certain clearing arrangements are not considered to be introducing broker / carrying broker arrangements. As a result, qualifying clearing arrangements will no longer be subject to specific IIROC conditions / requirements / approval. [2491(1)]
- *Prohibited arrangements:* The proposed rule specifically prohibits entering into introduction arrangements other than with another Dealer Member or with a foreign affiliate dealer. [2495(1)]

**Rule-making process**

IIROC Staff involved representatives of Dealer Members in the rule development process, through preliminary consultations. The Proposed Rules were made available to all Dealer Members for their input through a Dealer Members-only website. IIROC's National Advisory Committee was asked for their input on the substantive amendments to proposed 2100 and 2150.

The Proposed Rules were approved for publication by the IIROC Board of Directors on April 30, 2010.

The full text of the Proposed Rules 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.

**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.

**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:

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

IIROC staff propose that rules pertaining to Dealer Member organization and registration be rewritten to reflect actual IIROC expectations, to enhance the clarity of the rules 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 Rules, Dealer Members will benefit from enhanced clarity and certainty in rules relating to organization and registration requirements.

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 2100 through 2700 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  
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](http://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  
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### **Attachments**

- Attachment A - Proposed Rules 2100 - 2700
- Attachment B - Text of the relevant provisions of Dealer Member Rules 4, 5, 6, 7, 8, 17, 18, 22, 29, 31, 35, 38, 39, 40, 100, 500, 600, 700, 1300, 2400, 2900, and 3200
- Attachment C - Table of Concordance
- Attachment D - Guidance Notes relating to Proposed Rules 2100 – 2700

## INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

## DEALER MEMBER ORGANIZATION AND REGISTRATION RULES

## PLAIN LANGUAGE RULES 2100 THROUGH 2700

## 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
<p>New</p> <p>Rules 5.2(1)(a) and 5.2(2)</p> <p>Rule 5.2A</p> <p>Rule 29.11</p> <p>Rule 5.3</p>	<p style="text-align: center;"><b>Rule 2100 – Ownership of a Dealer Member’s Securities</b></p> <p><b>2101. Introduction</b></p> <p>(1) This Rule covers the issuance of securities by a Dealer Member or its holding company and changes in ownership.</p> <p>(2) A Dealer Member must conduct its business with integrity and must maintain adequate financial resources. The Corporation has a responsibility to ensure that persons who control a Dealer Member are fit and proper. The Corporation also needs to assess whether the obligations incurred by a Dealer Member under the terms of securities it issues pose a risk to its financial health.</p> <p><b>2102. Dealer Members must have Corporation approval to issue subordinated debt</b></p> <p>(1) A Dealer Member or its private holding company must obtain the Corporation’s approval in writing before issuing a security representing subordinated debt;</p> <p>(2) A Dealer Member or its private holding company must obtain the Corporation’s approval in writing before signing an agreement to issue subordinated debt in the future.</p> <p><b>2103. Repayments and additional Subordinated debt</b></p> <p>(1) A Dealer Member must obtain the Corporation’s approval in writing for any additions and repayments in the amount of subordinated debt it is borrowing.</p> <p><b>2104. Agreements with Corporation</b></p> <p>(1) Where the Corporation is a party to a debt subordination agreement or other debt agreement with the Dealer Member, the Dealer Member must comply with the agreement in making any repayments of the debt subject to the agreement.</p> <p><b>2105. Corporation notification of changes of ownership</b></p> <p>(1) A Dealer Member must notify the Corporation in writing before issuing or transferring its securities or its private holding company’s securities, including any legal or beneficial interest in either.</p> <p>(2) Subsection (1) does not apply to a class of securities if:</p> <p>(i) there is public ownership of those securities in compliance with securities laws and regulations; and</p> <p>(ii) the purchase or transfer will not result in an acquirer of the securities owning a significant equity interest as defined in section 2107.</p>

Repealed current rule	Proposed plain language rule
Rule 5.6	<p><b>2106. Ownership of another Dealer Member</b></p> <p>(1) An industry investor must obtain the Corporation's approval before purchasing the securities of another Dealer Member or its holding company, except if:</p> <ul style="list-style-type: none"> <li>(i) there is public ownership of the class of securities in compliance with securities laws and regulations and the industry investor will not hold a significant equity interest after the purchase;</li> <li>(ii) the Dealer Member is a related or affiliated company of the Dealer Member in which the industry investor was approved to invest; or</li> <li>(iii) the following apply: <ul style="list-style-type: none"> <li>(a) the investment does not exceed 10% of any class of the issued equity or voting shares;</li> <li>(b) the industry investor notified the Corporation of the investment; and</li> <li>(c) the Dealer Member that the industry investor was approved to invest in does not object to the investment.</li> </ul> </li> </ul>
Rule 5.4	<p><b>2107. Ownership of a significant equity interest</b></p> <p>(1) A Dealer Member must obtain approval from the District Council before allowing an investor, alone or together with associates and affiliates, to own or hold a beneficial interest in:</p> <ul style="list-style-type: none"> <li>(i) a significant equity interest in the Dealer Member; or</li> <li>(ii) special warrants or other securities that are convertible into a significant equity interest in the Dealer Member.</li> </ul> <p>(2) For the purposes of this Rule, a significant equity interest means a holding of:</p> <ul style="list-style-type: none"> <li>(i) 10% or more of the voting securities of a Dealer Member or its holding company;</li> <li>(ii) 10% or more of the outstanding participating securities of a Dealer Member or its holding company; or</li> <li>(iii) an interest of 10% or more of the total equity of the Dealer Member.</li> </ul> <p>(3) A District Council may delegate its authority under this section 2107 to a subcommittee of the District Council or to Corporation staff.</p>
Rule 5.5	<p><b>2108. A Dealer Member's ownership of another Dealer Member</b></p> <p>(1) A Dealer Member or its holding company must obtain approval from the District Council before purchasing, directly or indirectly, any securities of another Dealer Member or its holding company. However, this does not apply if the ownership is a trading position held in the ordinary course of the securities business.</p> <p>(2) A District Council may delegate its authority under this section 2108 to a subcommittee of the District Council or to Corporation staff.</p>
Rules 5.7 and 5.8	<p><b>2109. Public ownership</b></p> <p>(1) A Dealer Member must obtain approval from the District Council before allowing public ownership of the Dealer Member or its holding company.</p>

Repealed current rule	Proposed plain language rule
	<ul style="list-style-type: none"> <li>(2) When a District Council considers an application for approval:                             <ul style="list-style-type: none"> <li>(i) the Dealer Member must satisfy the District Council that it meets, and will continue to meet, Corporation requirements;</li> <li>(ii) the District Council may require the Dealer Member to provide a legal opinion and any other information the District Council considers necessary; and</li> <li>(iii) the District Council may impose conditions on and require undertakings from any person it considers necessary to ensure continuing compliance with Corporation requirements.</li> </ul> </li> <li>(3) Regardless of its own governing corporate statute, a                             <ul style="list-style-type: none"> <li>(i) Dealer Member; or</li> <li>(ii) holding company of a Dealer Member that is a reporting issuer or equivalent in any Canadian jurisdiction must set up and maintain an audit committee as the <i>Canada Business Corporations Act</i> requires.</li> </ul> </li> <li>(4) A District Council may exempt a Dealer Member or its holding company from the requirements of subsection (3) above.</li> <li>(5) A District Council may delegate its authority under this section 2109 to a subcommittee of the District Council or to Corporation staff.</li> </ul>
<p>Rules 5.9(b) and 5.10</p>	<p><b>2110. Public distribution of a Dealer Member's securities</b></p> <ul style="list-style-type: none"> <li>(1) A Dealer Member or its holding company making a public distribution of its securities must include in the prospectus or equivalent document summaries of at least two separate valuations of its securities, if:                             <ul style="list-style-type: none"> <li>(i) the Dealer Member is underwriting more than 25% of the distribution itself; or</li> <li>(ii) the distribution is offered on an agency or best efforts basis.</li> </ul> </li> <li>(2) Independent qualified underwriters or chartered accountants must prepare the valuations and summaries. An independent qualified underwriter participating in the distribution may prepare a valuation.</li> <li>(3) Subsection (1) does not apply if securities with identical attributes have been trading on a recognized exchange for at least six months before the new distribution begins.</li> </ul>
<p>Rule 5.12 (except (a))</p>	<p><b>2111. Take-over bids or amalgamations</b></p> <ul style="list-style-type: none"> <li>(1) A Dealer Member or its holding company must obtain at least two separate valuations of its securities if they are distributed through a transaction such as a take-over bid or amalgamation resulting in a publicly traded market for the securities.</li> <li>(2) Independent qualified underwriters or chartered accountants must prepare the valuations and summaries. An independent qualified underwriter participating in the distribution may prepare a valuation.</li> <li>(3) Subsection (1) does not apply if:                             <ul style="list-style-type: none"> <li>(i) securities with identical attributes have been trading on a recognized exchange for at least six months before the transaction; or</li> </ul> </li> </ul>

Repealed current rule	Proposed plain language rule
Rule 5.13	<p>(ii) the transaction resulted from negotiations conducted at arm's-length and the District Council or its delegate determines that valuations are not required.</p> <p><b>2112. Secondary distribution of securities</b></p>
Rule 5.15	<p>(1) The requirements of Sections 2110 and 2111 apply, with necessary changes, to a secondary distribution of securities of a Dealer Member or its holding company if the securities are distributed from a control position.</p> <p><b>2113. Soliciting trades in a Dealer Member's securities</b></p>
Rules 5.14 and 5.15, last paragraph	<p>(1) A Dealer Member may solicit trades in its own securities or those of its holding company when:</p> <p>(i) making a distribution of its own securities under a prospectus in compliance with securities laws and regulations and Corporation Rules; or</p> <p>(ii) making a private placement of its own securities under applicable securities legislation.</p> <p>(2) A Dealer Member must not solicit trades in its own securities or its holding company in the secondary market.</p> <p>(3) A Dealer Member may accept unsolicited orders for its own securities or those of its holding company.</p> <p><b>2114. Dealer Member's securities in client accounts</b></p>
Rule 5.16	<p>(1) A Dealer Member may accept its own securities or those of its holding company as security for a margin account.</p> <p>(2) A Dealer Member must not allow a discretionary account to hold the Dealer Member's securities or those of its holding company.</p> <p><b>2115. Research reports</b></p>
Rules 5.17 and 5.18	<p>(1) A Dealer Member must not issue research reports or opinion letters on its own securities or those of its holding company.</p> <p><b>2116. Corporation approvals</b></p> <p>(1) A Dealer Member must apply to the Corporation using the form the Board prescribes to obtain an exemption from this Rule 2100.</p> <p>(2) The Dealer Member's application will be considered by the Board or District Council.</p> <p>(3) The applicant must pay the prescribed fee.</p> <p>(4) Within 10 days after receiving an approval or an exemption, an applicant and the Dealer Member or holding company involved must inform the Corporation of any change in the applicant's information (for example, bankruptcy or criminal proceedings).</p> <p>(5) The Board or District Council may refuse an application for approval or exemption or to withdraw any approval or exemption it has granted.</p> <p>(6) The Board or a District Council may delegate their authority under this section 2116 to a subcommittee of the District Council or to Corporation Staff.</p>

Repealed current rule	Proposed plain language rule
	<p><b>2117. – 2149. – Reserved.</b></p>
<p>New</p> <p>Rule 4.6</p> <p>Rules 6.1 and 6.2</p> <p>Rules 6.3, 6.5, 6.6 and 100.14 (first part)</p>	<p style="text-align: center;"><b>Rule 2150 – Dealer Member Structure - Business locations, holding companies, related companies and diversification</b></p> <p><b>2151. Introduction</b></p> <p>(1) A Dealer Member must take reasonable care to organize and manage its business responsibly and effectively and must co-operate with the Corporation to promote effective and efficient self-regulation. A Dealer Member’s business must be organized to enable adequate supervision of all its activities and cannot be organized to avoid Corporation requirements by conducting business through a related company that is not a Dealer Member.</p> <p><b>Part A - Business locations</b></p> <p><b>2152. Business locations</b></p> <p>(1) Under subclause 2702(2)(i)(g), a Dealer Member must notify the Corporation of the opening or closing of a business location.</p> <p><b>Part B - Holding companies, related companies and associates and discount brokers</b></p> <p><b>2153. Holding companies</b></p> <p>(1) A Dealer Member must ensure that the holding companies that carry on its business in Canada are legally bound to comply with the Corporation’s holding company requirements.</p> <p>(2) A Dealer Member’s holding company may be another Dealer Member’s holding company if:</p> <p>(i) it owns all of the voting securities and participating securities of each Dealer Member; or</p> <p>(ii) the Dealer Member obtains approval from the District Council or its delegate to become the holding company of a second Dealer Member.</p> <p><b>2154. Related companies and associates</b></p> <p>(1) A Dealer Member, or a Dealer Member’s executive, director, investor, or employee, must obtain approval from the District Council before it sets up, or acquires any interest in, a related company.</p> <p>(2) A Dealer Member must obtain approval from the District Council before creating a wholly owned subsidiary whose principal business is a securities broker, dealer, or adviser.</p> <p>(3) A Dealer Member must be responsible for and guarantee its related companies’ obligations to clients. Further, each of its related companies must be responsible for and guarantee the Dealer Member’s obligations to its clients as follows:</p> <p>(i) A Dealer Member that holds an interest in a related company must guarantee an amount equal to 100% of the Dealer Member’s financial statement capital.</p> <p>(ii) A Dealer Member that holds an interest in a related company must have the related company guarantee an amount equal to the Dealer Member’s percentage ownership multiplied by the related company’s financial statement capital.</p>

Repealed current rule	Proposed plain language rule
<p>Rules 1300.1(t), 3200 A(1) and 3200 A(2)(a)</p>	<p>(iii) Each company that is related to another company because the same person has an ownership interest in both must guarantee each other company for an amount equal to that person's ownership percentage multiplied by the company's financial statement capital.</p> <p>(4) A Dealer Member and a Dealer Member's related company required to guarantee an amount under subsection (3) above must sign the current Corporation guarantee form.</p> <p>(5) The Board may exempt a Dealer Member from the guarantee requirement of subsection (3) above, or may decide that a guarantee for a greater amount is required, if the Board decides that either of these is appropriate.</p> <p>(6) Any guarantee provided by a Dealer Member must be of a fixed or determinable amount, unless the guarantee is given to a related company under this Rule.</p> <p>(7) A District Council may delegate its authority under this section 2154 to a subcommittee of the District Council or to Corporation staff.</p> <p><b>2155. Approval as a discount broker</b></p> <p>(1) The Corporation may approve a Dealer Member or a business unit of a Dealer Member as a discount broker if the Dealer Member's only business is an order-execution service or it provides that service in a separate business unit.</p> <p>(2) A Dealer Member's discount broker must meet Corporation requirements.</p> <p>(3) A Dealer Member must establish policies and procedures for operating its discount broker. A Dealer Member must give the Corporation a copy of its policies and procedures with its application for approval, and in future, give copies when any significant changes are made.</p> <p>(4) If operating as a separate business unit, a discount broker must have separate letterhead, accounts, account documentation, registered representatives, and investment representatives.</p> <p>(5) A Dealer Member must not compensate employees by giving them trade commissions for discount accounts.</p> <p><b>Part C - Non-securities business and shared premises</b></p>
<p>Rule 6.7</p>	<p><b>2156. Business other than securities</b></p> <p>(1) A Dealer Member or its related company must get approval from the District Council before carrying on any business other than securities-related activities.</p> <p>(2) A Dealer Member or a Dealer Member's holding company may, without approval, own an interest in a corporation (other than the Dealer Member) that carries on non-securities business if:</p> <p>(i) the Dealer Member is not responsible for any of that corporation's liabilities, and</p> <p>(ii) the Dealer Member and its holding company give the Corporation notice before acquiring an interest in the non-securities corporation.</p> <p>(3) Subsection (1) above does not apply to a Dealer Member's related company that:</p> <p>(i) is a mutual fund dealer (and its directors, executives, employees, or representatives), and</p>

Repealed current rule	Proposed plain language rule
<p>Rule 2400 (Introduction; General Principles 1 and 2; Disclosure of Securities Related Activities 1, 2 and 4; Consent for New Clients 2 through 6; Consent for Existing Clients 1; Minimum Standards for Shared Premises 3 through 7, 9 and 10)</p>	<p>(ii) deals in or sells life insurance contracts issued by an insurer licensed or registered under Canadian laws.</p> <p>(4) A District Council may delegate its authority under this section 2156 to a subcommittee of the District Council or to Corporation staff.</p> <p><b>2157. Shared premises</b></p> <p>(1) A Dealer Member may share premises with another financial services entity, whether or not the Dealer Member is related to, or affiliated with, that entity.</p> <p>(2) For the purposes of this rule, a financial services entity is an entity regulated by securities legislation or another regulatory regime such as banking, mutual funds, insurance, deposit-taking, and mortgage-brokerage activities.</p> <p>(3) A Dealer Member must ensure that clients clearly understand which legal entity they are dealing with.</p> <p>(4) A Dealer Member must:</p> <p>(i) have written procedures and systems about supervising shared office premises, and</p> <p>(ii) reasonably design these procedures to ensure that representatives comply with Corporation requirements and clients know which entity they are dealing with.</p> <p>(5) A Dealer Member must have:</p> <p>(i) adequate supervisory resources to carry out the supervisory procedures;</p> <p>(ii) a system for communicating Corporation requirements to representatives at the shared office premises; and</p> <p>(iii) a process to ensure that representatives understand and meet Corporation requirements.</p> <p>(6) A Dealer Member must operate its business with a shared-premises layout that ensures confidentiality of client information and such things as client files and account process areas are effectively controlled and physically secured.</p> <p>(7) A Dealer Member must have appropriate signage and disclosure which differentiates the groups sharing the same premises.</p> <p>(8) The legal names under which the Dealer Member and other financial services entity operate must be clearly displayed in a prominent location, such as the office entrance door or reception area.</p> <p>(9) The CIPF logo and brochures must be displayed in a manner that makes it clear that they apply only to the Dealer Member and not to the other financial services organization.</p> <p>(10) When doing business in shared premises, a Dealer Member must meet the Rule 3800 requirements on using trade names.</p> <p>(11) A Dealer Member must keep client records separate from the records of another financial services organization as follows:</p>

Repealed current rule	Proposed plain language rule
	<ul style="list-style-type: none"> <li>(i) The financial services organization must not have access to the client's hard copy files.</li> <li>(ii) Electronic records must have separate passwords or another similar control to ensure the financial services organization has no access to the electronic client records.</li> </ul> <p>(12) When opening an account in shared premises, a Dealer Member must obtain the client's specific acknowledgement to a written disclosure statement:</p> <ul style="list-style-type: none"> <li>(i) outlining the relationship between the Dealer Member and the financial services entity, and</li> <li>(ii) stating that the entities are separate.</li> </ul> <p>(13) A Dealer Member must keep client information confidential and can only share the information with other financial services organizations in the shared premises if:</p> <ul style="list-style-type: none"> <li>(i) the client has consented to the disclosure of the confidential information in compliance with applicable federal, provincial, and territorial privacy legislation and regulations; and</li> <li>(ii) the client has consented to the disclosure of the confidential information through a specific confirmation such as a signature or initials at a designated place. A Dealer Member must not obtain a client's consent through a negative option.</li> </ul> <p>(14) An employee who works for both the Dealer Member and another financial services organization must not disclose confidential client information from one organization to the other unless performing a relevant service that the client has specifically consented to.</p> <p>(15) Non-registered personnel employed by the Dealer Member or representatives of the financial services organization may not provide the following services at the Dealer Member:</p> <ul style="list-style-type: none"> <li>(i) opening accounts;</li> <li>(ii) distributing or receiving order forms for securities transactions;</li> <li>(iii) assisting clients to complete order forms for securities transactions;</li> <li>(iv) giving recommendations or any advice on any activity;</li> <li>(v) completing know-your-client information on a New Client Application Form (NCAF)—other than biographical information; and</li> <li>(vi) soliciting securities transactions.</li> </ul> <p>(16) Non-registered personnel employed by the Dealer Member or representatives of the financial services organization may provide the following services at the Dealer Member:</p> <ul style="list-style-type: none"> <li>(i) advertising the Dealer Member's services and products;</li> <li>(ii) delivering or receiving clients' securities;</li> <li>(iii) arranging client appointments or informing of deficiencies on completed forms;</li> </ul>

Repealed current rule	Proposed plain language rule
	<ul style="list-style-type: none"> <li>(iv) providing the status, balances, and holdings of client accounts;</li> <li>(v) providing quotes and other market information;</li> <li>(vi) contacting the public, inviting the public to seminars, and forwarding non-securities information;</li> <li>(vii) receiving completed NCAFs to forward to the Dealer Member for approval; and</li> <li>(viii) distributing NCAFs, subject to subsection (17) below</li> </ul> <p>(17) At the business location, a manager, assistant manager, or credit officer who has a high degree of knowledge about the client’s financial affairs may help the client to complete the NCAF, if:</p> <ul style="list-style-type: none"> <li>(i) no approved person is available; and</li> <li>(ii) before a trade is conducted for a client, a supervisor has approved the NCAF.</li> </ul> <p>(18) A mutual fund sales person may only accept orders for accounts at the dealer they are registered with and may not:</p> <ul style="list-style-type: none"> <li>(i) offer, or advise clients on, equities or other transactions for which specific proficiency is required, or</li> <li>(ii) communicate those client orders to a qualified person.</li> </ul> <p><b>2158. – 2199. – Reserved.</b></p>
<p>New</p> <p>Rules 8.4 and 8.6</p> <p>Rule 8.2</p> <p>Rule 8.3</p>	<p style="text-align: center;"><b>Rule 2200 – Dealer Member Membership Changes</b></p> <p><b>2201. Introduction</b></p> <p>(1) This Rule sets out how the Corporation deals with changes to the membership of Dealer Members.</p> <p><b>2202. Notice of intention to resign</b></p> <p>(1) If a Dealer Member intends to resign, it must notify IIROC in writing of its intention before filing a letter of resignation. IIROC will issue a Notice advising of the Dealer Member’s intention to resign within one week of receiving a Dealer Member’s intent to resign.</p> <p><b>2203. Filing letter of resignation</b></p> <p>(1) A resigning Dealer Member must file a resignation letter with the Corporation. The Dealer Member must file the following information with a resignation letter:</p> <ul style="list-style-type: none"> <li>(i) audited financial statements indicating the Dealer Member has liquid assets sufficient to meet its liabilities other than subordinated loans, or</li> <li>(ii) a report from the Dealer Member’s auditor indicating that all client accounts and assets have been transferred to another Dealer Member or returned to the clients.</li> </ul> <p><b>2204. Acquisition and resignation</b></p> <p>(1) If a Dealer Member is acquired by another Dealer Member, the acquired Dealer Member may resign its membership. If the acquired Dealer Member resigns, it</p>

Repealed current rule	Proposed plain language rule
Rule 8.3A	<p>must provide the Corporation with:</p> <ul style="list-style-type: none"> <li>(i) either an undertaking from the acquiring Dealer Member accepting responsibility for all outstanding liabilities of the resigning Dealer Member or the documents required under section 2203; and</li> <li>(ii) pro forma financial statements of the continuing Dealer Member showing compliance with Corporation capital requirements.</li> </ul>
Rule 8.3AA	<p><b>2205. Amalgamation of Dealer Members</b></p> <ul style="list-style-type: none"> <li>(1) If two or more Dealer Members are amalgamated, the Dealer Members not continuing due to the amalgamation must resign their membership. The continuing Dealer Member must provide the Corporation with: <ul style="list-style-type: none"> <li>(i) either an undertaking that it accepts responsibility for all liabilities of the Dealer Members that are amalgamating or the documents of the resigning Dealer Members required under section 2203; and</li> <li>(ii) pro forma financial statements of the continuing Dealer Member showing compliance with Corporation capital requirements.</li> </ul> </li> </ul>
Rule 8.5	<p><b>2206. Amalgamation with non-Dealer Member</b></p> <ul style="list-style-type: none"> <li>(1) A Dealer Member may amalgamate with a non-Dealer Member if the continuing Dealer Member provides the Corporation with: <ul style="list-style-type: none"> <li>(i) information, satisfactory to the Corporation, confirming that the continuing Dealer Member will have adequate policies and procedures to enable it to carry on its business and to comply with Corporation Requirements; and</li> <li>(ii) pro forma financial statements of the continuing Dealer Member showing compliance with Corporation capital requirements.</li> </ul> </li> </ul>
Rule 8.7	<p><b>2207. Effective date of resignation</b></p> <ul style="list-style-type: none"> <li>(1) Resignation of a Dealer Member is effective on the date that the Corporation: <ul style="list-style-type: none"> <li>(i) receives the documents required to support the resignation,</li> <li>(ii) receives payment of any amount owed to the Corporation; and</li> <li>(iii) confirms that no complaints or disciplinary actions are outstanding that the Corporation, in its sole discretion, determines must be resolved prior to permitting the Dealer Member to resign.</li> </ul> </li> <li>(2) The Corporation will issue a Notice within one week of the effective date of a Dealer Member's resignation advising of the effective date of the Dealer Member's resignation.</li> </ul>
Rule 8.7	<p><b>2208. Payment of Corporation fees</b></p> <ul style="list-style-type: none"> <li>(1) A Dealer Member resigning or surrendering its membership with the Corporation must make full payment of its annual fees for the fiscal year in which the effective date of the resignation or surrender occurs.</li> <li>(2) No portion of annual fees will be refunded if the effective date of resignation occurs in the period July 1 to March 31. A Dealer Member resigning its membership with an effective date during the period April 1 to June 30 may be entitled to a monthly pro-rata refund. Part months will be considered as full months for this purpose.</li> </ul>



Repealed current rule	Proposed plain language rule
<p>Rule 17.12 (second sentence)</p> <p>Rule 17.12 (third sentence)</p>	<p>dispose of all or substantially all its assets; or</p> <p>(iv) altering its capital structure. This includes allotting, issuing, repurchasing, redeeming, canceling, subdividing, or consolidating of any shares in its capital.</p> <p><b>2253. Corporation informs Dealer Member about review when necessary</b></p> <p>(1) A Dealer Member must not make any of the changes in Section 2252 if, within the 20-day notice period, the Corporation informs the Dealer Member that it will be submitting the proposed change(s) to the applicable District Council for approval.</p> <p><b>2254. District Council reviews proposed changes</b></p> <p>(1) The District Council will review any proposed change the Corporation submits to it under Section 2253 and either:</p> <p>(i) approve the proposed action, or</p> <p>(ii) disapprove it, if it considers the action would result in the Dealer Member being unable to comply with the Corporation's rules.</p> <p><b>2255. – 2299. – Reserved.</b></p>
<p>New</p> <p>Rule 4.1</p> <p>Rules 4.3, 4.4 and 4.5</p> <p>Rule 4.2</p>	<p style="text-align: center;"><b>Rule 2300</b> <b>Branch Offices of Dealer Members</b></p> <p><b>2301. Introduction</b></p> <p>(1) This rule describes how Dealer Members' branch offices participate in the Corporation and its districts.</p> <p><b>2302. Branch Office Members</b></p> <p>(1) Every Dealer Member's business location in a district with a supervisor who is normally present at the business location, is a branch office member of the district.</p> <p><b>2303. Branch Office Member's representation</b></p> <p>(1) A branch office member may participate in governing the Corporation district as follows:</p> <p>(i) It has the same privileges in its district as any other Dealer Member, except that at a district meeting, each Dealer Member only has one vote in the district, no matter how many branch office members it has.</p> <p>(ii) Its district representative is eligible for election as chair or member of the District Council for that district.</p> <p><b>2304. Fees</b></p> <p>(1) A Dealer Member does not have to pay an annual fee or entrance fee for its branch office members.</p> <p><b>2305. – 2349. – Reserved.</b></p>
<p>New</p>	<p style="text-align: center;"><b>Rule 2350 –</b> <b>Trade Names and Disclosures</b></p> <p><b>2351. Introduction</b></p> <p>(1) This rule covers a Dealer Member's use of trade names, IIROC's name and logo, and CIPF disclosure.</p>

Repealed current rule	Proposed plain language rule
Rules 29.7A(1), (2), (5) and (8)	<p><b>2352. Trade names</b></p> <p>(1) The term trade name includes a business or style name a Dealer Member or approved person uses. It also includes a group name under which a Dealer Member and its affiliates conduct business. It does not include a recognizable variant of a Dealer Member's name such as its corporate name with "limited" or "corporation" left off.</p> <p>(2) If a Dealer Member carries on business under a trade name, it must be owned by the Dealer Member, an approved person of the Dealer Member, or an affiliated corporation of either of them.</p> <p>(3) An approved person must not conduct any business under a trade name that is not owned by the Dealer Member or its affiliated corporation without the Dealer Member's prior consent.</p> <p>(4) A Dealer Member or approved person must not use a trade name that any other Dealer Member uses unless:</p> <ul style="list-style-type: none"> <li>(i) the Dealer Members are related or affiliated, or</li> <li>(ii) the relationship with the other Dealer Member is that of introducing broker and carrying broker.</li> </ul> <p>(5) A Dealer Member or approved person must not use a deceptive or misleading trade name.</p>
Rules 29.7A(3), (4) and (9)	<p><b>2353. Corporation notification</b></p> <p>(1) A Dealer Member must notify the Corporation before it:</p> <ul style="list-style-type: none"> <li>(i) uses any trade name other than the Dealer Member's legal name, or</li> <li>(ii) transfers a trade name to another Dealer Member.</li> </ul> <p>(2) The Corporation may prohibit a Dealer Member or approved person from using a trade name that is:</p> <ul style="list-style-type: none"> <li>(i) contrary to this Rule 2350,</li> <li>(ii) contrary to the public interest, or</li> <li>(iii) otherwise objectionable.</li> </ul>
Rules 29.7A(6) and (7)	<p><b>2354. Displaying the full legal name</b></p> <p>(1) A Dealer Member must include its full legal name on all contracts and materials used to communicate with the public, whether or not it uses a trade name.</p> <p>(2) An Approved Person that uses a trade name different from that of the Dealer Member on materials used to communicate with the public must also include the Dealer Member's full legal name in size at least equal to that of the Approved Person's trade name.</p>
Rule 29.14(b)	<p><b>2355. Compliance with Disclosure Policy of the Canadian Investor Protection Fund (CIPF)</b></p> <p>(1) A Dealer Member must comply with CIPF's Disclosure Policy.</p>
Rule 700.1	<p><b>2356. Use of Corporation name and logo</b></p> <p>(1) A Dealer Member may only use the Corporation name in the following forms:</p>

Repealed current rule	Proposed plain language rule
<p>Rules 22.1 and 700.1</p>	<ul style="list-style-type: none"> <li>(i) Dealer Member(s) of the Investment Industry Regulatory Organization of Canada;</li> <li>(ii) Membre(s) de l'Organisme Canadien de Réglementation du Commerce des Valeurs Mobilières;</li> <li>(iii) Dealer Member(s) of the Investment Industry Regulatory Organization of Canada - Organisme Canadien de Réglementation du Commerce des Valeurs Mobilières; or</li> <li>(iv) Membre(s) de l'Organisme Canadien de Réglementation du Commerce des Valeurs Mobilières - Investment Industry Regulatory Organization of Canada</li> </ul> <ul style="list-style-type: none"> <li>(2) When using the Corporation name in its office or on its windows, a Dealer Member must use the form required by this rule but, in smaller type than the name of the Dealer Member.</li> <li>(3) If a Dealer Member uses the Corporation logo in the form below together with the Corporation name, the size of the logo must give equal prominence to both the Corporation name and logo.</li> <li>(4) A Dealer Member must not use the Corporation name and logo in a manner that is misleading or confusing to the public.</li> </ul> <p><b>2357. Corporation governance of its name and logo</b></p> <ul style="list-style-type: none"> <li>(1) The Board may set certain terms and conditions for a Dealer Member's use of the Corporation name or logo.</li> <li>(2) The Corporation will prohibit a Dealer Member from using the Corporation name or logo and require the Dealer Member to destroy all materials that use the Corporation name or logo if: <ul style="list-style-type: none"> <li>(i) the Corporation decides that the use of the name or logo is detrimental to the interests of the Corporation or its Dealer Members;</li> <li>(ii) the Dealer Member is no longer a Corporation Dealer Member; or</li> <li>(iii) the Corporation suspends or terminates the Dealer Member's membership.</li> </ul> </li> <li>(3) When the Corporation requests, a Dealer Member must provide samples of letterhead, circulars, or other promotional materials that use the Corporation's name or logo.</li> <li>(4) The Corporation may prohibit a Dealer Member from using the Corporation name or logo and require the Dealer Member to destroy all materials that use the Corporation name or logo if: <ul style="list-style-type: none"> <li>(i) the Dealer Member fails to respond to a request for samples; or</li> <li>(ii) the Dealer Member does not comply with the requirements for using the Corporation name or logo.</li> </ul> </li> <li>(5) A Dealer Member's use of the Corporation name or logo does not give the Dealer Member any proprietary interest in that name or logo.</li> </ul> <p><b>2358. – 2399. – Reserved.</b></p>

Repealed current rule	Proposed plain language rule
<p>New</p> <p>Rule 39.3</p> <p>Rules 39.4(o) and (p)</p> <p>Rules 39.4(n), (p) and (q)</p> <p>Rule 39, Appendix B Recitals</p>	<p style="text-align: center;"><b>Rule 2400 – Principal and Agent Relationships</b></p> <p><b>2401. Introduction</b></p> <p>(1) This Rule describes the requirements of relationships between Dealer Members and their agents.</p> <p><b>2402. Principal and agent relationships</b></p> <p>(1) A Dealer Member may have a relationship with a person conducting securities related activities on behalf of the Dealer Member if that person is:</p> <p>(i) an employee; or</p> <p>(ii) an agent who is not an employee.</p> <p>(2) A Dealer Member may not have a corporation or other non-individual entity conduct securities-related activities on its behalf.</p> <p><b>2403. Written agreement between the Dealer Member and the Corporation</b></p> <p>(1) Before engaging any agents, a Dealer Member must enter into a written agreement with the Corporation, in a form similar to Appendix A.</p> <p>(2) The agreement must contain terms describing the Dealer Member’s responsibility:</p> <p>(i) for the agent’s conduct, including the agent’s compliance with Corporation requirements and applicable securities legislation; and</p> <p>(ii) to clients for the agent’s acts and omissions.</p> <p>(3) The Corporation must be satisfied with the form of the agreement.</p> <p><b>2404. Written agreement between the Dealer Member and its agents</b></p> <p>(1) The Dealer Member and the agent must enter into a written agreement containing the terms set out in the sample agreement in Appendix B.</p> <p>(2) The agreement must not contain any terms inconsistent with the requirements of this rule.</p> <p>(3) The Corporation must be satisfied with the form of the agreement before the Dealer Member finalizes the agreement with the agent.</p> <p>(4) The Dealer Member must certify to the Corporation that the agreement complies with this rule.</p> <p>(5) The Corporation may request a legal opinion confirming subsection (4) above.</p> <p>(6) The Corporation must be satisfied that the agreement complies with applicable tax laws.</p> <p style="text-align: center;"><b>Appendix A Agreement between a Dealer Member and the Corporation</b></p> <p><b>1. Recitals</b></p> <p>(i) As a Dealer Member of the Corporation, the Dealer Member agrees it is subject to Corporation requirements.</p>

Repealed current rule	Proposed plain language rule
<p>Rule 39, Appendix B, Item 2</p>	<p>(ii) Section 2402 requires the Dealer Member to make this agreement with the Corporation.</p> <p>(iii) This agreement is in addition to and does not alter Corporation requirements or any other agreement between the Dealer Member and the Corporation.</p> <p><b>2. Agreement with the Agent</b></p> <p>(i) The Dealer Member must make an agreement with each of its agents as required by section 2403.</p> <p>(ii) The agreement must require that the agent complies with all applicable laws and Corporation requirements.</p>
<p>Rule 39, Appendix B, Items 1 and 3</p>	<p><b>3. Supervision of the Agent</b></p> <p>The Dealer Member must treat each of its agents as employees with respect to:</p> <p>(i) administration of Corporation requirements.</p> <p>(ii) supervision of the agent under Corporation requirements; and</p> <p>(iii) ensuring its agents comply with all applicable laws and Corporation requirements.</p>
<p>Rule 39, Appendix B, Item 4</p>	<p><b>4. Disclosure of Respective Responsibilities to Clients</b></p> <p>The Dealer Member or the agent must disclose to clients at the time of opening an account:</p> <p>(i) the business activities included or not in the securities related activities of the Dealer Member; and</p> <p>(ii) that any other business activity of the agent is not the Dealer Member's responsibility.</p>
<p>Rule 39, Appendix B, Item 6</p>	<p><b>5. Disclosure to Clients</b></p> <p>The disclosure to clients must be made using the following language in the New Client Account Form:</p> <p style="padding-left: 40px;">“If investment advisor is an agent of [the Dealer Member], [Dealer Member] is irrevocably liable to you for any acts and omissions of your investment advisor with regard to [Dealer Member's] business as if the investment advisor were an employee of [Dealer Member].”</p>
<p>Rule 39, Appendix B, Item 5</p>	<p><b>6. Disclosure by Agent</b></p> <p>If the disclosure is made by the agent, the Dealer Member must ensure that the agent has made the disclosure directly to the clients.</p>
<p>Rule 39, Appendix B, Item 8</p>	<p><b>7. Governing Law</b></p> <p>This agreement must be governed by the laws of [applicable province] and the laws of Canada.</p>

Repealed current rule	Proposed plain language rule
<p>Rule 39, Appendix B, Item 9</p>	<p><b>8. Continuing Benefit</b></p> <p>The agreement is for the benefit of and binding upon the parties and their successors and assigns. The Dealer Member may not assign the agreement without the Corporation's prior written consent.</p> <p>DATED as of the _____ day of _____, _____                      [DEALER MEMBER]                      _____                      [NAME AND TITLE OF SIGNING INDIVIDUAL]</p> <p style="text-align: center;"><b>Appendix B</b>  <b>Principles to include in Agreement between a Dealer Member and Agent</b></p>
<p>Rules 39.4(a) and (q)</p>	<p><b>1. Relationship complies with the Law</b></p> <p>The agent and the Dealer Member confirm that this agreement:</p> <ul style="list-style-type: none"> <li>(i) does not violate applicable laws; and</li> <li>(ii) complies with applicable tax laws.</li> </ul>
<p>Rule 39, Appendix A, Item 2</p>	<p><b>2. Confirmation of Supremacy of Rule 2400</b></p> <p>The agent and the Dealer Member confirm that:</p> <ul style="list-style-type: none"> <li>(i) this agreement is made in compliance with Corporation Requirements;</li> <li>(ii) Rule 2400 must prevail if there is an inconsistency between this agreement and Rule 2400;</li> <li>(iii) any inconsistent terms will be deemed severed and deleted; and</li> <li>(iv) this agreement will be interpreted and enforced to give full effect to Rule 2400.</li> </ul>
<p>Rule 39.4(b) and Rule 39, Appendix A, Item 3</p>	<p><b>3. Compliance by the Agent with Applicable Laws and Corporation Requirements</b></p> <ul style="list-style-type: none"> <li>(i) The agent warrants to the Dealer Member that it is appropriately registered or licensed, in good standing and in compliance under all applicable laws and Corporation requirements.</li> <li>(ii) The agent agrees to maintain the above throughout the term of the agreement.</li> </ul>
<p>Rules 39.4(d) and (k) and Rule 39, Appendix A, Item 4</p>	<p><b>4. Conduct of the Agent's Business</b></p> <ul style="list-style-type: none"> <li>(i) The agent agrees to conduct all business in the Dealer Member's name, subject to section 2401.</li> <li>(ii) The agent agrees not to conduct any securities related activities with anyone other than the Dealer Member.</li> </ul>
<p>Rules 39.4(c), (d) and (e) and Rule 39, Appendix A, Items 5(a) and 5(e)</p>	<p><b>5. Supervision of the Agent by the Dealer Member</b></p> <p>The Dealer Member agrees to be:</p> <ul style="list-style-type: none"> <li>(i) responsible for the supervision of the agent's conduct to ensure compliance with Corporation requirements and the requirements of any other regulatory authority to which the Dealer Member is subject; and</li> </ul>

Repealed current rule	Proposed plain language rule
<p>Rule 39, Appendix A, Item 5(d)</p>	<p>(ii) liable to clients (and other third parties) for the agent's conduct as if he or she were an employee.</p> <p><b>6. Written Disclosure to Clients</b></p> <p>If the Dealer Member and the Agent have agreed that the agent will advise the clients directly:</p> <p>(i) of the business activity that is included or not in the securities related activities of the Dealer Member; and</p> <p>(ii) that any other business activity of the agent is not the Dealer Member's responsibility;</p> <p>the Dealer Member agrees to be responsible for ensuring that the agent has done so.</p>
<p>Rule 39.4(i) Rule 39, Appendix A 5(f)</p>	<p><b>7. Dealer Member Assumes Responsibility for Clients</b></p> <p>(i) In the event that:</p> <p>(a) The Corporation, or other regulatory authority has advised the Dealer Member that it has started an investigation relating to a client of the agent; or</p> <p>(b) the Dealer Member has reasonable grounds to believe that the agent's conduct relating to clients is contrary to any applicable laws or Corporation requirements,</p> <p>the Dealer Member may immediately and without notice to the agent, assume responsibility for the client to the exclusion of the agent.</p> <p>(ii) The agent may not have any dealings or communications with the client as long as the Dealer Member has assumed this responsibility.</p> <p>(iii) The Dealer Member may appoint another qualified person to provide services to the client, and that person may receive any remuneration that would have been paid to the agent.</p>
<p>Rules 39.4(l) and (m) and Rule 39, Appendix A, Items 4(b), 5(b) and 5(c)</p>	<p><b>8. Non-Dealer Member Business</b></p> <p>(i) The agent agrees not to conduct any non-Dealer Member business without disclosing to and obtaining the consent of the Dealer Member in writing.</p> <p>(ii) If the agent is involved in a non-Dealer Member business, the Dealer Member agrees to monitor and enforce compliance with the terms of this agreement directly and not through another employer or principal of the agent.</p> <p>(iii) The agent agrees to ensure that the non-Dealer Member business will not interfere with the Dealer Member or Corporation monitoring and enforcing compliance by the agent with this agreement or Corporation requirements.</p>
<p>Rule 39.4(h) and Rule 39, Appendix A, Item 7(b)</p>	<p><b>9. Access to Premises</b></p> <p>The agent agrees to give the Dealer Member unrestricted access to the premises where the agent conducts business on the Dealer Member's behalf.</p>
<p>Rule 39.4(g) and Rule 39, Appendix A, Items 6(a), 6(b) and 7(a)</p>	<p><b>10. Records</b></p> <p>The agent agrees that the books and records kept by the agent for the Dealer Member's business:</p>

Repealed current rule	Proposed plain language rule
<p>Rule 39.4(f) and Rule 39, Appendix A, Item 6(c)</p> <p>New</p>	<ul style="list-style-type: none"> <li>(i) shall conform to Corporation requirements;</li> <li>(ii) are the Dealer Member's property;</li> <li>(iii) are available at all times for review by and delivery to the Dealer Member; and</li> <li>(iv) are available to the Dealer Member on termination of the agreement.</li> </ul> <p><b>11. Insurance</b></p> <p>The Dealer Member agrees to maintain financial institution bond and insurance policies covering the agent.</p> <p><b>12. Validity of Prior Agreements</b></p> <p>Any agreements entered into between a Dealer Member and its agents prior to the effective date of Rule 2400 continue to be valid.</p> <p><b>2404. – 2449. – Reserved.</b></p>
<p>New</p>	<p style="text-align: center;"><b>Rule 2450 – Acceptable Back Office Arrangements</b></p> <p><b>2451. Introduction</b></p> <ul style="list-style-type: none"> <li>(1) In order to manage back office expenses, Dealer Members may enter into arrangements that involve back office service sharing with another organization. Services shared may include any combination of: trade execution, trade clearing and settlement, trade financing, trade related cash and security custody and trade related books and records. In some cases, before an arrangement can commence, the parties must agree to specific Corporation arrangement conditions, including obtaining Corporation approval of the arrangement.</li> <li>(2) This Rule sets out the specific Corporation arrangement conditions for a number of arrangements that a Dealer Member may enter into and is organized as follows: <ul style="list-style-type: none"> <li>(i) Definitions <b>[Section 2460]</b></li> <li>(ii) Requirements for acceptable arrangements between two Dealer Members <b>[Part A]</b> including: <ul style="list-style-type: none"> <li>(a) General requirements <b>[Sections 2470 through 2474];</b></li> <li>(b) Specific requirements for Type 1 introducing broker / carrying broker arrangements <b>[Section 2475];</b></li> <li>(c) Specific requirements for Type 2 introducing broker / carrying broker arrangements <b>[Section 2476];</b></li> <li>(d) Specific requirements for Type 3 introducing broker / carrying broker arrangements <b>[Section 2477];</b> and</li> <li>(e) Specific requirements for Type 4 introducing broker / carrying broker arrangements <b>[Section 2478].</b></li> </ul> </li> <li>(iii) Requirements for acceptable arrangement between a Dealer Member and a foreign affiliate dealer <b>[Part B, Sections 2485 and 2486];</b></li> <li>(iv) Permitted arrangements that are not considered to be introducing broker / carrying broker arrangements <b>[Part C, Sections 2490 and 2491];</b> and</li> </ul> </li> </ul>



Repealed current rule	Proposed plain language rule
<p>Rules 35.1(e)(ii), (iii) and (iv)</p>	<p>(ii) a Type 1 or 2 Arrangement for all of its securities related activities other than trading in futures contracts and options;</p> <p>(iii) a Type 3 or 4 Arrangement for one or more of its securities related activities business lines.</p> <p><b>2471. Additional conditions that apply to an introducing broker under a Type 1 Arrangement</b></p> <p>(1) A Dealer Member that is an introducing broker under a Type 1 Arrangement with another Dealer Member:</p> <p>(i) must not enter into any additional introducing broker / carrying broker arrangements with another Dealer Member unless the arrangement is a Type 1 or Type 2 Arrangement that provides back office services exclusive to trading in futures contracts and options;</p> <p>(ii) must not continue to fully service any part of its securities related activities other than fully servicing trading in futures contracts and options; and</p> <p>(iii) must use its carrying broker's facilities for its principal trading, settlement, and securities custody.</p>
<p>Rules 35.1(e)(ii), (iii) and (iv)</p>	<p><b>2472. Additional conditions that apply to an introducing broker under a Type 2 Arrangement</b></p> <p>(1) A Dealer Member that is an introducing broker under a Type 2 Arrangement with another Dealer Member:</p> <p>(i) must not enter into any additional introducing broker / carrying broker arrangements with another Dealer Member unless the arrangement is a Type 1 or Type 2 Arrangement that provides back office services exclusive to trading in futures contracts and options;</p> <p>(ii) must not fully service any part of its securities related activities other than fully servicing trading in futures contracts and options; and</p> <p>(iii) may use brokers other than its carrying broker for its principal trading, settlement, and securities custody.</p>
<p>Rules 35.1(e)(iv) and (v)</p>	<p><b>2473. Additional conditions that apply to an introducing broker under either a Type 3 or a Type 4 Arrangement</b></p> <p>(1) A Dealer Member that is an introducing broker under a Type 3 or Type 4 Arrangement with another Dealer Member:</p> <p>(i) may use brokers other than its carrying broker for its principal trading, settlement, and securities custody;</p> <p>(ii) may, where a business case can be made, enter into additional Type 3 or Type 4 Arrangements for one or more of its remaining securities related activities business lines;</p> <p>(iii) may fully service one or more of its remaining securities related activities business lines; and</p> <p>(iv) must not enter into any Type 1 or Type 2 Arrangements for one or more of its remaining securities related activities business lines.</p>

Repealed current rule	Proposed plain language rule
Rules 35.1(b)(i), (e)(i), and (g)	<p><b>2474. Requirement for an agreement</b></p> <p>(1) A Dealer Member may enter into an arrangement permitted within sections 2470 through 2473 with another Dealer Member if both parties enter into a written introducing broker / carrying broker contract:</p> <ul style="list-style-type: none"> <li>(i) in a form acceptable to the Corporation;</li> <li>(ii) that specifies the type of arrangement being entered into is an Introducing Type 1, Type 2, Type 3 or Type 4 Arrangement;</li> <li>(iii) whose terms meet the requirements of this Rule 2450 that apply to the type of arrangement being entered into; and</li> <li>(iv) which is approved by the Corporation in advance of it coming into effect.</li> </ul>
Rule 35.2, opening paragraph	<p><b>2475. Type 1 Arrangement – requirements –</b> The parties to a Type 1 introducing broker / carrying broker arrangement (Type 1 Arrangement) must comply with the following requirements:</p>
Rule 35.2(a)	<p>(1) <b>Minimum capital requirement</b></p> <p>(i) The introducing broker must maintain at all times minimum capital of \$75,000 for calculating RAC.</p>
Rule 35.2(b)(ii)	<p>(2) <b>Margin requirements to be provided by the introducing broker</b></p> <p>(i) The introducing broker must maintain the required margin for principal business it introduces to the carrying broker.</p>
Rule 35.2(b)(i)	<p>(3) <b>Margin requirements to be provided by the carrying broker</b></p> <p>(i) The carrying broker must maintain the required margin:</p> <ul style="list-style-type: none"> <li>(a) for client business it carries for the introducing broker; and</li> <li>(b) for any settlement date equity deficiency amounts relating to the principal business it carries for the introducing broker in accordance with the margin requirements for an account with another regulated entity, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.</li> </ul>
Rule 35.2(c)	<p>(4) <b>Offsets of carrying broker margin requirements against deposits</b></p> <p>(i) The carrying broker may reduce any margin it is required to provide under section 2475(3) by the least of the following amounts:</p> <ul style="list-style-type: none"> <li>(a) the margin requirement;</li> <li>(b) the loan value of any introducing broker deposits held by the carrying broker; and</li> <li>(c) the introducing broker's excess RAC. Where a reduction is taken, the carrying broker must promptly notify the introducing broker.</li> </ul>
Rule 35.2(d)	<p>(5) <b>Reporting client balances</b></p> <p>(i) When calculating RAC, the carrying broker must report on Statement A and Schedule 4 of Form 1 and the MFR all client accounts introduced by the introducing broker. The introducing broker must not report these accounts.</p>

Repealed current rule	Proposed plain language rule
Rule 35.2(e)	<p>(6) <b>Net client balances / funding</b></p> <p>The carrying broker must meet financing requirements for client accounts introduced by the introducing broker.</p>
Rules 35.2(c) and (f)	<p>(7) <b>Deposits provided to the carrying broker by the introducing broker</b></p> <p>(i) The carrying broker must:</p> <ul style="list-style-type: none"> <li>(a) segregate security deposits provided by the introducing broker;</li> <li>(b) hold cash deposits in a separate bank account in trust for the introducing broker; and</li> <li>(c) report all deposits it receives from the introducing broker as a liability on its Form 1 and MFR.</li> </ul> <p>(ii) The introducing broker must:</p> <ul style="list-style-type: none"> <li>(a) report as a non-allowable asset on the introducing broker's Form 1 and MFR: <ul style="list-style-type: none"> <li>(I) any portion of a deposit that a carrying broker has used to offset its margin requirements under section 2475(4); and</li> <li>(ii) any portion of a deposit that is impaired in value because the carrying broker carries client accounts with unsecured debit balances.</li> </ul> </li> <li>(b) report as an allowable asset on the introducing broker's Form 1 and MFR any remaining deposits not classified as a non-allowable asset under sub-clause 2475(7)(ii)(a).</li> </ul>
Rule 35.2(g)	<p>(8) <b>Concentration calculations</b></p> <p>(i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the carrying broker must include, and the introducing broker must not include, all client positions the carrying broker maintains for the introducing broker.</p>
Rule 35.2(h)	<p>(9) <b>Segregating client securities</b></p> <p>(i) The carrying broker must segregate securities for clients introduced by the introducing broker in accordance with the segregation rules. [LINK – Rule 4400 Segregated Securities – Requirements and Internal Controls.]</p>
Rule 35.2(i)	<p>(10) <b>Free credit segregation</b></p> <p>(i) The carrying broker must comply with the Corporation's free credit segregation requirements for client accounts introduced by the introducing broker.</p>
Rules 35.2(j)(i), (ii) and (iv)	<p>(11) <b>Insurance coverage requirements of the introducing broker</b></p> <p>(i) The introducing broker must:</p> <ul style="list-style-type: none"> <li>(a) include all accounts introduced to the carrying broker: <ul style="list-style-type: none"> <li>(I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4459; and</li> </ul> </li> </ul>

Repealed current rule	Proposed plain language rule
Rules 35.2(j)(i) to (iv)	<ul style="list-style-type: none"> <li>(II) when determining adequate insurance coverage levels for registered mail under section 4456</li> <li>(b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4459; and</li> <li>(c) maintain adequate insurance for registered mail specified under section 4456.</li> </ul> <p><b>(12) Insurance coverage requirements of the carrying broker</b></p> <ul style="list-style-type: none"> <li>(i) The carrying broker must:           <ul style="list-style-type: none"> <li>(a) include all accounts it carries for the introducing broker:               <ul style="list-style-type: none"> <li>(I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4458; and</li> <li>(II) when determining adequate insurance coverage levels for registered mail under section 4456</li> </ul> </li> <li>(b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4458; and</li> <li>(c) maintain adequate insurance for registered mail specified under section 4456.</li> </ul> </li> </ul>
Rule 35.2(k)	<p><b>(13) Client account opening required disclosure</b></p> <ul style="list-style-type: none"> <li>(i) At the time of opening a client account the introducing broker must:           <ul style="list-style-type: none"> <li>(a) advise the client of:               <ul style="list-style-type: none"> <li>(I) its relationship to the carrying broker; and</li> <li>(II) the client's relationship to the carrying broker.</li> </ul> </li> <li>(b) obtain from the client a Corporation-approved form acknowledging it has provided the client with the disclosure required by clause 2475(13)(i)(a).</li> </ul> </li> </ul>
Rule 35.2(l)	<p><b>(14) Parties to margin and guarantee documents</b></p> <ul style="list-style-type: none"> <li>(i) The introducing broker and the carrying broker must both be parties to any margin agreements and guarantee documents.</li> </ul>
Rule 35.2(l)	<p><b>(15) Disclosure on contracts, statements and correspondence</b></p> <ul style="list-style-type: none"> <li>(i) To ensure ongoing disclosure of the introducing broker / carrying broker relationship to clients, the introducing broker and carrying broker must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of this ongoing disclosure, annual disclosure of the introducing broker / carrying broker relationship is not required.</li> </ul>

Repealed current rule	Proposed plain language rule
Rule 35.2(m)	<p>(16) <b>Clients introduced to the carrying broker</b></p> <p>(i) A client introduced to the carrying broker by the introducing broker must be considered a client of both the introducing broker and the carrying broker for the purposes of compliance with IIROC requirements.</p>
Rule 35.2(n)	<p>(17) <b>Compliance with non-financial requirements</b></p> <p>(i) The introducing broker and the carrying broker are jointly and severally responsible for compliance with all non-financial Corporation requirements for each account the introducing broker introduces to the carrying broker unless stated otherwise in this Rule 2475.</p>
Rule 35.2(o)	<p>(18) <b>Handling client cash</b></p> <p>(i) The introducing broker must not accept or handle client funds in the form of money.</p> <p>(ii) With the carrying broker's advance approval, the introducing broker may accept a cheque in the carrying broker's name from a client whose account is carried by the carrying broker and:</p> <p>(a) deliver it to the carrying broker; or</p> <p>(b) arrange for the carrying broker to pick it up.</p>
Rule 35.2(p)	<p>(19) <b>Reporting of introducing broker principal positions</b></p> <p>(i) The introducing broker must report all its principal positions carried by a carrying broker as inventory on its Form 1 and MFR.</p> <p>(ii) The carrying broker must report the introducing broker's principal positions it carries as a client account on its Form 1 and MFR.</p>
Rule 35.3 opening paragraph	<p><b>2476. Type 2 Arrangement – requirements –</b></p> <p>The parties to a Type 2 introducing broker / carrying broker arrangement (Type 2 Arrangement) must comply with the following requirements:</p>
Rule 35.3(a)	<p>(1) <b>Minimum capital requirement</b></p> <p>(i) The introducing broker must maintain at all times minimum capital of \$250,000 for calculating RAC.</p>
Rule 35.3(b)(ii)	<p>(2) <b>Margin requirements to be provided by the introducing broker</b></p> <p>(i) The introducing broker must maintain the required margin for principal business it introduces to the carrying broker.</p>
Rule 35.3(b)(i) and (ii)	<p>(3) <b>Margin requirements to be provided by the carrying broker</b></p> <p>(i) The carrying broker must maintain the required margin:</p> <p>(a) for client business it carries for the introducing broker; and</p> <p>(b) for any settlement date equity deficiency amounts relating to the principal business it carries for the introducing broker in accordance with the margin requirements for an account with another regulated entity, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.</p>

Repealed current rule	Proposed plain language rule
Rule 35.3(c)	<p>(4) <b>Offsets of carrying broker margin requirements against deposits</b></p> <p>(i) The carrying broker may reduce any margin it is required to provide under section 2476(3) by the least of the following amounts:</p> <ul style="list-style-type: none"> <li>(a) the margin requirement;</li> <li>(b) the loan value of any introducing broker deposits held by the carrying broker; and</li> <li>(c) the introducing broker's excess RAC. Where a reduction is taken, the carrying broker must promptly notify the introducing broker.</li> </ul>
Rule 35.3(d)	<p>(5) <b>Reporting client balances</b></p> <p>(i) When calculating RAC, the carrying broker must report on Statement A and Schedule 4 of Form 1 and the MFR all client accounts introduced by the introducing broker. The introducing broker must not report these accounts.</p>
Rule 35.3(e)	<p>(6) <b>Net client balances / funding</b></p> <p>(i) The carrying broker must meet financing requirements for client accounts introduced by the introducing broker.</p>
Rules 35.3(c) and (f)	<p>(7) <b>Deposits provided to the carrying broker by the introducing broker</b></p> <p>(i) The carrying broker must:</p> <ul style="list-style-type: none"> <li>(a) segregate security deposits provided by the introducing broker;</li> <li>(b) hold cash deposits in a separate bank account in trust for the introducing broker; and</li> <li>(c) report all deposits it receives from the introducing broker as a liability on its Form 1 and MFR.</li> </ul> <p>(ii) The introducing broker must:</p> <ul style="list-style-type: none"> <li>(a) report as a non-allowable asset on the introducing broker's Form 1 and MFR: <ul style="list-style-type: none"> <li>(I) any portion of a deposit that a carrying broker has used to offset its margin requirements under section 2476(4); and</li> <li>(II) any portion of a deposit that is impaired in value because the carrying broker carries client accounts with unsecured debit balances.</li> </ul> </li> <li>(b) report as an allowable asset on the introducing broker's Form 1 and MFR any remaining deposits not classified as a non-allowable asset under sub-clause 2476(7)(ii)(a).</li> </ul>
Rule 35.3(g)	<p>(8) <b>Concentration calculations</b></p> <p>(i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the carrying broker must include, and the introducing broker must not include, all client positions the carrying broker maintains for the introducing broker.</p>

Repealed current rule	Proposed plain language rule
Rule 35.3(h)	<p>(9) <b>Segregating client securities</b></p> <p>(i) The carrying broker must segregate securities for clients introduced by the introducing broker in accordance with the segregation rules. [LINK – Rule 4400 Segregated Securities – Requirements and Internal Controls.]</p>
Rule 35.3(i)	<p>(10) <b>Free credit segregation</b></p> <p>(i) The carrying broker must comply with the Corporation’s free credit segregation requirements for client accounts introduced by the introducing broker.</p>
Rule 35.3(j)(i) to (iv)	<p>(11) <b>Insurance coverage requirements of the introducing broker</b></p> <p>(i) The introducing broker must:</p> <p>(a) include all accounts introduced to the carrying broker:</p> <p>(I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4459; and</p> <p>(II) when determining adequate insurance coverage levels for registered mail under section 4456</p> <p>(b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4459; and</p> <p>(c) maintain adequate insurance for registered mail specified under section 4456.</p>
Rule 35.3(j)(i) to (iv)	<p>(12) <b>Insurance coverage requirements of the carrying broker</b></p> <p>(i) The carrying broker must:</p> <p>(a) include all accounts it carries for the introducing broker:</p> <p>(I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4458; and</p> <p>(II) when determining adequate insurance coverage levels for registered mail under section 4456</p> <p>(b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4458; and</p> <p>(c) maintain adequate insurance for registered mail specified under section 4456.</p>

Repealed current rule	Proposed plain language rule
Rule 35.3(k)	<p>(13) <b>Client account opening required disclosure</b></p> <p>(i) At the time of opening a client account the introducing broker must:</p> <p>(a) advise the client of:</p> <p>(I) its relationship to the carrying broker; and</p> <p>(II) the client's relationship to the carrying broker.</p> <p>(b) obtain from the client a Corporation-approved form acknowledging it has provided the client with the disclosure required by clause 2476(13)(i)(a).</p>
Rule 35.3(l)	<p>(14) <b>Parties to margin and guarantee documents</b></p> <p>(i) The introducing broker and the carrying broker must both be parties to any margin agreements and guarantee documents.</p>
Rules 35.3(l) and (m)	<p>(15) <b>Disclosure on contracts, statements and correspondence</b></p> <p>(i) The introducing broker must provide either ongoing or annual disclosure of its introducing broker / carrying broker relationship to clients as follows:</p> <p>(a) Where the introducing broker elects to provide ongoing relationship disclosure, the introducing broker and carrying broker must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of this ongoing disclosure, annual disclosure of the introducing broker / carrying broker relationship is not required.</p> <p>(b) Where the introducing broker elects to provide annual relationship disclosure:</p> <p>(I) the introducing broker must show its name on all client account contracts, statements, correspondence and other documents; and</p> <p>(II) the introducing broker must provide an annual written disclosure to each of its clients whose accounts are carried by a carrying broker outline the relationship between:</p> <p>(A) the introducing broker and the carrying broker; and</p> <p>(B) the client and the carrying broker. However, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documents, the annual disclosure under sub-clause 2476(15)(i)(b)(ii) is not required.</p>
Rule 35.3(n)	<p>(16) <b>Clients introduced to the carrying broker</b></p> <p>(i) A client introduced to the carrying broker by the introducing broker must be considered a client of both the introducing broker and the carrying broker for the purposes of compliance with IROC requirements.</p>
Rule 35.3(o)	<p>(17) <b>Compliance with non-financial requirements</b></p> <p>(i) For each account it introduces to the carrying broker, the introducing broker is responsible for compliance with all non-financial Corporation requirements</p>

Repealed current rule	Proposed plain language rule
Rule 35.3(p)	<p>unless stated otherwise in this Rule 2476.</p> <p>(18) <b>Handling client cash</b></p> <p>(i) The introducing broker must not accept or handle client funds in the form of money.</p> <p>(ii) The introducing broker may accept a cheque in the carrying broker's name from a client whose account is carried by the carrying broker for deposit directly into a bank account in the carrying broker's name.</p>
Rule 35.3(q)	<p>(19) <b>Reporting of introducing broker principal positions</b></p> <p>(i) The introducing broker must report all its principal positions carried by a carrying broker as inventory on its Form 1 and MFR.</p> <p>(ii) The carrying broker must report the introducing broker's principal positions it carries as a client account on its Form 1 and MFR.</p>
Rule 35.4 opening paragraph	<p><b>2477. Type 3 Arrangement – requirements –</b></p> <p>The parties to a Type 3 introducing broker / carrying broker arrangement (Type 3 Arrangement) must comply with the following requirements:</p>
Rule 35.4(a)	<p>(1) <b>Minimum capital requirement</b></p> <p>(i) The introducing broker must maintain at all times minimum capital of \$250,000 for calculating RAC.</p>
Rule 35.4(b)	<p>(2) <b>Margin requirements to be provided by the introducing broker</b></p> <p>(i) The introducing broker must maintain the required margin:</p> <p>(a) for principal business it introduces to the carrying broker; and</p> <p>(b) for client business it introduces to the carrying broker.</p>
Rule 35.4(b)	<p>(3) <b>Margin requirements to be provided by the carrying broker</b></p> <p>(i) The carrying broker must maintain the required margin for any settlement date equity deficiency amounts relating to the principal business it carries for the introducing broker in accordance with the margin requirements for an account with another regulated entity, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.</p>
Rule 35.4(c)	<p>(4) <b>Offsets of carrying broker margin requirements against deposits</b></p> <p>(i) The carrying broker may reduce any margin it is required to provide under section 2477(3) by the lesser of the following amounts:</p> <p>(a) the margin requirement; and</p> <p>(b) the loan value of any introducing broker deposits held by the carrying broker.</p> <p>Where a reduction is taken, the carrying broker must promptly notify the introducing broker.</p>
Rule 35.4(d)	<p>(5) <b>Reporting client balances</b></p> <p>(i) When calculating RAC, the introducing broker must report on Statement A</p>

Repealed current rule	Proposed plain language rule
Rule 35.4(e)	<p>and Schedule 4 of Form 1 and MFR all client accounts introduced to the carrying broker. The carrying broker must not report those accounts.</p> <p>(ii) However, the carrying broker must report on its Form 1 and MFR one balance owing to or from the introducing broker, representing client accounts it carries for the introducing broker.</p> <p>(iii) Although it reports just one balance, the carrying broker's obligations and liabilities to each client whose account it carries for the introducing broker are not released, discharged, limited, or otherwise affected.</p>
Rule 35.4(f)	<p>(6) <b>Net client balances / funding</b></p> <p>(i) The carrying broker must meet financing requirements for client accounts introduced by the introducing broker.</p>
Rule 35.4(g)	<p>(7) <b>Deposits provided to the carrying broker by the introducing broker</b></p> <p>(i) The carrying broker must:</p> <p>(a) segregate security deposits provided by the introducing broker;</p> <p>(b) hold cash deposits in a separate bank account in trust for the introducing broker; and</p> <p>(c) report all deposits it receives from the introducing broker as a liability on its Form 1 and MFR.</p> <p>(ii) The introducing broker must:</p> <p>(a) report as a non-allowable asset on the introducing broker's Form 1 and MFR any portion of a deposit that a carrying broker has used to offset its margin requirements under section 2477(4); and</p> <p>(b) report as an allowable asset on the introducing broker's Form 1 and MFR any remaining deposits not classified as a non-allowable asset under sub-clause 2477(7)(ii)(a).</p>
Rule 35.4(h)	<p>(8) <b>Concentration calculations</b></p> <p>(i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the introducing broker must include, and the carrying broker must not include, all client positions the carrying broker maintains for the introducing broker.</p>
Rule 35.4(i)	<p>(9) <b>Segregating client securities</b></p> <p>(i) The carrying broker must segregate securities for clients introduced by the introducing broker in accordance with the segregation rules. [LINK – Rule 4400 Segregated Securities – Requirements and Internal Controls.]</p>
Rule 35.4(j)	<p>(10) <b>Free credit segregation</b></p> <p>(i) The carrying broker must comply with the Corporation's free credit segregation requirements for client accounts introduced by the introducing broker.</p>
Rules 35.4(j)(i) to (iv)	<p>(11) <b>Insurance coverage requirements of the introducing broker</b></p> <p>(i) The introducing broker must:</p> <p>(a) include all accounts introduced to the carrying broker:</p>

Repealed current rule	Proposed plain language rule
Rules 35.4(j)(i) to (iv)	<ul style="list-style-type: none"> <li>(I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4458; and</li> <li>(II) when determining adequate insurance coverage levels for registered mail under section 4456</li> <li>(b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4458; and</li> <li>(c) maintain adequate insurance for registered mail specified under section 4456.</li> </ul> <p>(12) <b>Insurance coverage requirements of the carrying broker</b></p> <ul style="list-style-type: none"> <li>(i) The carrying broker must: <ul style="list-style-type: none"> <li>(a) include all accounts it carries for the introducing broker: <ul style="list-style-type: none"> <li>(I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4458; and</li> <li>(II) when determining adequate insurance coverage levels for registered mail under section 4456</li> </ul> </li> <li>(b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4458; and</li> <li>(c) maintain adequate insurance for registered mail specified under section 4456.</li> </ul> </li> </ul>
Rule 35.4(k)	<p>(13) <b>Client account opening required disclosure</b></p> <ul style="list-style-type: none"> <li>(i) At the time of opening a client account the introducing broker must advise the client of: <ul style="list-style-type: none"> <li>(a) its relationship to the carrying broker; and</li> <li>(b) the client's relationship to the carrying broker.</li> </ul> </li> </ul>
Rule 35.4(l)	<p>(14) <b>Parties to margin and guarantee documents</b></p> <ul style="list-style-type: none"> <li>(i) The introducing broker and the carrying broker must both be parties to any margin agreements and guarantee documents.</li> </ul>
Rules 35.4(l) and (m)	<p>(15) <b>Disclosure on contracts, statements and correspondence</b></p> <ul style="list-style-type: none"> <li>(i) The introducing broker must provide either ongoing or annual disclosure of its introducing broker / carrying broker relationship to clients as follows: <ul style="list-style-type: none"> <li>(a) Where the introducing broker elects to provide ongoing relationship disclosure, the introducing broker and carrying broker must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of this ongoing disclosure, annual disclosure of the introducing broker / carrying broker relationship is not required.</li> <li>(b) Where the introducing broker elects to provide annual relationship</li> </ul> </li> </ul>

Repealed current rule	Proposed plain language rule
	<p>disclosure:</p> <ul style="list-style-type: none"> <li>(I) the introducing broker must show its name on all client account contracts, statements, correspondence and other documents; and</li> <li>(II) the introducing broker must provide an annual written disclosure to each of its clients whose accounts are carried by a carrying broker outline the relationship between: <ul style="list-style-type: none"> <li>(A) the introducing broker and the carrying broker; and</li> <li>(B) the client and the carrying broker.</li> </ul> </li> </ul> <p>However, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documents, the annual disclosure under sub-clause 2477(15)(i)(b)(II) is not required.</p>
Rule 35.4(n)	<p>(16) <b>Clients introduced to the carrying broker</b></p> <ul style="list-style-type: none"> <li>(i) A client introduced to the carrying broker by the introducing broker must be considered a client of both the introducing broker and the carrying broker for the purposes of compliance with IROC requirements.</li> </ul>
Rule 35.4(o)	<p>(17) <b>Compliance with non-financial requirements</b></p> <ul style="list-style-type: none"> <li>(i) For each account it introduces to the carrying broker, the introducing broker is responsible for compliance with all non-financial Corporation requirements unless stated otherwise in this Rule 2477.</li> </ul>
Rule 35.4(p)	<p>(18) <b>Handling client cash</b></p> <ul style="list-style-type: none"> <li>(i) An introducing broker may facilitate transactions for a client account carried by a carrying broker by accepting client cheques: <ul style="list-style-type: none"> <li>(a) in the introducing broker's name, and depositing those cheques in a bank account in the introducing broker's name for eventual deposit to an account in the carrying broker's name; or</li> <li>(b) in the carrying broker's name for deposit directly into a bank account in the carrying broker's name.</li> </ul> </li> </ul>
Rule 35.4(q)	<p>(19) <b>Reporting of introducing broker principal positions</b></p> <ul style="list-style-type: none"> <li>(i) The introducing broker must report all its principal positions carried by a carrying broker as inventory on its Form 1 and MFR.</li> <li>(ii) The carrying broker must report the introducing broker's principal positions it carries as a client account on its Form 1 and MFR.</li> </ul>
Rule 35.5 opening paragraph	<p><b>2478. Type 4 Arrangement – requirements –</b></p> <p>The parties to a Type 4 introducing broker / carrying broker arrangement (Type 4 Arrangement) must comply with the following requirements:</p>
Rule 35.5(a)	<p>(1) <b>Minimum capital requirement</b></p> <ul style="list-style-type: none"> <li>(i) The introducing broker must maintain at all times minimum capital of \$250,000 for calculating RAC.</li> </ul>

Repealed current rule	Proposed plain language rule
Rule 35.5(b)	<p>(2) <b>Margin requirements to be provided by the introducing broker</b></p> <p>(i) The introducing broker must maintain the required margin:</p> <p>(a) for principal business it introduces to the carrying broker; and</p> <p>(b) for client business it introduces to the carrying broker.</p>
Rule 35.5(b)	<p>(3) <b>Margin requirements to be provided by the carrying broker</b></p> <p>(i) The carrying broker must maintain the required margin for any settlement date equity deficiency amounts relating to the principal business it carries for the introducing broker in accordance with the margin requirements for an account with another regulated entity, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.</p>
Rule 35.5(c)	<p>(4) <b>Offsets of carrying broker margin requirements against deposits</b></p> <p>(i) The carrying broker may reduce any margin it is required to provide under section 2478(3) by the lesser of the following amounts:</p> <p>(a) the margin requirement; and</p> <p>(b) the loan value of any introducing broker deposits held by the carrying broker.</p> <p>Where a reduction is taken, the carrying broker must promptly notify the introducing broker.</p>
Rule 35.5(d)	<p>(5) <b>Reporting client balances</b></p> <p>(i) When calculating RAC, the introducing broker must report on Statement A and Schedule 4 of Form 1 and MFR all client accounts introduced to the carrying broker. The carrying broker must not report those accounts.</p> <p>(ii) However, the carrying broker must report on its Form 1 and MFR one balance owing to or from the introducing broker, representing client accounts it carries for the introducing broker.</p> <p>(iii) Although it reports just one balance, the carrying broker's obligations and liabilities to each client whose account it carries for the introducing broker are not released, discharged, limited, or otherwise affected.</p>
Rule 35.5(e)	<p>(6) <b>Net client balances / funding</b></p> <p>(i) The introducing broker must meet financing requirements for client accounts it introduces to the carrying broker.</p>
Rule 35.5(f)	<p>(7) <b>Deposits provided to the carrying broker by the introducing broker</b></p> <p>(i) The carrying broker must:</p> <p>(a) segregate security deposits provided by the introducing broker;</p> <p>(b) hold cash deposits in a separate bank account in trust for the introducing broker; and</p> <p>(c) report all deposits it receives from the introducing broker as a liability on its Form 1 and MFR.</p>

Repealed current rule	Proposed plain language rule
Rule 35.5(g)	<ul style="list-style-type: none"> <li>(ii) The introducing broker must:                             <ul style="list-style-type: none"> <li>(a) report as a non-allowable asset on the introducing broker's Form 1 and MFR any portion of a deposit that a carrying broker has used to offset its margin requirements under section 2478(4); and</li> <li>(b) report as an allowable asset on the introducing broker's Form 1 and MFR any remaining deposits not classified as a non-allowable asset under sub-clause 2478(7)(ii)(a).</li> </ul> </li> </ul>
Rule 35.5(h)	<p>(8) <b>Concentration calculations</b></p> <ul style="list-style-type: none"> <li>(i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the introducing broker must include, and the carrying broker must not include, all client positions the carrying broker maintains for the introducing broker.</li> </ul>
Rule 35.5(i)	<p>(9) <b>Segregating client securities</b></p> <ul style="list-style-type: none"> <li>(i) The carrying broker must segregate securities for clients introduced by the introducing broker in accordance with the segregation rules. [LINK – Rule 4400 Segregated Securities – Requirements and Internal Controls.]</li> </ul>
Rule 35.5(j)(i) to (iv)	<p>(10) <b>Free credit segregation</b></p> <ul style="list-style-type: none"> <li>(i) The introducing broker must comply with the Corporation's free credit segregation requirements for client accounts it introduces to the carrying broker.</li> </ul>
Rules 35.5(j)(i) to (iv)	<p>(11) <b>Insurance coverage requirements of the introducing broker</b></p> <ul style="list-style-type: none"> <li>(i) The introducing broker must:                             <ul style="list-style-type: none"> <li>(a) include all accounts introduced to the carrying broker:                                     <ul style="list-style-type: none"> <li>(I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4458; and</li> <li>(II) when determining adequate insurance coverage levels for registered mail under section 4456</li> </ul> </li> <li>(b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4458; and</li> <li>(c) maintain adequate insurance for registered mail specified under section 4456.</li> </ul> </li> </ul>
Rules 35.5(j)(i) to (iv)	<p>(12) <b>Insurance coverage requirements of the carrying broker</b></p> <ul style="list-style-type: none"> <li>(i) The carrying broker must:                             <ul style="list-style-type: none"> <li>(a) include all accounts it carries for the introducing broker:                                     <ul style="list-style-type: none"> <li>(I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4458; and</li> <li>(II) when determining adequate insurance coverage levels for registered mail under section 4456</li> </ul> </li> </ul> </li> </ul>

Repealed current rule	Proposed plain language rule
Rule 35.5(k)	<ul style="list-style-type: none"> <li>(b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4458; and</li> <li>(c) maintain adequate insurance for registered mail specified under section 4456.</li> </ul> <p>(13) <b>Client account opening required disclosure</b></p> <ul style="list-style-type: none"> <li>(i) At the time of opening a client account the introducing broker must advise the client of:               <ul style="list-style-type: none"> <li>(a) its relationship to the carrying broker; and</li> <li>(b) the client's relationship to the carrying broker.</li> </ul> </li> </ul>
Rule 35.5(l)	<p>(14) <b>Parties to margin and guarantee documents</b></p> <ul style="list-style-type: none"> <li>(i) The introducing broker and the carrying broker or the introducing broker itself, may be party to a margin agreement and guarantee document.</li> <li>(ii) If a margin or guarantee agreement is only between the introducing broker and a client, then the introducing broker / carrying broker agreement must provide that the carrying broker may protect its interest in unpaid securities of the introducing broker when the introducing broker becomes insolvent, bankrupt, or ceases to be a Dealer Member.</li> </ul>
Rules 35.5(l) and (m)	<p>(15) <b>Disclosure on contracts, statements and correspondence</b></p> <ul style="list-style-type: none"> <li>(i) The introducing broker must provide either ongoing or annual disclosure of its introducing broker / carrying broker relationship to clients as follows:           <ul style="list-style-type: none"> <li>(a) Where the introducing broker elects to provide ongoing relationship disclosure, the introducing broker and carrying broker must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of this ongoing disclosure, annual disclosure of the introducing broker / carrying broker relationship is not required.</li> <li>(b) Where the introducing broker elects to provide annual relationship disclosure:               <ul style="list-style-type: none"> <li>(I) the introducing broker must show its name on all client account contracts, statements, correspondence and other documents;</li> <li>(II) the introducing broker must provide an annual written disclosure to each of its clients whose accounts are carried by a carrying broker outline the relationship between:                   <ul style="list-style-type: none"> <li>(A) the introducing broker and the carrying broker; and</li> <li>(B) the client and the carrying broker.</li> </ul> </li> </ul> </li> </ul> <p>However, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documents, the annual disclosure under sub-clause 2478(15)(i)(b)(II) is not required.</p> </li></ul>

Repealed current rule	Proposed plain language rule
Rule 35.5(n)	<p>(16) <b>Clients introduced to the carrying broker</b></p> <p>(i) A client introduced to the carrying broker by the introducing broker must be considered a client of both the introducing broker and the carrying broker for the purposes of compliance with IIROC requirements.</p>
Rule 35.5(o)	<p>(17) <b>Compliance with non-financial requirements</b></p> <p>(i) For each account it introduces to the carrying broker, the introducing broker is responsible for compliance with all non-financial Corporation requirements unless stated otherwise in this Rule 2478.</p>
Rule 35.5(p)	<p>(18) <b>Handling client cash</b></p> <p>(i) An introducing broker may facilitate transactions for a client account carried by a carrying broker by accepting client cheques:</p> <p>(a) in the introducing broker's name, and depositing those cheques in a bank account in the introducing broker's name for eventual deposit to an account in the carrying broker's name; or</p> <p>(b) in the carrying broker's name for deposit directly into a bank account in the carrying broker's name.</p>
Rule 35.4(q)	<p>(19) <b>Reporting of introducing broker principal positions</b></p> <p>(i) The introducing broker must report all its principal positions carried by a carrying broker as inventory on its Form 1 and MFR.</p> <p>(ii) The carrying broker must report the introducing broker's principal positions it carries as a client account on its Form 1 and MFR.</p> <p><b>2479. – 2484. – Reserved.</b></p>

Repealed current rule	Proposed plain language rule
New	<p><b>Part B - Arrangements between a Dealer Member and a foreign affiliate dealer</b></p> <p><b>2485. Arrangements that may be executed with a foreign affiliate</b></p> <p>(1) A Dealer Member may carry the client accounts of its foreign affiliate dealer if:</p> <ul style="list-style-type: none"> <li>(i) The Dealer Member enters into an introducing broker / carrying broker agreement type that is permissible pursuant to sections 2470 through 2478 to be entered into between two Dealer Members;</li> <li>(ii) The Dealer Member complies with the applicable conditions and requirements that apply to introducing broker / carrying broker agreement type set out in sections 2470 through 2478, including the requirement to enter into a written agreement;</li> <li>(iii) The written agreement is: <ul style="list-style-type: none"> <li>(a) in a form acceptable to the Corporation;</li> <li>(b) specifies the type of arrangement being entered into is an Introducing Type 1, Type 2, Type 3 or Type 4 Arrangement;</li> <li>(c) includes terms that meet the requirements of this Rule 2450 that apply to the type of arrangement being entered into; and</li> <li>(d) approved by the Corporation in advance of it coming into effect.</li> </ul> </li> <li>(iv) The foreign affiliate dealer qualifies as a regulated entity; and</li> <li>(v) The Dealer Member complies with the additional conditions set out in section 2486.</li> </ul>
New	<p><b>2486. Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer –</b></p> <p>The parties to an introducing broker / carrying broker arrangement between a Dealer Member and its foreign affiliate dealer must comply with the following conditions and requirements:</p>
Rule 35.6(b)	<p>(1) <b>Annual disclosure requirement</b></p> <ul style="list-style-type: none"> <li>(i) The foreign affiliate, at least annually, must provide written disclosure in a form satisfactory to the Corporation, to each of its clients whose accounts are carried by the Dealer Member outlining: <ul style="list-style-type: none"> <li>(a) the relationship between the Dealer Member and its foreign affiliate;</li> <li>(b) the relationship between the Dealer Member and the foreign affiliate's client; and</li> <li>(c) any CIPF coverage limitations on those client accounts.</li> </ul> </li> </ul>
Rule 35.6(c)	<p>(2) <b>Foreign jurisdiction approval</b></p> <ul style="list-style-type: none"> <li>(i) The Dealer Member must provide written approval of the arrangement between the Dealer Member and its foreign affiliate from the foreign affiliate's regulatory authority.</li> </ul>
Rule 35.6(d)	<p>(3) <b>Responsibility for compliance</b></p> <ul style="list-style-type: none"> <li>(i) The Dealer Member's foreign affiliate is not required to comply with Corporation requirements solely because of the arrangement.</li> </ul>

Repealed current rule	Proposed plain language rule
Rule 35.6(e)	<p>(4) <b>Reporting balances</b></p> <p>(i) When calculating RAC the Dealer Member must report on Statement A and Schedule 4 of Form 1 and the MFR one balance owing to or from its foreign affiliate representing the accounts of the clients it carries on behalf of its foreign affiliate.</p>
Rule 35.6(f)	<p>(5) <b>Segregating securities</b></p> <p>(i) The Dealer Member must, when required, segregate securities it holds for its foreign affiliate's clients.</p>
Rule 35.6(g)	<p>(6) <b>Insurance</b></p> <p>(i) The Dealer Member must include all accounts introduced to it by its foreign affiliate when calculating client net equity for minimum FIB coverage under section 4458.</p>
	<p><b>2487. – 2489. – Reserved.</b></p>
	<p><b>Part C - Permitted arrangements that are not considered to be introducing broker / carrying broker arrangements</b></p>
Rule 35.1(d)	<p><b>2490. Certain arrangements executed with a Canadian financial institution affiliate</b></p> <p>(1) A Dealer Member's arrangement under which employees of its affiliated Canadian financial institution:</p> <p>(i) handle securities clearing and settlement;</p> <p>(ii) maintain records; and</p> <p>(iii) perform operational functions for the Dealer Member is permitted and shall not be considered introducing broker / carrying broker arrangement for the purposes of Rule 2450 provided the custodial functions are handled on a segregated basis according to Corporation requirements.</p>
New	<p><b>2491. Certain arrangements with other dealers</b></p> <p>(1) A Dealer Member's clearing arrangement under which it acts as the clearing broker for another dealer that:</p> <p>(i) qualifies as a regulated entity; and</p> <p>(ii) is limited to dealing with institutional clients involving DAP / RAP accounts is permitted and is not considered an introducing broker / carrying broker arrangement for the purposes of Rule 2450, provided that the arrangement also qualifies as a clearing arrangement under the rules of the applicable exchange or self regulatory organization in the jurisdiction of the other dealer.</p> <p><b>2492. – 2494. – Reserved.</b></p>

Repealed current rule	Proposed plain language rule
Rule 35.1(c)(i)	<p><b>Part D - Prohibited back office sharing arrangements</b></p> <p><b>2495. Prohibited introducing broker / carrying broker arrangements</b></p> <p>(1) A Dealer Member must not enter into an introducing broker / carrying broker arrangement with any person except with:</p> <ul style="list-style-type: none"> <li>(i) another Dealer Member, in accordance with the requirements in sections 2470 through 2478;</li> <li>(ii) a foreign affiliate dealer, in accordance with the requirements in sections 2485 and 2486; or</li> <li>(iii) another Canadian registered firm or another foreign dealer, in accordance with requirements that are the same as or similar to the requirements in sections 2485 and 2486 and other arrangement-specific requirements set by the Corporation.</li> </ul> <p><b>2496. – 2499. – Reserved</b></p>
<p>New</p> <p>Rule 7.3</p> <p>Rule 7.4</p>	<p style="text-align: center;"><b>Rule 2500 – Dealer Member Directors and Executives</b></p> <p><b>2501. Introduction</b></p> <p>(1) A Dealer Member’s directors and executives must meet the proficiency and experience qualifications in this Rule.</p> <p><b>2502. General requirements for directors</b></p> <p>(1) At least 40% of the Dealer Member’s directors must:</p> <ul style="list-style-type: none"> <li>(i) either <ul style="list-style-type: none"> <li>(a) be actively engaged in the Dealer Member’s business and spend the majority of their time in the securities industry; or</li> <li>(b) occupy a position equivalent to an executive or a director at a related or affiliated securities dealer or affiliated financial institution;</li> </ul> </li> <li>(ii) satisfy the applicable proficiency requirements of Section 2602(1)(ix); and</li> <li>(iii) have at least five years’ experience in the financial services industry, acceptable to the Corporation.</li> </ul> <p>(2) The remaining directors, if actively engaged in the Dealer Member’s or its related company’s, business, must meet the requirements of (1)(i) and (ii) above.</p> <p><b>2503. General requirements for executives</b></p> <p>(1) A Dealer Member’s executives must:</p> <ul style="list-style-type: none"> <li>(i) be either <ul style="list-style-type: none"> <li>(a) actively engaged in the Dealer Member’s business and spend the majority of their time in the securities industry; or</li> <li>(b) executives or directors of a related or affiliated securities dealer or an affiliated financial institution; and</li> </ul> </li> <li>(ii) meet the proficiency requirements that apply in 2602(1)(viii).</li> </ul>

Repealed current rule	Proposed plain language rule
Rules 38.6(a) and (b)	<p>(2) At least 60% of the Dealer Member’s executives must have at least five years experience in the financial services industry, acceptable to the Corporation.</p> <p><b>2504. Chief Financial Officer</b></p> <p>(1) A Dealer Member must appoint one executive as Chief Financial Officer. The Chief Financial Officer need not be a full-time executive, if appropriate for the Dealer Member’s business. The Chief Financial Officer must meet the proficiency requirements that apply in Section 2602(1)(x).</p> <p>(2) When a Chief Financial Officer leaves, the Dealer Member must either immediately appoint another qualified person as Chief Financial Officer or, with the Corporation’s approval, appoint another executive as Acting Chief Financial Officer. Where an Acting Chief Financial Officer is appointed:</p> <p>(i) that person must meet the requirements of (1) above and Section 2602(1)(x) and be appointed as Chief Financial Officer, or</p> <p>(ii) another qualified person must be appointed by the Dealer Member as Chief Financial Officer, within 90 days of the previous Chief Financial Officer’s leaving.</p>
Rules 38.7(a), (b), (c) and (f)	<p><b>2505. Chief Compliance Officer</b></p> <p>(1) A Member must appoint a Chief Compliance Officer (CCO) who must be an executive and may be the UDP.</p> <p>(2) When a Chief Compliance Officer leaves, the Dealer Member must either immediately appoint another qualified person as Chief Compliance Officer or, with the Corporation’s approval, appoint another executive as Acting Chief Compliance Officer. Where an Acting Chief Compliance Officer is appointed:</p> <p>(i) that person must meet the requirements of (1) above and Section 2602(1)(xi) and be appointed as Chief Compliance Officer, or</p> <p>(ii) another qualified person must be appointed by the Dealer Member as Chief Compliance Officer, within 90 days of the previous Chief Compliance Officer’s leaving.</p>
Rules 38.5(a) and (b)	<p><b>2506. Ultimate Designated Person</b></p> <p>(1) A Member must designate a director or executive as the Ultimate Designated Person (UDP) who must be the Chief Executive Officer of the Member or someone fulfilling that role.</p> <p>(2) A Member may designate additional UDPs to be responsible for separate business units.</p>
Rule 7.5	<p><b>2507. Exemption</b></p> <p>(1) The District Council may grant an exemption from any requirement or part of a requirement in this Rule if it believes that it would not harm the interests of the Dealer Member, its clients, the public, or the Corporation. The exemption may be on any terms and conditions that the District Council believes are necessary.</p> <p><b>2508. – 2549. – Reserved.</b></p>

Repealed current rule	Proposed plain language rule
New	<p style="text-align: center;"><b>Rule 2550 – Approval of individuals</b></p> <p><b>2551. Introduction</b></p> <p>(1) This Rule:</p> <ul style="list-style-type: none"> <li>(i) identifies those individuals who require approval, and</li> <li>(ii) describes the conditions under which the Corporation permits a registered representative or investment representative to be involved in other business activities.</li> </ul> <p>(2) The Corporation requires approval to ensure that persons working in certain activities are of good character and competent to perform those activities.</p>
Rule 18.2(a)	<p><b>2552. Individual approval</b></p> <p>(1) A Dealer Member must ensure that each of the individuals working in the Corporation under the categories in subsection (2) below is:</p> <ul style="list-style-type: none"> <li>(i) registered or licensed (or exempt from such registration or licensing) under the securities legislation in each jurisdiction in which the individual conducts business in the appropriate registration category, and</li> <li>(ii) approved by the Corporation in the applicable Corporation category, before the individual begins working in that role.</li> </ul>
New	<p>(2) The registration categories are:</p> <ul style="list-style-type: none"> <li>(i) supervisor</li> <li>(ii) director (either industry or non-industry)</li> <li>(iii) executive</li> <li>(iv) chief financial officer</li> <li>(v) chief compliance officer</li> <li>(vi) registered representative</li> <li>(vii) investment representative</li> <li>(viii) trader</li> <li>(ix) investor; or</li> <li>(x) ultimate designated person</li> </ul>
New	<p>(3) Only a Dealer Member’s director, executive, employee or agent can be an approved person.</p> <p>(4) A person seeking Corporation approval in a Corporation category must be registered or licensed:</p> <ul style="list-style-type: none"> <li>(i) in the appropriate registration category,</li> <li>(ii) under securities legislation in the applicable jurisdictions, before the Corporation approves him or her.</li> </ul>
Rule 18.2(a)	

Repealed current rule	Proposed plain language rule
New	(5) A Dealer Member must ensure that each individual listed in (2) above complies with the requirements of this Rule for that individual's Corporation category.
Rules 7.8 and 18.2(a)	(6) An approved person in any Corporation category is subject to Corporation jurisdiction and must comply with Corporation requirements. If the Corporation revokes its approval, the formerly approved person must immediately cease any activity requiring Corporation approval.
Rules 7.9 and 18.18	(7) A Dealer Member must file a report specified by the Corporation on the conditions imposed on an approved person under Rule 8100 within 10 business days of the end of a month. If a Dealer Member does not file such a report on time, it must pay the Corporation the applicable late filing fee.
Rules 7.7 and 18.15	(8) Approved persons must: <ul style="list-style-type: none"> <li>(i) be paid by their Dealer Member, its related companies, or affiliates for any securities-related activities they carry out for them; and</li> <li>(ii) not accept, nor allow an associate to accept, any pay, wages, salary, fees, gratuity, advantage, benefit or other consideration from any other person for those activities.</li> </ul>
Rules 7.2 and 38.3(a)	<p><b>2553. Approval of supervisors, directors, and executives</b></p> <p>(1) A Dealer Member may have an individual work as a supervisor only if he or she:</p> <ul style="list-style-type: none"> <li>(i) meets the Corporation requirements for a supervisor;</li> <li>(ii) meets the applicable proficiency requirements of Clauses 2602(1)(i)-(vii) before Corporation approval; and</li> <li>(iii) is approved by the Corporation to act as a supervisor.</li> </ul>
Rule 7.2	(2) Each of the Dealer Member's directors must: <ul style="list-style-type: none"> <li>(i) meet the requirements of Section 2502;</li> <li>(ii) satisfy the proficiency requirements of Clause 2602(1)(ix); and</li> <li>(iii) be approved by the Corporation as a director.</li> </ul>
Rule 7.2	(3) A Dealer Member may have an individual work as an executive only if he or she: <ul style="list-style-type: none"> <li>(i) meets the requirements of Section 2503;</li> <li>(ii) satisfies the applicable proficiency requirements of Clause 2602(1)(viii); and</li> <li>(iii) is approved by the Corporation as an executive.</li> </ul>
Rule 38.6(a)	(4) A Dealer Member may appoint an executive as chief financial officer only if he or she: <ul style="list-style-type: none"> <li>(i) meets the requirements of Section 2504;</li> <li>(ii) satisfies the applicable proficiency requirements of Clause 2602(1)(x); and</li> <li>(iii) is approved by the Corporation as a chief financial officer.</li> </ul>
Rules 38.7(a), (b) and (e)	(5) A Dealer Member may appoint an executive as chief compliance officer only if he or she: <ul style="list-style-type: none"> <li>(i) meets the requirements of Section 2505;</li> </ul>

Repealed current rule	Proposed plain language rule
Rules 38.5(a)	<ul style="list-style-type: none"> <li>(ii) satisfies the proficiency requirements of Clause 2602(1)(xi); and</li> <li>(iii) is approved by the Corporation as chief compliance officer.</li> </ul> <p>(6) A Dealer Member may have a director or executive act as the UDP only if that individual:</p> <ul style="list-style-type: none"> <li>(i) meets the Corporation requirements set out in Section 2506;</li> <li>(ii) meets the applicable proficiency requirements for his or her position; and</li> <li>(iii) is approved by the Corporation to act as the UDP.</li> </ul>
Rules 18.2(a) and 18.3	<p><b>2554. Approval of registered representatives and investment representatives and their obligations</b></p> <p>(1) A Dealer Member may employ an individual as a registered representative or an investment representative if he or she:</p> <ul style="list-style-type: none"> <li>(i) is registered or licensed (or exempt from registration or licensing) to trade in securities or futures contracts or options under the securities legislation in all jurisdictions in which his or her clients reside;</li> <li>(ii) meets the applicable proficiency requirements of, or obtained an exemption from, Rule 2600 prior to approval; and</li> <li>(iii) is approved by the Corporation as a registered representative or investment representative.</li> </ul>
Rules 18.4 18.7(d)	<p>(2) The Corporation will:</p> <ul style="list-style-type: none"> <li>(i) automatically suspend a registered representative dealing with retail clients if he or she does not complete all required post-approval courses in their registration category; and</li> <li>(ii) reinstate a registered representative dealing with retail clients once he or she has passed the required courses.</li> </ul>
Rules 18.2(b) and (c)	<p>(3) The following list describes the notifications that the Corporation requires of Dealer Members:</p> <ul style="list-style-type: none"> <li>(i) A Dealer Member must notify the Corporation whether a registered representative will deal with either retail or institutional clients. A registered representative dealing with: <ul style="list-style-type: none"> <li>(a) retail clients may take orders from, or give advice to, all types of clients; or</li> <li>(b) institutional clients may take orders from, or give advice to, institutional clients only.</li> </ul> </li> <li>(ii) A Dealer Member must notify the Corporation whether an investment representative will deal with either retail or institutional clients. An investment representative dealing with: <ul style="list-style-type: none"> <li>(a) retail clients may take orders from all types of clients;</li> <li>(b) institutional clients may take orders from institutional clients only.</li> </ul> </li> <li>(iii) A Dealer Member must notify the Corporation which of the following financial</li> </ul>

Repealed current rule	Proposed plain language rule
	<p>instruments a registered representative or investment representative will deal in:</p> <ul style="list-style-type: none"> <li>(a) only mutual funds, government or government-guaranteed debt instruments, and deposit instruments issued by a federally-regulated bank, trust company, credit union or caisse populaire, except those for which all or part of the interest or return is indexed to the performance of another financial instrument or index;</li> <li>(b) general securities business;</li> <li>(c) options; or</li> <li>(d) futures contracts and futures contracts options.</li> </ul> <p>(iv) A Dealer Member must notify the Corporation if a registered representative will engage in discretionary portfolio management under Corporation Rules.</p> <p>(v) A Dealer Member may permit an individual to conduct a business of the type described in clauses (i)-(iii) above only if:</p> <ul style="list-style-type: none"> <li>(a) the Dealer Member has notified the Corporation that the individual: <ul style="list-style-type: none"> <li>(I) will conduct that type of business; and</li> <li>(II) has completed Rule 2600 proficiency requirements for conducting the type of business.</li> </ul> </li> </ul> <p>(vi) An initial application for approval constitutes notice under this subsection regarding the types of business identified in the application.</p> <p>(vii) An individual may conduct a business in the type described in clauses (i)-(iii) above on a Dealer Member's behalf only if the individual has completed Rule 2600 proficiency requirements for conducting the type of business.</p>
<p>Rules 18.7(a), (b) and (c)</p>	<p>(4)</p> <ul style="list-style-type: none"> <li>(i) An individual qualified to conduct only mutual fund business must meet the proficiency requirements set out in Clause 2602(1)(xxi).</li> <li>(ii) A dealer member must notify the Corporation within 18 months of initial approval that an individual qualified to conduct only mutual funds business has completed the course required before approval for a registered representative in Rule 2602(1)(xii) or an investment representative in 2602(1)(xvii) and that the restriction to mutual funds only has been removed. Thereafter a registered representative must meet the post-approval proficiency requirements in Rule 2602(1)(xii).</li> <li>(iii) Clause (ii) does not apply to a registered representative or investment representative qualified to conduct mutual funds only who was approved prior to September 28, 2009 in a province which permits registration as a dealer representative restricted to mutual funds.</li> </ul>
<p>Rule 18.14</p>	<p>(5) A registered representative or investment representative may have another occupation if:</p> <ul style="list-style-type: none"> <li>(i) the securities commission, or the securities legislation, of the jurisdiction in which the registered representative or investment representative works, or intends to work, allows him or her to devote less than full time to the Dealer Member's business;</li> </ul>

Repealed current rule	Proposed plain language rule
Rule 18.16	<ul style="list-style-type: none"> <li>(ii) the Dealer Member establishes policies and procedures, acceptable to the Corporation, for other occupations that:                             <ul style="list-style-type: none"> <li>(a) ensure continuous service to clients;</li> <li>(b) deal with conflicts of interest;</li> <li>(c) require its registrants to notify the Dealer Member in advance of all other occupations they propose to be involved in; and</li> <li>(d) set out the Dealer Member's review and approval process for other occupations;</li> </ul> </li> <li>(iii) a registered representative's or investment representative's other occupation:                             <ul style="list-style-type: none"> <li>(a) does not harm the reputation of the securities industry;</li> <li>(b) is not with another Member of a recognized Canadian SRO unless:                                     <ul style="list-style-type: none"> <li>(I) it is a related company of the Dealer Member employing the registered representative or investment representative, and cross-guarantees under Subsection 2154(3) have been provided; and</li> <li>(II) the dual employment is allowed under the applicable securities legislation.</li> </ul> </li> </ul> </li> <li>(6) A Dealer Member must ensure that, when dealing with the public, its registered representatives or investment representatives use designations that accurately indicate:                             <ul style="list-style-type: none"> <li>(i) the type of business that he or she has been approved by the Corporation to conduct; or</li> <li>(ii) the role that he or she carries out or has been approved by the Corporation to carry out.</li> </ul> </li> </ul>
Rule 7.6(a)	<p><b>2555. Person owning or controlling more than 10% of Dealer Member's voting shares</b></p> <ul style="list-style-type: none"> <li>(1) A Dealer Member's director or executive who, directly or indirectly, owns or controls a voting interest of a Dealer Member of 10% or more must meet the proficiency requirements of Clause 2602(1)(xxvi).</li> </ul>
Rule 7.6(b)	<ul style="list-style-type: none"> <li>(2) A person, other than a Dealer Member's director or executive who                             <ul style="list-style-type: none"> <li>(i) is actively engaged in the business of the Dealer Member, and</li> <li>(ii) directly or indirectly owns or controls a voting interest in a Dealer Member of 10% or more</li> </ul>                             must meet the proficiency requirements of Clause 2602(1)(xxvi).                         </li> </ul>
Rules 500.1 and 500.2	<p><b>2556. Trader</b></p> <ul style="list-style-type: none"> <li>(1) The Corporation may approve a person as a trader if that person has submitted a trader application form to the Corporation and has met the applicable proficiency requirements of Clauses 2602(1)(xxiv)-(xxv).</li> </ul> <p><b>2557. – 2599. – Reserved.</b></p>



Repealed Current Rule	Proposed plain language rule				
Rule 2900, Part I, (A)(1)(a)(iv)	(iii) Supervisor of options trading with retail clients	<ul style="list-style-type: none"> <li>▪ the requirements for a Supervisor under (i) or (ii) above, as applicable;</li> <li>▪ the Options Supervisors Course (OPSC);</li> <li>▪ the Derivatives Fundamentals Course (DFC); and</li> <li>▪ the Options Licensing Course (OLC)</li> </ul>			
Rule 2900, Part I, (A)(1)(a)(v)	(iv) Supervisor of futures contracts and futures contracts options trading with retail clients	<ul style="list-style-type: none"> <li>▪ the Canadian Commodity Supervisors Exam;</li> <li>▪ the Futures Licensing Course (FLC); and</li> <li>▪ <b>either</b> the Derivatives Fundamentals Course (DFC) <b>or</b> the National Commodities Futures Examination (NCFE) administered by the Financial Industry Regulatory Authority (FINRA)</li> </ul>			
<b>Supervisors – Institutional</b>					
Rule 2900, Part I, (A)(1)(b)(i)	(v) Supervisor of RRs or IRs dealing with institutional clients only	<ul style="list-style-type: none"> <li>▪ the CSC;</li> <li>▪ the CPH; and</li> <li>▪ the BMC <b>or</b> the PDO</li> </ul>			
Rule 2900, Part I, (A)(1)(b)(ii)	(vi) Supervisor of options trading for institutional clients	<ul style="list-style-type: none"> <li>▪ the requirements for a supervisor of approved persons dealing with institutional</li> </ul>			

Repealed Current Rule	Proposed plain language rule				
Rule 2900, Part I, (A)(1)(b)(iii)		clients only; and <ul style="list-style-type: none"> <li>▪ either: the DFC and OLC or the Options Supervisors Course (OPSC)</li> </ul>			
	(vii) Supervisor of futures contract and futures contract options trading for institutional clients	<ul style="list-style-type: none"> <li>▪ the requirements for a supervisor of approved persons dealing with institutional clients only;</li> <li>▪ the Canadian Commodity Supervisors Exam; and</li> <li>▪ <b>either:</b> the DFC and FLC or the FLC and the National Commodity Futures Examination administered by FINRA</li> </ul>			
	<b>Executives and Directors</b>				
Rule 2900, Part I, (A)(2)	(viii) Executive	<ul style="list-style-type: none"> <li>▪ the PDO; and</li> <li>▪ <b>if approved to trade,</b> the applicable proficiency requirements</li> </ul>			
Rule 2900, Part I, (A)(2)	(ix) Director	<ul style="list-style-type: none"> <li>▪ the PDO; and</li> <li>▪ <b>if approved to trade,</b> the applicable proficiency requirements</li> </ul>			
Rule 2900, Part I, (A)(2A)	(x) Chief Financial Officer	<ul style="list-style-type: none"> <li>▪ the PDO; and</li> <li>▪ the Chief Financial Officers Qualifying Examination</li> </ul>		<ul style="list-style-type: none"> <li>▪ a financial accounting designation, financial accounting university degree or diploma or equivalent work experience</li> </ul>	
Rule 2900, Part I, (A)(2B)	(xi) Chief Compliance Officer	<ul style="list-style-type: none"> <li>▪ the PDO; and</li> <li>▪ the Chief Compliance Officers</li> </ul>			

Repealed Current Rule	Proposed plain language rule			
Rule 2900, Part I, (A)(3)		Qualifying Examination.		
	<b>Registered Representatives and Investment Representatives</b>			
	(xii) Registered Representative dealing with retail clients (other than registered representatives dealing only in mutual funds)	If not previously registered: <ul style="list-style-type: none"> <li>▪ the CSC;</li> <li>▪ the CPH; and</li> <li>▪ a 90-day training program after completion of the CSC. The Dealer Member must employ the applicant full time during this program</li> </ul> If previously registered with a recognized foreign SRO within three years before requesting approval: <ul style="list-style-type: none"> <li>▪ the New Entrants Course</li> </ul>	<ul style="list-style-type: none"> <li>▪ the Wealth Management Essentials Course within 30 months of starting to deal with retail clients</li> </ul>	<ul style="list-style-type: none"> <li>▪ six months of supervision and supervisory reporting from approval date</li> </ul>
	(xiii) Registered Representative dealing with institutional clients only	If not previously registered: <ul style="list-style-type: none"> <li>▪ the CSC; and</li> <li>▪ the CPH</li> </ul> If previously registered with a recognized foreign SRO within three years before requesting approval: <ul style="list-style-type: none"> <li>▪ the New Entrants Course</li> </ul>		
Rule 2900, Part I, (A)(3)(a)				
Rule 2900, Part I, (A)(8)	(xiv) Registered Representative dealing in options with retail clients	<ul style="list-style-type: none"> <li>▪ the requirements for a Registered Representative dealing with retail clients;</li> <li>▪ the DFC; and</li> <li>▪ the OLC</li> </ul> or <ul style="list-style-type: none"> <li>▪ the New Entrants Course; and</li> </ul>		

Repealed Current Rule	Proposed plain language rule				
Rule 2900, Part I, (A)(8)		<ul style="list-style-type: none"> <li>▪ The Series 7 administered by FINRA</li> </ul>			
	(xv) Registered Representative dealing in options with institutional clients only	<ul style="list-style-type: none"> <li>▪ the requirements for a Registered Representative dealing with institutional clients only;</li> <li>▪ the DFC; and</li> <li>▪ the OLC</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>▪ the New Entrants Course; and</li> <li>▪ The Series 7 administered by FINRA</li> </ul>			
Rule 2900, Part I, (A)(7)	(xvi) Registered Representative dealing with clients in futures contracts or futures contracts options	<ul style="list-style-type: none"> <li>▪ the FLC; and</li> <li>▪ <b>either</b> the DFC <b>or</b> the NCFE</li> </ul>			
Rule 2900, Part I, (A)(7)	(xvii) Investment Representative dealing with retail clients	<p>If not previously registered:</p> <ul style="list-style-type: none"> <li>▪ the CSC;</li> <li>▪ the CPH; and</li> <li>▪ a 30-day training program after completing the CSC. The Dealer Member must employ the applicant full-time during this program</li> </ul> <p>If previously registered with a recognized foreign SRO within three years of requesting approval:</p> <ul style="list-style-type: none"> <li>▪ the New Entrants Course</li> </ul>		<ul style="list-style-type: none"> <li>▪ six months of supervision and supervisory reporting from approval date</li> </ul>	
Rule 2900, Part I, (A)(3)(a)	(xviii) Investment Representative dealing with institutional	<p>If not previously registered:</p> <ul style="list-style-type: none"> <li>▪ the CSC; and</li> <li>▪ the CPH</li> </ul>			

Repealed Current Rule	Proposed plain language rule				
		clients only	If previously registered with a recognized foreign SRO within three years of requesting approval <ul style="list-style-type: none"> <li>▪ the New Entrants Course</li> </ul>		
Rule 2900, Part I, (A)(8)	(xix)	Investment Representative dealing in options with retail clients	<ul style="list-style-type: none"> <li>▪ the requirements for an Investment Representative dealing with retail clients, and</li> <li>▪ the DFC, and</li> <li>▪ the OLC</li> </ul> or <ul style="list-style-type: none"> <li>▪ the New Entrants Course, and the Series 7 administered by FINRA</li> </ul>		
Rule 2900, Part I, (A)(7)	(xx)	Investment Representative dealing with clients in futures contracts or futures contracts options	<ul style="list-style-type: none"> <li>▪ the FLC; and</li> <li>▪ <b>either</b> the DFC <b>or</b> the NCFE</li> </ul>		
Rule 2900, Part I, (A)(4)	(xxi)	Registered Representative and Investment Representative dealing only in mutual funds	One of the following: <ul style="list-style-type: none"> <li>▪ the CSC</li> <li>▪ the Canadian Investment Funds Course administered by the Investment Funds Institute of Canada</li> <li>▪ the Investment Funds in Canada Course administered by CSI Global Education Inc. and</li> </ul>	For a Registered Representative or Investment Representative restricted to mutual funds on or after September 28, 2009: <ul style="list-style-type: none"> <li>▪ the CSC and the CPH within 270 days of initial approval; and</li> <li>▪ either the 30- or 90- day training program within 18 months of initial</li> </ul>	

Repealed Current Rule	Proposed plain language rule				
		<p>previously the Institute of Canadian Bankers</p>	<p>approval, as applicable. These requirements do not apply to a Registered Representative or Investment Representative who was restricted to mutual funds prior to September 28, 2009 and who is registered only in provinces or territories that allow him or her to be restricted to mutual funds only indefinitely.</p>		
<p>Rule 2900, Part I, (A)(6)(6.1)</p>	<p>(xxii) Portfolio Management – Registered Representative providing discretionary portfolio management for managed accounts not trading in futures contracts</p>	<ul style="list-style-type: none"> <li>▪ the CPH; and</li> <li>▪ <b>either</b> the courses necessary to attain the Canadian Investment Manager Designation <b>or</b> the three levels of the Chartered Financial Analyst program administered by the CFA Institute.</li> </ul>		<p>One of the following:</p> <ul style="list-style-type: none"> <li>▪ three years or more as a registered representative; <b>or</b></li> <li>▪ three years or more as a research analyst for a SRO Member; <b>or</b></li> <li>▪ two years or more (ending within three years of requesting approval) as a registered adviser under Canadian securities legislation managing, on a discretionary basis, at least \$5,000,000 aggregate assets; <b>or</b></li> <li>▪ five years or more (ending within three years of requesting approval) managing a portfolio of \$5,000,000 or more, on a discretionary basis, while employed by a government-regulated institution</li> </ul>	
<p>Rule 2900, Part I, (A)(6)(6.2)</p>	<p>(xxiii) Portfolio Management – Registered Representative providing discretionary portfolio management</p>	<ul style="list-style-type: none"> <li>▪ the Canadian Commodity Supervisors Examination;</li> <li>▪ the FLC;</li> <li>▪ the courses for Derivatives</li> </ul>		<ul style="list-style-type: none"> <li>▪ 5 years experience (ending within 3 years of commencing to exercise discretionary authority over managed accounts) as an Approved Person actively engaged in</li> </ul>	

Repealed Current Rule	Proposed plain language rule				
		for managed accounts trading futures contracts or futures contracts options only	Market Specialist Designation <b>or</b> ▪ the CFA program administered by the CFA Institute		advising on and trading in futures contracts or futures contracts options for customer accounts.
	<b>Traders</b>				
Rule 2900, Part I, (A)(5)(a)	(xxiv)	Trader on the Toronto Stock Exchange or TSX Venture Exchange	▪ the Trader Training Course, unless the applicable Exchange grants an exemption		
Rule 2900, Part I, (A)(5)(b)	(xxv)	Trader on the Bourse de Montreal	▪ the proficiency requirements determined to be acceptable by the Bourse de Montreal		
	<b>Investors</b>				
Rules 7.6(b) and 2900, Part I, (A)(2)	(xxvi)	Investor actively engaged in the business and beneficially owning more than 10% of Dealer Member's voting securities	▪ the PDO		
	<b>Part B - Exemptions from Proficiency Requirements</b>				
	<b>2603. General and discretionary exemptions</b>				
Rule 2900, Part I, (B)	(1)	Under Rule 8100, a District Council or its delegate may exempt any person or class of persons from the section 2602 proficiency requirements on any terms and conditions it believes are necessary. The applicant must pay any fees prescribed by the Board for this exemption.			
Rules 20.24 and 2900, Part I, (B)	(2)	Under Rule 8100, a District Council or its delegate may exempt an applicant from the requirement to write or rewrite any required course, in whole or in part, if the District Council or its delegate believes that the applicant			
		(i)	has adequate experience, or		
		(ii)	has passed acceptable industry courses or examinations, or		
		(iii)	both.		

Repealed Current Rule	Proposed plain language rule								
Rule 2900, Part II, Introduction and (B)(1)	<p>This exemption may be subject to any conditions the District Council or its delegate believes necessary. The applicant must pay any fees prescribed by the Board for this exemption.</p> <p><b>2604. Exemptions from writing the required courses</b></p> <p>(1)</p> <p>(i) Unless Corporation requirements state otherwise, an approved person is exempt from completing a proficiency requirement introduced after his or her approval.</p> <p>(ii) Unless Corporation requirements state otherwise, a former approved person applying for approval in the same category as previously approved within three years of that approval lapsing is exempt from completing a proficiency requirement introduced since his or her original approval.</p> <p>(2) As set out in the table below, an applicant is exempt from writing the required courses if the applicant passed the course(s) required for exemption, and met the exemption criteria.</p>								
Rule 2900, Part II, (B)(2)	<table border="1"> <thead> <tr> <th data-bbox="365 741 735 814">Required course</th> <th data-bbox="740 741 1040 814">Course(s) required for exemption</th> <th data-bbox="1045 741 1442 814">Exemption criteria</th> </tr> </thead> <tbody> <tr> <td data-bbox="365 814 735 1081">(i) the CSC</td> <td data-bbox="740 814 1040 1081"> <ul style="list-style-type: none"> <li>▪ the New Entrants Course</li> </ul> </td> <td data-bbox="1045 814 1442 1081"> <ul style="list-style-type: none"> <li>▪ applicant was approved or licensed with a recognized foreign SRO or recognized foreign regulatory authority, <b>and</b></li> <li>▪ is seeking approval within two years of successfully completing the New Entrants Course</li> </ul> </td> </tr> </tbody> </table>	Required course	Course(s) required for exemption	Exemption criteria	(i) the CSC	<ul style="list-style-type: none"> <li>▪ the New Entrants Course</li> </ul>	<ul style="list-style-type: none"> <li>▪ applicant was approved or licensed with a recognized foreign SRO or recognized foreign regulatory authority, <b>and</b></li> <li>▪ is seeking approval within two years of successfully completing the New Entrants Course</li> </ul>		
Required course	Course(s) required for exemption	Exemption criteria							
(i) the CSC	<ul style="list-style-type: none"> <li>▪ the New Entrants Course</li> </ul>	<ul style="list-style-type: none"> <li>▪ applicant was approved or licensed with a recognized foreign SRO or recognized foreign regulatory authority, <b>and</b></li> <li>▪ is seeking approval within two years of successfully completing the New Entrants Course</li> </ul>							
Rule 2900, Part II, (B)(3)	(ii) the DFC		<ul style="list-style-type: none"> <li>▪ applicant is requesting approval within two years of passing one of the Options Licensing Course, the Options Supervisors Course, the FLC, or the Canadian Commodity Supervisors Examination</li> </ul>						
Rule 2900, Part II, (B)(4)	(iii) the Wealth Management Essentials Course	<ul style="list-style-type: none"> <li>▪ the Investment Management Techniques Course (IMT) or Professional Financial Planning Course (PFPC); and</li> <li>▪ the Wealth Management Techniques Course (WMT) or Portfolio Management Techniques Course (PMT)</li> </ul>	<ul style="list-style-type: none"> <li>▪ has successfully completed the IMT or the PFPC prior to July 4, 2008, having been enrolled prior to July 4, 2006; and</li> <li>○ is seeking approval within two years of successfully completing the WMT or the PMT; or</li> <li>○ is seeking re-approval as an RR within three years of successfully completing the WMT or the PMT</li> </ul>						
Rule 2900, Part II, (B)(5)	(iv) 90-Day Training Program	<ul style="list-style-type: none"> <li>▪ none</li> </ul>	<p>Requests approval within three years of being approved or registered in a capacity allowing trading of, or advising in, securities for retail clients <b>either</b>:</p> <ul style="list-style-type: none"> <li>▪ with a Dealer Member as an</li> </ul>						

Repealed Current Rule	Proposed plain language rule								
Rule 2900, Part II, (B)(6)			RR; <b>or</b> <ul style="list-style-type: none"> <li>▪ by a recognized foreign regulatory authority or recognized foreign SRO; <b>or</b></li> <li>▪ as an advising representative by a Canadian securities regulatory authority</li> </ul>						
	(v) 30-Day Training Program	<ul style="list-style-type: none"> <li>▪ none</li> </ul>	Requests approval within three years of being approved or registered in a capacity allowing trading of, or advising in, securities for retail clients either: <ul style="list-style-type: none"> <li>▪ with a Dealer Member as an IR or RR; <b>or</b></li> <li>▪ by a recognized foreign regulatory authority or recognized foreign self-regulatory organization; <b>or</b></li> <li>▪ as an advising representative by a Canadian securities regulatory authority</li> </ul>						
Rule 2900, Part II, Introduction; Rule 2900, Part II, (A)(1)-(2)	<b>2605. Exemptions from rewriting courses</b>								
	<ol style="list-style-type: none"> <li>(1) Unless otherwise exempted under this section 2605, an applicant for approval must rewrite any courses needed to meet the proficiency requirements of subsection 2602(1).</li> <li>(2) An applicant requesting approval in a Corporation category in which the applicant was approved within the last three years is exempt from rewriting a required course under subsection 2602(1).</li> <li>(3) An applicant for approval, or an approved person, who previously conducted a type of business within the last three years is exempt from rewriting a required course or examination.</li> <li>(4) An applicant for approval who                             <ol style="list-style-type: none"> <li>(i) completed a required course under subsection 2602(1) within two years of requesting approval in a Corporation category, and</li> <li>(ii) was not an approved person or did not conduct a type of business during that period,</li> </ol>                             is exempt from rewriting that required course.                         </li> <li>(5) In addition to the general exemptions above, an applicant is exempt from rewriting the courses as set out in the table below if the applicant's current status and exemption criteria are met.</li> </ol>								
Rule 2900, Part II, (A)(3)(a)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">Course</th> <th style="width: 33%;">Applicant's current status</th> <th style="width: 33%;">Exemption criteria</th> </tr> </thead> <tbody> <tr> <td data-bbox="318 1623 735 1883">(i) CSC</td> <td data-bbox="735 1623 1040 1883"> <ul style="list-style-type: none"> <li>▪ not approved in a category, or did not conduct a type of business requiring the CSC</li> </ul> </td> <td data-bbox="1040 1623 1474 1883"> <ul style="list-style-type: none"> <li>▪ approval requested within <b>two</b> years of passing one of the Professional Financial Planning Course (PFPC), the Wealth Management Essential Course (WME), the Wealth Management Techniques Course (WMT), the Investment Management</li> </ul> </td> </tr> </tbody> </table>			Course	Applicant's current status	Exemption criteria	(i) CSC	<ul style="list-style-type: none"> <li>▪ not approved in a category, or did not conduct a type of business requiring the CSC</li> </ul>	<ul style="list-style-type: none"> <li>▪ approval requested within <b>two</b> years of passing one of the Professional Financial Planning Course (PFPC), the Wealth Management Essential Course (WME), the Wealth Management Techniques Course (WMT), the Investment Management</li> </ul>
	Course	Applicant's current status	Exemption criteria						
(i) CSC	<ul style="list-style-type: none"> <li>▪ not approved in a category, or did not conduct a type of business requiring the CSC</li> </ul>	<ul style="list-style-type: none"> <li>▪ approval requested within <b>two</b> years of passing one of the Professional Financial Planning Course (PFPC), the Wealth Management Essential Course (WME), the Wealth Management Techniques Course (WMT), the Investment Management</li> </ul>							

Repealed Current Rule	Proposed plain language rule		
			<p>Techniques Course (IMT), the Portfolio Management Techniques Course (PMT), all three levels of the CFA program or the receipt of the CFA charter;</p> <p><b>or</b></p> <ul style="list-style-type: none"> <li>▪ approval requested within three years of passing the New Entrants Course or the CSC</li> </ul>
Rule 2900, Part II, (A)(3)(b)	(ii) CSC	<ul style="list-style-type: none"> <li>▪ previously approved in a category, or conducted a type of business requiring the CSC</li> </ul>	<ul style="list-style-type: none"> <li>▪ approval requested within <b>three</b> years of passing one of the, PFPC, WME, WMT, IMT, PMT, all three levels of the CFA Program; or the receipt of the CFA charter</li> </ul>
Rule 2900, Part II, (A)(4)	(iii) Chief Financial Officers Qualifying Examination	<ul style="list-style-type: none"> <li>▪ has never been approved as a Chief Financial Officer</li> </ul>	<ul style="list-style-type: none"> <li>▪ applicant has been working closely with and assisting the Chief Financial Officer since passing the Chief Financial Officers Qualifying Examination</li> </ul>
Rule 2900, Part II, (A)(4)	(iv) Chief Financial Officers Qualifying Examination	<ul style="list-style-type: none"> <li>▪ has previously been approved as a Chief Financial Officer</li> </ul>	<ul style="list-style-type: none"> <li>▪ applicant has been working closely with and assisting the Chief Financial Officer since the latter of passing the Chief Financial Officers Qualifying Examination or being approved as a Chief Financial Officer.</li> </ul>
Rule 2900, Part II, (A)(5)(a)	(v) DFC	<ul style="list-style-type: none"> <li>▪ an applicant for approval or approved person who will be dealing with clients in futures contracts or futures contracts options</li> </ul>	<ul style="list-style-type: none"> <li>▪ approval requested within two years of passing the FLC or the Canadian Commodity Supervisors Exam</li> </ul>
Rule 2900, Part II, (A)(5)(b)	(vi) DFC	<ul style="list-style-type: none"> <li>▪ an applicant for approval or approved person dealing with clients in options</li> </ul>	<ul style="list-style-type: none"> <li>▪ approval requested within two years of completing the OLC</li> </ul>
Rule 2900, Part II, (A)(6)	(vii) FLC	<ul style="list-style-type: none"> <li>▪ an applicant for approval or approved person who will be dealing with clients in futures contracts or futures contracts options</li> </ul>	<ul style="list-style-type: none"> <li>▪ approval requested within two years of passing the Canadian Commodity Supervisors Exam</li> </ul>
Rule 2900, Part II, (A)(7)	(viii) Wealth Management Essentials Course		<ul style="list-style-type: none"> <li>▪ approval requested within two years of passing one of the PFPC, WMT, IMT, PMT, or all three levels of the CFA Program</li> </ul>

Repealed Current Rule	Proposed plain language rule			
<p>Rule 2900, Part II, (A)(9)</p> <p>Rule 2900, Part II, (A)(8)</p>		(ix) 90-Day Training Program		<p>Requests approval within three years of being approved or registered <b>either</b>:</p> <ul style="list-style-type: none"> <li>▪ with a Dealer Member; <b>or</b></li> <li>▪ by a recognized foreign regulatory authority or recognized foreign SRO; <b>or</b></li> <li>▪ as an investment advisor by a Canadian securities regulatory authority</li> </ul> <p>in a capacity allowing trading of, and advising in, securities for retail clients</p>
		(x) 30-Day Training Program		<p>Requests approval within three years of being approved or registered either:</p> <ul style="list-style-type: none"> <li>▪ with a Dealer Member; <b>or</b></li> <li>▪ by a recognized foreign regulatory authority or recognized foreign; <b>or</b></li> <li>▪ as an investment advisor by a Canadian securities regulatory authority</li> </ul> <p>in a capacity allowing trading of, or advising in, securities for retail clients.</p>
<b>2606. – 2649. – Reserved.</b>				
<b>Rule 2650 –</b>				
<b>Continuing Education Requirements for Approved Persons</b>				
<b>2651. Introduction</b>				
<p>2900 Part III(B) first paragraph</p> <p>New</p>		(1) The Corporation requires Approved Persons to meet continuing compliance education and professional development requirements set out in this Rule to ensure that they update their knowledge of rules and industry developments regularly.		(2) A Dealer Member is responsible for ensuring that an Approved Person meets the requirements during each training cycle, and for keeping adequate records of compliance.
<b>Part A - The CE Program and Continuing Education Requirements</b>				
<b>2652. General CE program description</b>				
<p>New</p>		(1) The CE program consists of two parts:		<p>(i) a compliance course, which covers ethical issues, regulatory developments and rules; and</p> <p>(ii) a professional development course, which covers current issues in a CE participant’s chosen area of specialization and expands knowledge in other areas.</p>
<p>Rule 2900, Part III, Introduction</p>		(2) The CE program operates in three-year cycles. The first cycle started on January 1, 2000. The beginning and end of each cycle is the same for all CE participants.		
<p>Rule 2900, Part III, Guidelines</p>		(3) The Corporation will review a Dealer Member’s CE program during its audit to ensure that it is properly documented and satisfies the requirements of this Rule.		

Repealed Current Rule	Proposed plain language rule																																																
<p>for the Continuing Education Program, Introduction, 4<sup>th</sup> paragraph and The Compliance Course (A)(5)</p> <p>Rule 2900, Part III, (B) and Schedule I</p>	<p><b>2653. Continuing education requirements</b></p> <p>(1) In each cycle throughout his or her career, a CE participant must meet the continuing education requirements for the applicable Corporation category as set out in the following table:</p> <table border="1" data-bbox="509 720 1464 1894"> <thead> <tr> <th data-bbox="509 720 857 825">Approval Category</th> <th data-bbox="857 720 1040 825">Customer Type</th> <th data-bbox="1040 720 1230 825">Compliance course requirement</th> <th data-bbox="1230 720 1464 825">Professional development requirement</th> </tr> </thead> <tbody> <tr> <td data-bbox="509 825 857 869">Registered Representative</td> <td data-bbox="857 825 1040 869">Retail</td> <td data-bbox="1040 825 1230 869">Yes</td> <td data-bbox="1230 825 1464 869">Yes</td> </tr> <tr> <td data-bbox="509 869 857 913">Registered Representative</td> <td data-bbox="857 869 1040 913">Inst.</td> <td data-bbox="1040 869 1230 913">Yes</td> <td data-bbox="1230 869 1464 913">No</td> </tr> <tr> <td data-bbox="509 913 857 995">Investment Representative</td> <td data-bbox="857 913 1040 995">Inst. or Retail</td> <td data-bbox="1040 913 1230 995">Yes</td> <td data-bbox="1230 913 1464 995">No</td> </tr> <tr> <td data-bbox="509 995 857 1039">Trader</td> <td data-bbox="857 995 1040 1039">N/A</td> <td data-bbox="1040 995 1230 1039">Yes</td> <td data-bbox="1230 995 1464 1039">No</td> </tr> <tr> <td data-bbox="509 1039 857 1121">Supervisor of RRs dealing with retail customers</td> <td data-bbox="857 1039 1040 1121">N/A</td> <td data-bbox="1040 1039 1230 1121">Yes</td> <td data-bbox="1230 1039 1464 1121">Yes</td> </tr> <tr> <td data-bbox="509 1121 857 1220">Supervisor of RRs or IRs dealing with institutional customers</td> <td data-bbox="857 1121 1040 1220">N/A</td> <td data-bbox="1040 1121 1230 1220">No</td> <td data-bbox="1230 1121 1464 1220">No</td> </tr> <tr> <td data-bbox="509 1220 857 1318">Supervisors supervising IRs only, dealing with retail customers</td> <td data-bbox="857 1220 1040 1318">N/A</td> <td data-bbox="1040 1220 1230 1318">Yes</td> <td data-bbox="1230 1220 1464 1318">No</td> </tr> <tr> <td data-bbox="509 1318 857 1400">Supervisors supervising options trading only</td> <td data-bbox="857 1318 1040 1400">N/A</td> <td data-bbox="1040 1318 1230 1400">Yes</td> <td data-bbox="1230 1318 1464 1400">No</td> </tr> <tr> <td data-bbox="509 1400 857 1499">Supervisors supervising future contracts and future contracts options only</td> <td data-bbox="857 1400 1040 1499">N/A</td> <td data-bbox="1040 1400 1230 1499">Yes</td> <td data-bbox="1230 1400 1464 1499">No</td> </tr> <tr> <td data-bbox="509 1499 857 1581">Supervisors supervising managed accounts only</td> <td data-bbox="857 1499 1040 1581">N/A</td> <td data-bbox="1040 1499 1230 1581">No</td> <td data-bbox="1230 1499 1464 1581">No</td> </tr> <tr> <td data-bbox="509 1581 857 1894">Supervisors of opening new accounts and account activity under Rule 1300.2; Supervisors of discretionary accounts under Rule 1300.4; Supervisors for the pre-approval of advertising, sales literature and correspondence, including research report under rule 29.7 and 3400</td> <td data-bbox="857 1581 1040 1894">N/A</td> <td data-bbox="1040 1581 1230 1894">No</td> <td data-bbox="1230 1581 1464 1894">No</td> </tr> </tbody> </table>	Approval Category	Customer Type	Compliance course requirement	Professional development requirement	Registered Representative	Retail	Yes	Yes	Registered Representative	Inst.	Yes	No	Investment Representative	Inst. or Retail	Yes	No	Trader	N/A	Yes	No	Supervisor of RRs dealing with retail customers	N/A	Yes	Yes	Supervisor of RRs or IRs dealing with institutional customers	N/A	No	No	Supervisors supervising IRs only, dealing with retail customers	N/A	Yes	No	Supervisors supervising options trading only	N/A	Yes	No	Supervisors supervising future contracts and future contracts options only	N/A	Yes	No	Supervisors supervising managed accounts only	N/A	No	No	Supervisors of opening new accounts and account activity under Rule 1300.2; Supervisors of discretionary accounts under Rule 1300.4; Supervisors for the pre-approval of advertising, sales literature and correspondence, including research report under rule 29.7 and 3400	N/A	No	No
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Supervisor of RRs dealing with retail customers	N/A	Yes	Yes																																														
Supervisor of RRs or IRs dealing with institutional customers	N/A	No	No																																														
Supervisors supervising IRs only, dealing with retail customers	N/A	Yes	No																																														
Supervisors supervising options trading only	N/A	Yes	No																																														
Supervisors supervising future contracts and future contracts options only	N/A	Yes	No																																														
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Repealed Current Rule	Proposed plain language rule
<p>The Compliance Course (A)(1), (B)(1)-(2)</p> <p>Rule 2900 Part III, Guidelines for the Continuing Education Program, The Compliance Course (A)(6)-(7), (B)(4)</p>	<p>(3) A CE participant must pass any examination that is part of a compliance course in order to count that course towards his or her compliance requirement.</p>
<p>Rule 2900 Part III, Guidelines for the Continuing Education Program, The Compliance Course (A) (7)&amp;(9)</p>	<p>(4) The 12 hours of compliance courses set out in clause (2) above may include:</p> <ul style="list-style-type: none"> <li>(i) a maximum of four hours of foreign CE courses that have a compliance component, as long as the remaining eight hours are made up of Canadian CE courses;</li> <li>(ii) seminars that support other courses or prepare a CE participant for an examination only if the CE participant completes the other courses or passes the examination. The supported CE courses must be counted in the same CE program cycle.</li> </ul>
<p>Rule 2900, Part III, Guidelines for the Continuing Education Program, The Compliance Course (C)(4)</p>	<p>(5) Courses may be accredited for CE program credits through the Corporation's accreditation process.</p>
<p><b>2655. The professional development course</b></p>	
<p>Rule 2900, Part III, (K)(1)-(2), (4)</p>	<p>(1) A Dealer Member must:</p> <ul style="list-style-type: none"> <li>(i) provide the professional development course either itself or through an external course provider;</li> <li>(ii) have its training supervisor or other responsible person approve a CE participant's chosen CE course for relevance to the CE participant's investment industry role;</li> <li>(iii) ensure that professional development courses, whether offered by the Dealer Member or an outside course provider, comply with this section;</li> <li>(iv) evaluate a CE participant's understanding of the CE course materials, for example through examination, course work or case study; and</li> <li>(v) keep a record of CE participants who complete the compliance requirement.</li> </ul>
<p>Rule 2900,</p>	<p>(2) A CE participant:</p>

Repealed Current Rule	Proposed plain language rule
<p>Part III, (K)(1), (L)(2)&amp;(4) and Guidelines for the Continuing Education Program, The Professional Development Course (B)(2)</p>	<ul style="list-style-type: none"> <li>(i) must complete at least 30 hours of professional development courses (provided by the Dealer Member or an external course provider) in each cycle to meet the CE program requirements; and</li> <li>(ii) may use a professional development course completed in one cycle that is in excess of his or her professional development requirement in that cycle to satisfy professional development course requirements in the next cycle. The course used for the next cycle must be a single course taking 30 hours or more</li> <li>(iii) may only use the Professional Financial Planning Course, the Investment Management Techniques Course or the Wealth Management Essentials Course under clause (ii) if the course was not used to satisfy the Corporations category requirement under Rule 2600.</li> </ul>
<p>Rule 2900 Part III, Guidelines for the Continuing Education Program, The Professional Development Course (A)(7)-(8)&amp;(10)</p>	<ul style="list-style-type: none"> <li>(3) The 30 hours of professional development courses referred to in clause (2)(i) above may include:                             <ul style="list-style-type: none"> <li>(i) entirely foreign CE courses if the CE course relates to the CE participant's business;</li> <li>(ii) CE courses with examinations only if the CE participant passes the examination;</li> <li>(iii) seminars that support other CE courses or prepare a CE participant for a CE course or examination only if the CE participant completes the CE course or passes the examination. The supporting or preparatory course must be counted in the same CE program cycle.</li> </ul> </li> </ul>
<p>Rule 2900, Part III, (K)(3)</p>	<ul style="list-style-type: none"> <li>(4) A Dealer Member may obtain accreditation for its CE programs through the Corporation's accreditation process.</li> </ul>
<p>Rule 2900, Part III, (H)(1)&amp;(3)</p>	<p><b>2656. Dealer Member's administration of CE program</b></p> <ul style="list-style-type: none"> <li>(1) A Dealer Member must:                             <ul style="list-style-type: none"> <li>(i) keep evidence of a CE participant's CE course completion with either a certificate the course provider issues, an attendance sheet, or a bulk notice of completion.</li> <li>(ii) keep CE program certification records for each cycle until the end of the following cycle.</li> </ul> </li> </ul>
<p>Rule 2900 Part III, (I)</p>	<ul style="list-style-type: none"> <li>(2) A Dealer Member must:                             <ul style="list-style-type: none"> <li>(i) notify the Corporation of all its CE participants who have met their continuing education requirements in each cycle, and</li> <li>(ii) file that notice within 10 days of the end of the month in which the Dealer Member becomes aware of such completion.</li> </ul> </li> </ul>
<p>Rule 2900, Part III, (D) first paragraph</p>	<p><b>Part C - Entering and Continuing in the CE Program</b></p> <p><b>2657. Participation of recently approved persons</b></p> <ul style="list-style-type: none"> <li>(1) A recently approved person does not become a CE participant for the first three years after approval.</li> </ul>

Repealed Current Rule	Proposed plain language rule																				
<p>Rule 2900, Part III, (D)(1)-(3)</p>	<p>(2) Once a newly approved person has been approved for three years, the approved person must participate in the CE program, starting as follows:</p> <ul style="list-style-type: none"> <li>(i) if the three years since approval ends in the first year of a cycle, the approved person becomes a CE participant during that cycle;</li> <li>(ii) if the three years since approval ends in the second or third year of a cycle, the approved person becomes a CE participant at the beginning of the next three-year cycle.</li> <li>(iii) The chart below gives examples of the entry dates into the CE program:</li> </ul> <table border="1" data-bbox="581 569 1446 1031"> <thead> <tr> <th data-bbox="581 569 846 657">An approved person first approved in the year:</th> <th data-bbox="846 569 1446 657">Starts CE in this cycle</th> </tr> </thead> <tbody> <tr> <td data-bbox="581 657 846 695">2004</td> <td data-bbox="846 657 1446 695">Cycle 4: 1/Jan/2009 to 31/Dec/2011</td> </tr> <tr> <td data-bbox="581 695 846 732">2005</td> <td data-bbox="846 695 1446 732">Cycle 4: 1/Jan/2009 to 31/Dec/2011</td> </tr> <tr> <td data-bbox="581 732 846 770">2006</td> <td data-bbox="846 732 1446 770">Cycle 4: 1/Jan/2009 to 31/Dec/2011</td> </tr> <tr> <td data-bbox="581 770 846 808">2007</td> <td data-bbox="846 770 1446 808">Cycle 5: 1/Jan/2012 to 31/Dec/2014</td> </tr> <tr> <td data-bbox="581 808 846 846">2008</td> <td data-bbox="846 808 1446 846">Cycle 5: 1/Jan/2012 to 31/Dec/2014</td> </tr> <tr> <td data-bbox="581 846 846 884">2009</td> <td data-bbox="846 846 1446 884">Cycle 5: 1/Jan/2012 to 31/Dec/2014</td> </tr> <tr> <td data-bbox="581 884 846 921">2010</td> <td data-bbox="846 884 1446 921">Cycle 6: 1/Jan/2015 to 31/Dec/2017</td> </tr> <tr> <td data-bbox="581 921 846 959">2011</td> <td data-bbox="846 921 1446 959">Cycle 6: 1/Jan/2015 to 31/Dec/2017</td> </tr> <tr> <td data-bbox="581 959 846 997">2012</td> <td data-bbox="846 959 1446 997">Cycle 6: 1/Jan/2015 to 31/Dec/2017</td> </tr> </tbody> </table>	An approved person first approved in the year:	Starts CE in this cycle	2004	Cycle 4: 1/Jan/2009 to 31/Dec/2011	2005	Cycle 4: 1/Jan/2009 to 31/Dec/2011	2006	Cycle 4: 1/Jan/2009 to 31/Dec/2011	2007	Cycle 5: 1/Jan/2012 to 31/Dec/2014	2008	Cycle 5: 1/Jan/2012 to 31/Dec/2014	2009	Cycle 5: 1/Jan/2012 to 31/Dec/2014	2010	Cycle 6: 1/Jan/2015 to 31/Dec/2017	2011	Cycle 6: 1/Jan/2015 to 31/Dec/2017	2012	Cycle 6: 1/Jan/2015 to 31/Dec/2017
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<p>Rule 2900, Part III, (L)(3)</p>	<p>(3) A newly approved person may use a professional development course completed during the cycle prior to his or her becoming a CE participant, in the first cycle in which he or she becomes a CE participant, if it meets the requirements of clause 2606(2)(xii).</p>																				
<p>Rule 2900, Part III, (G)(1)</p>	<p><b>2658. Voluntary participation in the CE program</b></p> <p>(1) Individuals who voluntarily participate in the CE program by completing select CE courses are exempt from rewriting the CSC or the CPH, as required by subsection 2605(1). This exemption is valid until the end of the first year of the next cycle.</p>																				
<p>Rule 2900, Part III, (G)(2)</p>	<p>(2) To receive this automatic exemption, the voluntary CE participant must complete the CE courses in the cycle in which the CSC or CPH expired and must continue voluntary participation in each cycle, until re-approved.</p>																				
<p>Rule 2900, Part III, (G)(5)</p>	<p>(3) Voluntary CE participants:</p> <ul style="list-style-type: none"> <li>(i) must complete both a professional development course and a compliance course in each cycle to maintain voluntary-participation standing and qualify for the exemptions set out in subsection (1).</li> <li>(ii) must chose from Corporation-accredited compliance and professional development courses only.</li> </ul>																				
<p>Rule 2900, Part III, (E)(1)</p>	<p><b>2659. Re-approval of former approved persons</b></p> <p>(1) A person requesting approval who was an approved person more than three years before the request must complete the CE program in the cycle in which the person returns.</p>																				
<p>Rule 2900, Part III,</p>	<p>(2) An individual required to rewrite the CSC and the CPH to be approved may apply these courses towards the CE program requirements in the cycle in which they rewrote them. In</p>																				

Repealed Current Rule	Proposed plain language rule																							
(E)(2)  Rule 2900, Part III, (E)(3)	<p>this case, however, the CSC cannot be carried forward to fulfill the professional development requirement for the next cycle.</p> <p>(3) An individual who</p> <p>(i) was exempted previously from the professional development requirement under clause 2653(3)(i), and</p> <p>(ii) requests re-approval after an period of more than three years during which they were not approved</p> <p>must complete the CE program for the requested Corporation category. An individual who was a voluntary CE participant during the un-approved period need not rewrite the CSC and the CPH and will continue to be exempt from the professional development requirement when re-approved. An individual who requests approval within three years of being approved will continue to be exempt from the professional development requirement.</p>																							
Rule 2900, Part III, (F)	<p><b>Part D - Changes during a Cycle</b></p> <p><b>2660. Changes to Corporation category during a cycle</b></p> <p>(1) The following table shows the requirements a CE participant must meet when changing his or her IIROC Approval category during a cycle:</p>																							
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Repealed Current Rule	Proposed plain language rule				
					under subsection 2662 <ul style="list-style-type: none"> <li>▪ if change occurs in first year of cycle, Dealer Member must give the Corporation a written explanation for change. The Corporation must be satisfied that the changes were not done to avoid completing the CE program in the previous cycle.</li> </ul>
Rule 2900, Part III, (F)(3)	(v)	First year of cycle	Corporation category with no requirement	Corporation category requiring compliance course	<ul style="list-style-type: none"> <li>▪ complete compliance course in current cycle</li> </ul>
Rule 2900, Part III, (F)(3)	(vi)	Second or third year of cycle	Corporation category with no requirement	Corporation category requiring compliance course	<ul style="list-style-type: none"> <li>▪ complete compliance course in next cycle</li> </ul>
Rule 2900, Part III, (N)(1)	<p><b>2661. Hardship extension of time to complete the program requirements</b></p> <p>(1) The Corporation may extend the time a CE participant has to complete any course beyond the three-year cycle if the CE participant is ill or for other similar reasons if:</p> <p>(i) a director or executive of the CE participant’s sponsoring Dealer Member:</p> <p>(a) approves the extension;</p> <p>(b) notifies the Corporation of the reason for the extension;</p> <p>(c) states the new date of completion of the required course; and</p> <p>(ii) the District Council decides the delay is justified.</p>				
Rule 2900, Part III, (N)(2)	<p>(2) A CE participant who receives an extension as described in subsection (1) may not delay the start of the next three-year cycle.</p>				
Rule 2900, Part III, (N)(3)(a)-(b)	<p>(3) The Corporation may exempt from the CE program a CE participant who cannot finish the continuing education requirements for more than one cycle if:</p> <p>(i) a director or executive of the CE participant’s sponsoring Dealer Member:</p> <p>(a) approves the exemption;</p> <p>(b) and provides a letter to the Corporation of the reason for the exemption,</p> <p>(b) states that the leave is for an indefinite period; and</p> <p>(ii) the District Council decides that the exemption is justified.</p>				

Repealed Current Rule	Proposed plain language rule
<p>Rule 2900, Part III, (N)(3)(c)</p> <p>Rule 2900, Part III, (M)(1)</p> <p>Rule 2900, Part III, (M)(3)</p> <p>Rule 2900, Part III, (M)(2)</p> <p>Rule 2900, Part III, (M)(4)</p>	<p>(4) A CE participant who is granted a hardship extension who returns to the industry after an absence of:</p> <ul style="list-style-type: none"> <li>(i) three years or less must have the District Council establish the CE program requirements before starting any activity that needs approval.</li> <li>(ii) more than three years must meet the proficiency requirements in subsection 2602(1).</li> </ul> <p><b>Part E - Penalties for not completing the CE Program Requirements</b></p> <p><b>2662. Penalties for not completing the program requirements in a cycle</b></p> <p>(1) If a CE participant fails to complete the course requirements within a cycle, the Corporation will impose a penalty of \$500 a month on the sponsoring Dealer Member. The penalty will start at the beginning of the next cycle and continue until either the CE participant completes the course requirements or six months pass, whichever is first.</p> <p>(2) If a CE participant does not complete the compliance course within a cycle, the Corporation will:</p> <ul style="list-style-type: none"> <li>(i) immediately impose a mandatory condition of close supervision on the CE participant's registration, and</li> <li>(ii) require the Dealer Member to keep the supervision reports until the CE participant completes the compliance course.</li> </ul> <p>(3) If a CE participant does not complete the CE program requirements within six months of the end of the cycle, the Corporation will automatically suspend the CE participant's approval. The Corporation will reinstate the CE participant's approval if the CE participant completes the CE program requirements.</p> <p>(4) Late fees paid in error will be refunded if:</p> <ul style="list-style-type: none"> <li>(i) The Corporation imposes a fee on a Dealer Member as described in subsection (1), and</li> <li>(ii) the Dealer Member continues paying the fee after the CE participant has completed the course requirements.</li> </ul> <p>The Corporation will refund any fees paid in error if the Dealer Member claims the refund within 120 days of the first day of the month the fee was paid in error.</p> <p><b>2663 – 2699. – Reserved.</b></p>
<p>New</p> <p>Rule 40.2</p>	<p style="text-align: center;"><b>Rule 2700 – The National Registration Database</b></p> <p><b>2701. Introduction</b></p> <ul style="list-style-type: none"> <li>(1) A Dealer Member must participate in the National Registration Database (NRD).</li> <li>(2) A Dealer Member must supervise NRD filings to ensure they are timely and accurate.</li> </ul> <p><b>2702. Dealer Member obligations for the National Registration Database</b></p> <ul style="list-style-type: none"> <li>(1) A Dealer Member must: <ul style="list-style-type: none"> <li>(i) enroll in NRD and pay the NRD administrator the enrolment fee calculated in the</li> </ul> </li> </ul>

Repealed Current Rule	Proposed plain language rule										
<p>Rules 40.3(1), 40.4, 40.5, 40.6, 40.7(1) and 40.8</p>	<p>way set by the Board;</p> <ul style="list-style-type: none"> <li>(ii) enroll only one chief authorized firm representative (chief AFR) with the NRD administrator;</li> <li>(iii) notify the NRD administrator of the appointment of a chief AFR within seven days of the appointment;</li> <li>(iv) notify the NRD administrator of a change in name of the chief AFR within seven days of the change;</li> <li>(v) maintain only one NRD account; and</li> <li>(vi) notify the NRD administrator in NRD format of any change of an AFR who is not the chief AFR, within seven days of the change.</li> <li>(vii) submit any change in the phone number, fax number or e-mail address of the chief AFR in NRD format within seven days of the change.</li> </ul> <p>(2)</p> <ul style="list-style-type: none"> <li>(i) A Dealer Member must make the following submissions using the NRD on the NRD form specified:</li> </ul> <table border="1" data-bbox="581 865 1422 1680"> <thead> <tr> <th data-bbox="581 865 922 915">Type of submission</th> <th data-bbox="922 865 1422 915">Form and time for submission</th> </tr> </thead> <tbody> <tr> <td data-bbox="581 915 922 1073">(a) an application for approval of an individual under any Corporation requirement</td> <td data-bbox="922 915 1422 1073">Form 33-109F4 Registration of Individuals and Review of Permitted Individuals [LINK]</td> </tr> <tr> <td data-bbox="581 1073 922 1230">(b) a notification of any change in the type of business which an approved person will conduct</td> <td data-bbox="922 1073 1422 1230">33-109F2 Change or Surrender of Individual Categories [LINK]</td> </tr> <tr> <td data-bbox="581 1230 922 1551">(c) (I) an application for different or additional approval under Corporation requirements for any approved person;  (II) a surrender of existing approval</td> <td data-bbox="922 1230 1422 1551">33-109F2 Change or Surrender of Individual Categories [LINK]</td> </tr> <tr> <td data-bbox="581 1551 922 1680">(d) a report of a change of information regarding an approved person under Rule 8400</td> <td data-bbox="922 1551 1422 1680">33-109F5 Change of Registration Information [LINK], within seven days of the change</td> </tr> </tbody> </table>	Type of submission	Form and time for submission	(a) an application for approval of an individual under any Corporation requirement	Form 33-109F4 Registration of Individuals and Review of Permitted Individuals [LINK]	(b) a notification of any change in the type of business which an approved person will conduct	33-109F2 Change or Surrender of Individual Categories [LINK]	(c) (I) an application for different or additional approval under Corporation requirements for any approved person;  (II) a surrender of existing approval	33-109F2 Change or Surrender of Individual Categories [LINK]	(d) a report of a change of information regarding an approved person under Rule 8400	33-109F5 Change of Registration Information [LINK], within seven days of the change
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Repealed Current Rule	Proposed plain language rule	
		<p>(e) an application, made with an application for approval, for an exemption from a proficiency requirement of section 2602 for an approved person or applicant for approval</p> <p>“Apply for an Exemption” function on NRD</p>
		<p>(f) a notification of a Dealer Member terminating</p> <ul style="list-style-type: none"> <li>▪ the employment of, or</li> <li>▪ principal or agent relationship with an approved person</li> </ul> <p>33-109F1, Notice of Termination of Registered Individuals and Permitted Individuals [LINK].</p> <ul style="list-style-type: none"> <li>▪ Items 1 through 4 of this form must be filed within seven days of the cessation date.</li> <li>▪ Item 5 must be filed within 30 days unless the reason for termination under item 4 was death or retirement of the individual or completion of a temporary employment contract.</li> </ul>
		<p>(g) a notification of a business location opening or closing under section 2152</p> <p>33-109F3 Business locations other than head office [LINK] within seven days of the opening or closing</p>
		<p>(h) a notification of change of address, type of location or supervision of any business location</p> <p>33-109F3 Business locations other than head office [LINK] within seven days of the change</p>
		<p>(i) Notification of reinstatement of individuals</p> <p>33-109F7 Reinstatement of Registered Individuals and Permitted Individuals [LINK] within 90 days of the cessation date from the previous sponsoring firm</p>
		<p>(ii) Before filing a notice of change of business type under sub-clause (2)(i)(b) above, a Dealer Member must notify the Corporation through NRD that either:</p> <ul style="list-style-type: none"> <li>(a) the approved person has completed the necessary proficiency requirements under section 2602(1); or</li> <li>(b) the approved person has been granted an exemption from the proficiency requirements under Rule 8100 or sections 2603 or 2604.</li> </ul> <p><b>2703. Temporary hardship exemption</b></p> <p>(1) A Dealer Member that cannot file a document in NRD format within the time required under subsection 2702(2) because of unexpected technical problems must submit the document outside of NRD within seven days of the required filing date.</p> <p>(2) When submitting outside of NRD under subsection 2703(1), the Dealer Member must include the following text at the top of the first page of the submission in capital letters:</p>

Rules 40.11(1) and (2)

Rule 40.11(3)

Repealed Current Rule	Proposed plain language rule
Rule 40.11(4)	<p style="text-align: center;">IN ACCORDANCE WITH IROC RULE 2703 AND SECTION 5 OF NATIONAL INSTRUMENT 31-102 NATIONAL REGISTRATION DATABASE (NRD), WE ARE SUBMITTING THIS [SPECIFY DOCUMENT] OUTSIDE OF NRD UNDER A TEMPORARY HARDSHIP EXEMPTION.</p> <p>(3) As soon as practicable, but within fourteen days after the unexpected technical problems have been fixed, a Dealer Member must resubmit in NRD format the information filed outside of NRD under subsection (1).</p>
<p>Rule 40.12(1)</p> <p>Rule 40.12(2)</p> <p>Rule 40.12(3)</p> <p>Rule 40.12(4)</p>	<p><b>2704. Due diligence and record keeping</b></p> <p>(1) A Dealer Member must make reasonable efforts to ensure that the information submitted through the NRD is true and complete.</p> <p>(2) A Dealer Member must keep all documents used to meet its obligation under subsection (1) for seven years after the individual ceases to be an approved person of the Dealer Member.</p> <p>(3) A Dealer Member must record the NRD submission number on any document kept under subsection (2).</p> <p>(4) For approved individuals, a Dealer Member must obtain, within 60 days, a copy of the most recent Form 33-109F1 issued in respect of the individual by the former sponsoring Dealer Member.</p>
<p>Rule 40.9(1)</p> <p>Rules 40.3(2) and (3), 40.7(4) and (5), 40.9(1) and 40.9(2)</p>	<p><b>2705. Fees</b></p> <p>(1) A Dealer Member must pay the NRD administrator the annual user fee set by the Corporation.</p> <p>(2)</p> <ul style="list-style-type: none"> <li>(i) A Dealer Member making any NRD submission under section 2702 must pay the prescribed fees for the submission, together with the application fees paid to the NRD administrator for the use of the NRD for its submission.</li> <li>(ii) A Dealer Member must pay any prescribed fees for failure to file any document within the time specified,</li> <li>(iii) A Dealer Member is required to pay all fees payable under this Rule through its NRD account by pre-authorized electronic debit.</li> </ul>
Rule 40.7(2)	<p><b>2706. Termination</b></p> <p>(1) Approval of an individual will be suspended by the Corporation if</p> <ul style="list-style-type: none"> <li>(i) the approved person ceases to be employed by a Dealer Member; or</li> <li>(ii) the approved agency relationship with a Dealer Member is terminated.</li> </ul>
Rule 40.7(3)	<p><b>2707. Reinstatement of suspended approved persons</b></p> <p>(1) The approval of an approved person suspended under section 2706(1) will be reinstated by the Corporation on the date the individual submits a completed Form 33-109F7 if:</p> <ul style="list-style-type: none"> <li>(i) Form 33-109F7 is submitted within 90 days of the cessation date</li> <li>(ii) There has been no change to the information previously submitted in: respect of regulatory, criminal, civil and financial disclosure (items 13, 14, 15 &amp; 16 of Form 33-109F4 respectively);</li> <li>(iii) The individual's employment or agency relationship with the former sponsoring Dealer Member was not terminated due to allegations of:</li> </ul>

Repealed Current Rule	Proposed plain language rule
	<ul style="list-style-type: none"><li>(a) criminal activity;</li><li>(b) a breach of securities law: or</li><li>(c) a breach of the rules of the Corporation;</li><li>(iv) the individual is seeking reinstatement in the same category in which the individual was approved on the cessation date.</li></ul> <p><b>2708. – 2999. – Reserved.</b></p>

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**

**TEXT OF THE CURRENT RELEVANT PROVISIONS OF  
DEALER MEMBER RULES 4, 5, 6, 7, 8, 17, 18, 22, 29, 31, 35, 38, 39, 40, 100, 500, 600, 700, 1300, 2400, 2900, AND 3200**

**RULE 4  
BUSINESS LOCATIONS**

- 4.1. Every Business Location of a Dealer Member in a District having a Supervisor who is normally present at the Business Location is a Branch Office Member of the District.
- 4.2. There is no Membership or other fees for Branch Office Members.
- 4.3. A Branch Office Member has the same privileges in its District as any other Branch Office Member except that at a District meeting each Dealer Member has only one vote no matter how many Branch Office Member it has in the District.
- 4.4. The representative of any Branch Office Member in any District is eligible for election as Chair or member of the District Council of the District.
- 4.5. Each Branch Office Member may send one or more representatives to the Annual Meeting of the District.
- 4.5A. Repealed.
- 4.6. A Dealer Member must notify the Corporation in accordance with Rule 40 of the opening or closure of a Business Location.

**RULE 5  
OWNERSHIP OF DEALER MEMBER SECURITIES**

**Dealer Member Debt, Restrictive and Limited Participation Securities**

- 5.1. A Dealer Member or holding company of a Dealer Member which proposes to borrow money on terms whereby the principal amount matures or is renewable or extendible at the option of the Dealer Member or the holding company to a date more than 12 months after the borrowing shall provide the Corporation with notice of the terms of the borrowing prior to the making of the borrowing.
- 5.2.
  - (1) No Dealer Member or holding company of a Dealer Member shall issue without the prior approval of the Corporation:
    - (a) A security representing subordinated debt;
    - (b) A restrictive security; or
    - (c) A limited participation security.
  - (2) No Dealer Member or holding company of a Dealer Member shall enter into any agreement to issue subordinated debt in the future without prior approval of the Corporation.
- 5.2A.
  - (1) A Dealer Member who has received Corporation approval for the issuance of subordinated debt pursuant to Rule 5.2, shall immediately notify the Corporation of any change in the amount of the funds advanced under the resulting subordinated debt agreement.
  - (2) A Dealer Member shall require approval of the Corporation prior to any repayment of funds owed pursuant to a subordinated debt agreement.

### Changes in Dealer Member Ownership

- 5.3. Prior written notice shall be given to the Corporation of the issue or transfer of any securities, or a legal or beneficial interest therein, of a Dealer Member or of a holding company of a Dealer Member corporation, other than securities of a class in respect of which there is public ownership pursuant to a distribution thereof in accordance with Rule 5.9(a), (b) or (d), and other than in respect of the issue or transfer of indebtedness of a Dealer Member corporation or holding company of a Dealer Member corporation that is not subordinated debt, a restrictive security or a limited participation security.
- 5.4.
- (1) Dealer Members shall seek District Council approval of any transaction that:
    - (a) Permits an investor, alone or together with its associates and affiliates, to own a significant equity interest in the Dealer Member; or
    - (b) Permits an investor, alone or together with its associates and affiliates, to own special warrants or any other securities that are convertible, at any time in the future, to a significant equity interest in the Dealer Member.
  - (2) For the purposes of this Rule 5.4, a significant equity interest means the holding of:
    - (a) Voting securities carrying 10 percent or more of the votes carried by all voting securities of the Dealer Member or of a holding company of a Dealer Member;
    - (b) 10 percent or more of the outstanding participating securities of the Dealer Member or of a holding company of a Dealer Member; or
    - (c) An interest of 10 percent or more of the total equity in the Dealer Member.
  - (3) Notwithstanding paragraph (1), the legal representatives of a deceased person who had been approved by the applicable District Council as the owner of a significant equity interest may continue as such registered holder or to hold such interest for such period as the applicable District Council may permit.
- 5.5. No Dealer Member or holding company of a Dealer Member corporation shall own, directly or indirectly, any securities issued by another Dealer Member or holding company of a Dealer Member corporation without the prior consent of the applicable District Council, except for the ownership of securities in connection with the ordinary course of the activities of the securities business.
- 5.6. No industry investor shall own securities issued by a Dealer Member or a holding company of a Dealer Member corporation other than the Dealer Member in respect of which the investor is approved or a holding company of such Dealer Member corporation, unless:
- (a) those securities are of a class in respect of which there is public ownership pursuant to a distribution thereof, in accordance with Rule 5.9(a), (b) or (d), or
  - (b) the Dealer Member is an affiliate or a related company of the Dealer Member in respect of which the investor is approved; or
  - (c)
    - (i) the investment does not represent a significant equity interest,
    - (ii) the Corporation has been notified of the relationship,
    - (iii) the Corporation has been provided with evidence that the other member's recognized self-regulatory organization does not object to the relationship and
    - (iv) the Dealer Member, in respect of which the industry investor is approved, has been notified of the investment and does not object to the investment.

For the purposes of this Rule 5.6, significant equity interest shall mean an investment that is 10% or more of any class of issued equity or voting shares.

### Public Dealer Member Ownership

- 5.7. A Dealer Member corporation or the holding company of a Dealer Member corporation may permit public ownership of its securities (other than its restrictive securities) but only with the prior approval of the applicable District Council which approval shall be given only if the applicable District Council is satisfied that the Rules of the Corporation including this Rule 5 are being, and will continue to be, complied with. In considering the application for approval, the applicable District Council may review an opinion of legal counsel and such other evidence as it considers appropriate. In granting its approval hereunder, the applicable District Council may impose such conditions and require such undertakings as it considers appropriate from any person to ensure continued compliance with the Rules of the Corporation.
- 5.8. Any Dealer Member or holding company of a Dealer Member corporation which has permitted public ownership of its securities shall, regardless of the statute under which it is incorporated, appoint and maintain an audit committee in accordance with the provisions of the *Canada Business Corporations Act* which relate to audit committees. A Dealer Member or holding company of a Dealer Member may be exempted from the requirements of this Rule 5.8 by the applicable District Council in its discretion and on such terms and conditions as the Council may determine.

### Public Distribution of Dealer Members' Securities

- 5.9. A Dealer Member corporation or a holding company of a Dealer Member corporation that intends to permit public ownership of its securities may effect the distribution thereof:
- (a) Through a qualified independent underwriter on a firm underwriting basis in accordance with usual commercial practice, with a prospectus or equivalent document containing the information required by applicable securities legislation and, subject to the concluding portion of Rule 5.9(b), the Dealer Member corporation may participate as a member of the selling group in a distribution under this Rule 5.9(a);
  - (b) Through a qualified independent underwriter on an agency or best efforts basis, or through the issuing corporation (or, where the issuing corporation is a holding company, through its subsidiary Dealer Member) effecting the distribution, with a prospectus or equivalent document containing the information required by provincial securities legislation and with Rule 5.10 being also applicable in the circumstances thereby contemplated; a Dealer Member corporation or a holding company shall be deemed to be effecting the distribution of its own securities if more than 25 per cent of the distribution is made by the Dealer Member corporation or its subsidiary Dealer Member corporation to customers of the corporation or the subsidiary Dealer Member corporation;
  - (c) By private sale, but the provisions of Rule 5.11 shall apply in the circumstances thereby contemplated; or
  - (d) By some other procedure permissible under Rule 5.12.
- 5.10. A Dealer Member corporation or holding company of a Dealer Member corporation underwriting a public distribution of its own voting or participating securities pursuant to Rule 5.9(b), or effecting such a distribution on an agency or best efforts basis through another underwriter, shall provide as part of the prospectus or equivalent document hereby required, summaries of not less than two separate valuations of its securities prepared by independent underwriters or chartered accountants qualified to prepare the same (and participation in the distribution shall not disqualify an underwriter from preparing a valuation), but this requirement shall not apply if securities with identical attributes to those being distributed have been listed and posted for trading on a stock exchange operated by one of the self-regulatory organizations for not less than six months prior to the date the distribution commences.
- 5.11. Where voting or participating securities are distributed by way of private sale under Rule 5.9(c) to investors whose ownership thereof is permissible only by reason of the provisions of this Rule 5 concerning public ownership of securities, the distribution shall be permitted only if arrangements satisfactory to the applicable District Council (which arrangements shall include the execution of an agreement by each investor limiting his resale of the securities) are made to preclude the development of a public trading market in the securities unless and until:
- (a) The issuing Dealer Member corporation or the holding company of a Dealer Member corporation has published information concerning its affairs that is at least equivalent to what would have been included in a prospectus under applicable securities legislation, which information shall include valuations as described in Rule 5.10 unless securities of the Dealer Member or holding company, as the case may be, with identical attributes, have been listed and posted for trading on a stock exchange operated by one of the self-regulatory organizations, for not less than six months prior to the date of publication of the information;

- (b) From the date of publication of the information in (a) and until the date the public trading market develops, the Dealer Member corporation or holding company has complied with the timely disclosure requirements applicable to listed corporations; and
  - (c) After the date the public trading market develops, the Dealer Member corporation or holding company is required by law to comply with the timely disclosure requirements applicable to listed corporations.
- 5.12. A Dealer Member corporation or a holding company of a Dealer Member corporation may distribute its securities through a transaction such as a take-over bid or an amalgamation that will create a public trading market in such securities, but only if:
- (a) The Dealer Member corporation or holding company publishes information concerning its affairs that is at least equivalent to what would have been included in a prospectus under applicable securities legislation, which information shall be published in accordance with arrangements satisfactory to the applicable District Council as to:
    - (i) The stage in the transaction at which prospectus-type information will be provided;
    - (ii) The securities commission that will be responsible for reviewing and commenting on the information;
    - (iii) The persons to whom the prospectus or similar document will be distributed;
    - (iv) The rescission or withdrawal rights to be made available if the document contains a material inaccuracy; and
  - (b) If the securities are participating or voting securities, the information referred to in Rule 5.12(a) shall include valuations as described in Rule 5.10 unless the applicable District Council concludes that such information is not necessary having regard to circumstances such as, for example, that the terms of the transaction were arrived at through arm's length negotiations;

But the requirements of (a) and (b) shall not apply if securities of the Dealer Member corporation or holding company, with identical attributes, have been listed and posted for trading on a stock exchange operated by one of the self-regulatory organizations for not less than six months prior to the date of the transaction.

- 5.13. The provisions of Rules 5.9 to 5.12, inclusive, apply, with necessary changes, to a secondary distribution of securities issued by a Dealer Member corporation or a holding company of a Dealer Member corporation if the securities are derived from a control position or the distribution will result in the creation of a public trading market.

**Dealer Member Advisory and Related Activities**

- 5.14. No Dealer Member shall permit the acquisition by any customer account over which the Dealer Member has discretionary authority of securities issued by the Dealer Member or the holding company of the Dealer Member. This prohibition applies notwithstanding any consent obtained from the customer and whether the securities are in the course of distribution or are being traded in the secondary market.
- 5.15. Solicitations by a Dealer Member corporation as to transactions in securities issued by it or a holding company of the Dealer Member corporation,
- (a) Are, subject to Rule 5.14, permitted in the course of a distribution made with a prospectus or other document containing disclosure as required by the relevant securities legislation and this Rule 5 and in making private sales that qualify as a private placement under the relevant securities legislation;
  - (b) Are prohibited in the course of a distribution not described in Rule 5.15(a) and are prohibited as to secondary market trading, but nothing herein prohibits a Dealer Member from carrying out an unsolicited order for such securities;

And, for greater certainty, nothing herein prevents a Dealer Member corporation from accepting securities issued by it or a holding company of the Dealer Member corporation as securities for a margin account.

- 5.16. A Dealer Member corporation shall not issue research reports or opinion letters as to participating or voting securities issued by it or a holding company of the Dealer Member corporation.

- 5.16A. A Dealer Member or a related company of a Dealer Member or a partner, director, officer, employee or associate of either of them shall be deemed not to have breached any provision of Rules 5.9 to 5.16, inclusive, in connection with any trade or activity if conducted in compliance with any securities legislation or rule, policy, directive or order of any securities commission which specifically applies to the trade or activity.

#### **Approvals**

- 5.17. Application for any approval or exemption required by this Rule 5 shall be made to the Corporation in such form as the Board of Directors may from time to time prescribe and giving such other information as may be required by the Rules. The Corporation shall forthwith forward an application for approval or exemption to the Board of Directors or the applicable District Council as this Rule 5 may require. The applicant for approval or exemption may be required to pay such fees as the Board of Directors may from time to time direct. A person approved or granted an exemption for the purpose of this Rule 5 and the Dealer Member or holding company in respect of which he is approved or exempted shall report in writing to the Corporation within ten days of the event any change in the information submitted pursuant to the application for approval or exemption including, without limitation, any required information with respect to criminal or bankruptcy proceedings pertaining to such person.
- 5.18. The Board of Directors or the applicable District Council, as the case may be, shall have power in its discretion to approve or refuse an application for approval or exemption or to withdraw any approval or exemption theretofore granted.

### **RULE 6 DEALER MEMBER HOLDING COMPANIES, RELATED COMPANIES AND DIVERSIFICATION**

#### **Holding Companies**

- 6.1. A holding company may not be the holding company of more than one Dealer Member corporation, except in the following circumstances:
- (i) A holding company may be the holding company of more than one Dealer Member corporation if it owns all of the voting and all of the participating securities of each of them, or
  - (ii) The prior consent of the applicable District Council is obtained.
- 6.2. Each Dealer Member agrees to cause each of its holding companies carrying on business in Canada to comply with the Rules pertaining to a holding company of a Dealer Member corporation and with the requirements of the Board of Directors, applicable District Council, or any other relevant body of the Corporation pertaining to a holding company of a Dealer Member corporation. A Dealer Member shall be deemed not to be in compliance with the Rules unless it has provided the applicable District Council with evidence that each of its holding companies carrying on business in Canada is legally bound to comply with the Rules or requirements pertaining to such holding company.

#### **Related Companies**

- 6.3. No Dealer Member or partner, director, officer, investor or employee of a Dealer Member shall form, maintain or have any interest in a related company or associate without the prior approval of the applicable District Council.
- 6.4. Each related company of a Dealer Member shall comply with all of the Rules and Rulings of the Corporation except to the extent that any individual or class of Dealer Member or related company shall be exempted from such compliance by the Board of Directors. The Board of Directors or the relevant District Council, as the case may be, shall have the same rights and powers under the Rules of the Corporation with respect to related companies of a Dealer Member as such Board or Councils respectively has or have with respect to a Dealer Member.
- 6.5. A Dealer Member may, with the prior approval of the applicable District Council, have a wholly owned subsidiary whose principal business is that of a broker or dealer in securities or an adviser respecting securities.

#### **Financial Assistance**

- 6.6. (1) Each Dealer Member shall be responsible for and shall guarantee the obligations to clients incurred by each of its related companies, and each related company shall be responsible for and shall guarantee the obligations of the Dealer Member to its clients on the following basis:

- (a) Where a Dealer Member holds an ownership interest in a related company, the Dealer Member shall provide a guarantee in an amount equal to 100% of the Dealer Member's capital employed;
  - (b) Where a Dealer Member holds an ownership interest in a related company, the related company shall provide a guarantee to the Dealer Member in an amount equal to the percentage of the related company's capital employed that corresponds to the percentage of ownership interest the Dealer Member holds in the related company; and
  - (c) Where two related companies are related because of a common ownership interest held by the same person(s), each related company shall provide a guarantee of the other in an amount equal to the percentage of its capital employed that corresponds to the percentage ownership interest held by the person(s) who holds the common ownership interest.
- (2) A guarantee shall not be required in accordance with paragraph (1) where the Board of Directors in its discretion determines that a guarantee is not appropriate.
  - (3) A guarantee shall be required in excess of the amount prescribed in paragraph (1) where the Board of Directors in its discretion determines that such a guarantee is appropriate.
  - (4) A guarantee required pursuant to this Rule 6.6 shall be in the form prescribed from time to time by the Board of Directors.

**Diversification**

- 6.7. No Dealer Member or related company shall carry on any business other than securities related activities without the prior approval of the applicable District Council but a Dealer Member or holding company of a Dealer Member may own an investment in a corporation (other than the Dealer Member) that carries on activities other than securities related activities and in respect of which the Dealer Member is not responsible for any of its liabilities. Each Dealer Member and holding company of a Dealer Member shall give notice in writing to the Corporation prior to acquiring any investment in such a corporation.

Notwithstanding the provisions of this Rule 6.7, a mutual fund dealer which is a related company in respect of a Dealer Member, and the directors, officers, employees or representatives of such mutual fund dealer, may deal in or sell contracts of life insurance issued by an insurer licensed or registered pursuant to applicable Canadian federal or provincial legislation.

**RULE 7  
DEALER MEMBER DIRECTORS AND EXECUTIVES**

**7.1 Definitions**

For the purposes of this Rule 7, "actively engaged in the business of the Dealer Member" means, participating in any regular business activities of the Dealer Member, but shall not include participation in meetings of the board of directors or related corporate governance committees of the board of directors or occasional referrals to the Dealer Member where such referrals do not result from solicitation of business on behalf of the Dealer Member.

**7.2 Approval**

No person may be a Director or Executive of a Dealer Member unless that person has been approved as such by the Corporation.

**7.3 Directors**

- (a) At least 40% of the Directors of a Dealer Member must:
    - (1) Either:
      - (A) Be actively engaged in the business of the Dealer Member and devote the major portion of their time to the securities industry, except those on active government services, or who for health reasons are prevented from such active engagement; or,
      - (B) Occupy equivalent positions at related or affiliated securities dealers or affiliated financial institutions;
- and

- (2) Have satisfied the applicable proficiency requirements in Rule 2900, Part I.A(2); and
  - (3) Have experience acceptable to the Corporation in the financial services industry for at least five years or such lesser period as may be approved by the Corporation.
- (b) The remaining Directors of a Dealer Member, if actively engaged in the business of the Dealer Member or a related company of the Dealer Member must have the qualifications described in paragraphs 7.3(a)(1) and (2).

**7.4 Executives**

- (a) All of the Executives of a Dealer Member must:
- (1) Be actively engaged in the business of the Dealer Member and devote the major portion of their time to the securities industry, except those on active government services, or who for health reasons are prevented from such active engagement; or,
  - (2) Occupy equivalent positions at related or affiliated securities dealers, or affiliated financial institutions; and
  - (3) Have satisfied the applicable proficiency requirements outlined in Rule 2900, Part I.A(2);
- (b) Not less than 60% of the Executives of a Dealer Member must have experience acceptable to the Corporation in the financial services industry for at least five years or such lesser period as may be approved by the Corporation.

**7.5 Exemptions**

The applicable District Council may grant an exemption, in whole or in part, from any requirement under Rules 7.3 and 7.4, where it is satisfied that to do so would not be prejudicial to the interest of the Dealer Member, its clients, the public or the Corporation and, in granting such an exemption, it may impose such terms and conditions as it considers necessary.

**7.6 Persons Owning or Controlling a Significant Equity Interest in a Dealer Member**

- (a) Any Director of a Dealer Member who directly or indirectly owns or controls a voting interest in the Dealer Member of 10% or more must have the proficiency requirement outlined in Rule 2900, Part I.A(2)(a);
- (b) Any person other than a Director of a Dealer Member, who is actively engaged in the business of a Dealer Member and directly or indirectly owns or controls a voting interest in the Dealer Member of 10% or more must have the proficiency requirement outlined in Rule 2900, Part I.A(2)(a).

**7.7 Remuneration of Directors and Executives**

No Director or Executive of a Dealer Member shall accept or permit any associate to accept, directly or indirectly, any remuneration, gratuity, advantage, benefit or any other consideration from any person other than the Dealer Member, its affiliates or related companies, in respect of the activities carried out by the Director or Executive on behalf of the Dealer Member, its affiliates or related companies in connection with the securities-related activities of any of them.

**7.8 Jurisdiction**

Every person whose application for approval as a Director or Executive of a Dealer Member has been accepted is subject to the jurisdiction of the Corporation, must comply with the Rules of the Corporation as they are from time to time amended or supplemented and, if such approval is subsequently revoked, must forthwith terminate his or her relationship as a Director or Executive with the Dealer Member in respect of which he or she is approved at the time of such revocation.

**7.9 Late Filing Fees re Executives and Directors**

A Dealer Member is liable for and must pay the Corporation fees in the amounts prescribed from time to time by the Board for the failure of the Dealer Member to file within ten business days after the end month a report in writing with respect to the conditions imposed on approval or continued approval of a Director or Executive pursuant to Rule 20.

**RULE 8  
DEALER MEMBER RESIGNATIONS, AMALGAMATIONS, ETC.**

- 8.1. Repealed.
- 8.2. Dealer Member which tenders its resignation shall in its letter of resignation state its reasons for resigning and shall file with the Secretary one of:
- (a) A balance sheet of the Dealer Member reported upon by the Dealer Member's Auditor without qualification as of such date as the Corporation may require which balance sheet shall indicate that the Dealer Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any; or
  - (b) A report from the Dealer Member's Auditor without qualification that in his or her opinion the Dealer Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any;

And a report from the Dealer Member's Auditor that clients' free securities are properly segregated and earmarked. If the financial information required by (a) or (b) above is not filed with the letter of resignation the Dealer Member shall indicate in the letter of resignation the date by which such financial information shall be filed.

- 8.3. Notwithstanding the provisions of Rule 8.2 if the whole or a substantial part of the business and assets of a Dealer Member which is resigning (the "resigning Dealer Member") is being acquired by another Dealer Member (the "remaining Dealer Member"), the resigning Dealer Member may with the approval of the Board of Directors, file (in lieu of the documents required by Rule 8.2(a) or (b)), a letter signed by the remaining Dealer Member under which the remaining Dealer Member accepts responsibility for all outstanding liabilities of the resigning Dealer Member and certifies that the remaining Dealer Member has sufficient liquid assets to meet all liabilities, other than subordinated loans, if any, of both the remaining Dealer Member and the resigning Dealer Member.
- 8.3A. Notwithstanding the provisions of Rule 8.2 and 8.3, if two or more Dealer Members are amalgamated and continue as one Dealer Member (the "continuing Dealer Member"), the continuing Dealer Member may with the approval of the Board of Directors file (in lieu of the documents required by Rule 8.2(a) or (b)) an acknowledgement and undertaking by the continuing Dealer Member that such Dealer Member accepts responsibility for outstanding fees and all liabilities (outstanding, incurred, contingent or otherwise) of the two or more Dealer Members which are amalgamating and certifies that the continuing Dealer Member has sufficient liquid assets to meet all such liabilities (other than subordinated loans, if any). Unless otherwise determined by the Board of Directors, two or more Dealer Members which amalgamate and continue as one Dealer Member shall not be considered to be a new Dealer Member or a new entity which must re-apply for Membership. Those Dealer Members not continuing due to Amalgamation shall surrender their Membership in the Corporation as part of the amalgamation process. A "surrender" of Membership shall be considered a resignation for purposes of Rule 8.7.
- 8.3AA Notwithstanding the provisions of Rule 8.2, if a Dealer Member and a non-Dealer Member are amalgamated and the Dealer Member wishes the continuing entity to continue as a Dealer Member, the Dealer Member shall not be required to comply with the provisions of Rule 8.2 if both the Dealer Member and the non-Dealer Member have provided the Corporation with all such financial information as it may require and the Corporation is satisfied with such financial information.
- 8.3B. Repealed.
- 8.4. Notice of such letter of resignation shall forthwith be given by the Secretary to the Board of Directors, the applicable District Council, all other Dealer Members, the securities commissions of all of the provinces of Canada and the Bank of Canada.
- 8.5. Unless the Board of Directors, in its discretion otherwise declares, a resignation shall take effect as of the close of business (5:00 p.m. head office local time), on the date the Secretary receives from the Dealer Member's Auditor a written statement certifying that, in their opinion, based on the balance sheet and/or reports referred to in Rule 8.2, the Dealer Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any, and if, to the knowledge of the Secretary after due enquiry, the Dealer Member is not indebted to the Corporation and no complaint against the Dealer Member or any investigation of the affairs of the Dealer Member is pending.
- 8.6. When a Dealer Member signifies in writing its intention to resign, the Secretary shall so advise the Dealer Member resigning and all other Dealer Members, the Board of Directors, the securities commissions of all of the provinces of Canada, the Bank of Canada, and such other persons or bodies as the Secretary may decide through the issuance of a Bulletin within one week of such notification. Similarly, the same shall occur when the resignation of a Dealer Member becomes effective.

- 8.7. A Dealer Member resigning from the Corporation shall make full payment of its Annual Fees for the fiscal year in which such Dealer Member tenders its resignation. A Dealer Member resigning from the Corporation shall not be entitled to a refund of any part of the Annual Fee for the fiscal year in which its resignation becomes effective unless such resignation is complete in all respects by June 30. For the period April 1 to June 30 the resigning Dealer Member will be subject to monthly pro rata annual fees; part months will be considered as full months. For purposes of this provision, the resignation of a Dealer Member shall be considered effective upon receipt by the Corporation of all fees, and all required documentation, including the results of a termination audit.
- 8.8. If a Dealer Member has ceased to carry on business as a securities dealer or its business has been acquired by an individual, firm or corporation who or which, as the case may be, is not a Dealer Member of the Corporation, the applicable District Council may, unless the Dealer Member has voluntarily resigned in accordance with this Rule 8, terminate the Membership of the Dealer Member after the Dealer Member has been given the opportunity for a hearing in accordance with the provisions of Rule 20.11. A former Dealer Member whose Membership has been terminated pursuant to the provisions of this Rule 8.8 shall cease to be entitled to exercise any of the rights and privileges of Membership but shall remain liable to the Corporation for all amounts due to the Corporation from the former Dealer Member.

**RULE 17  
DEALER MEMBER MINIMUM CAPITAL, CONDUCT OF BUSINESS AND INSURANCE**

- 17.12. No Dealer Member shall on less than 20 days' prior notice (i) to the Corporation, change its name, effect or permit any change in its constitution affecting voting rights, take any steps to dissolve, wind-up, surrender its charter or liquidate or dispose of all or substantially all of its assets, (ii) to the Corporation, effect or permit any alteration in its capital structure including the allotment, issue, repurchase, redemption, cancellation, subdivision or consolidation of any shares in its capital. In either case, the Dealer Member shall not proceed with such action if within such 20-day period it is advised that the matter is to be submitted to the applicable District Council for approval. The applicable District Council may review any matter so submitted to it and either approve or disapprove of the proposed action if it considers that the action may result in the Dealer Member being unable to comply with the Rules of the Corporation.
- 17.14. A Dealer Member engaged in trading in any securities or commodity futures contracts or options listed on or issued by a recognized stock exchange, commodity futures exchange, clearing or service corporation, or other listing or issuing organization, as the case may be, in respect of which the Rules or any Rulings do not prescribe specific standards or requirements, shall comply with the provisions of the relevant bylaws and regulations of such stock exchange, commodity futures exchange, clearing or service corporation, or other listing or issuing organization in effect from time to time to the extent not inconsistent with the Rules. For the purposes of this Rule 17.14, the Board of Directors shall, from time to time, designate recognized stock exchanges, futures exchanges, clearing or service corporations, or other listing or issuing organizations.

**RULE 18  
REGISTERED REPRESENTATIVES AND INVESTMENT REPRESENTATIVES**

- 18.1. Repealed.
- 18.2. (a) No person may act and no Dealer Member may permit any person to act as a Registered Representative or Investment Representative on behalf of the Dealer Member unless:
- (i) The Dealer Member is registered or licensed to trade, as the case may be, in securities or futures contracts under the statutes relating to the sale of securities or futures contracts in all jurisdictions in which customers of the Dealer Member reside or is exempt from the registration or licensing requirements under those statutes;
  - (ii) The person is registered or licensed to trade, as the case may be, in securities or futures contracts under the statutes relating to the sale of securities or futures contracts in all jurisdictions in which customers of the person reside or is exempt from the registration or licensing requirements under those statutes ; and
  - (iii) The Corporation has approved the person as a Registered Representative or Investment Representative under this Rule.
- (b) A Dealer Member must notify the Corporation of the types of businesses which a Registered Representative or Investment Representative will conduct, as follows:

- (i) **Customer Type:** the types of customers the Registered Representative or Investment Representative will deal with, either:
    - A. retail business – taking orders from or giving advice to all types of customers regarding trades in securities, or
    - B. institutional business – restricted to taking orders from or giving advice to Institutional Customers
  - (ii) **Product(s):** the types of financial instruments in which the Registered Representative or Investment Representative will deal, being:
    - A. restricted to mutual funds, Government or Government-guaranteed debt instruments and deposit instruments issued by a federally-regulated bank, trust company, credit union or caisse populaire, excluding those on which all or part of the interest or return is indexed to the performance of another financial instrument or index
    - B. general securities business, including equities, fixed income and other investment products other than options or futures
    - C. options business
    - D. futures contracts and futures contracts options
  - (iii) **Portfolio Management:** whether the Registered Representative will engage in discretionary portfolio management under the provisions of Rule 1300.
- (c) A person may not conduct on behalf of a Dealer Member and a Dealer Member may not permit a person to conduct on its behalf a type of business described in (b) unless the Dealer Member has notified the Corporation:
- (i) that the person will conduct the type of business; and
  - (ii) that the person has successfully completed the proficiencies required to conduct the type of business as specified in Rule 2900, Part I within the proficiency time limits specified in Rule 2900, Part II.

For the purposes of this subsection (c), an application to the Corporation for initial approval is notice that the person will conduct the types of business identified in the application.

- 18.3. (a) An applicant for approval as a Registered Representative or Investment Representative must complete or obtain an exemption from the applicable proficiency requirements in Rule 2900, Part I, section A.3(a) before the Corporation will grant approval.
- (b) A Dealer Member must take reasonable steps to ensure that all of its Registered Representatives and Investment Representatives are proficient and understand the products they trade in or advise on to a sufficient degree to meet the requirements of the Rules of the Corporation. At a minimum, the Dealer Member must ensure that all Registered Representatives and Investment Representatives meet the applicable proficiency requirements of Rule 2900.
- 18.4. The approval of a Registered Representative is suspended automatically if the person fails to satisfy the requirement in paragraph A.3(b) of Part I of Rule 2900 until the person has satisfied the requirement.
- 18.5. Repealed.
- 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.
  - 18.7. (a) A Registered Representative or Investment Representative qualified to conduct mutual funds business only must:
    - (i) within 270 days of initial approval, complete the proficiency requirements in Rule 2900, Part I, sections A.3(a)(i)(A) and (B); and
    - (ii) within 18 months of initial approval, complete the training programme required under Rule 2900, Part I, section A.3(a)(i)(C).
  - (b) A Dealer Member must notify the Corporation:
    - (i) when a Registered Representative or Investment Representative restricted to mutual funds business only has completed the requirements in each of subsections (a)(i) and a(ii); and
    - (ii) within 18 months of initial approval, that the Registered Representative or Investment Representative will conduct either retail or institutional business without restriction to mutual funds.
  - (c) Subsections (a) and (b) do not apply to a Registered Representative or Investment Representative who was restricted to mutual funds only on the date on which this section becomes effective and who is registered only in Provinces in which a restriction on an Investment Representative or Registered Representative with a Dealer Member to mutual funds business only complies with the securities legislation, rules and policies of the Province.
  - (d) The approval of a Registered Representative or Investment Representative is suspended automatically if the person fails to satisfy the requirement in paragraph (a) until the person has satisfied the requirements and notified the Corporation.
- 18.8. Repealed.
- 18.9. Repealed.
- 18.10. Repealed.
- 18.11. (a) A Registered Representative or Investment Representative of a Dealer Member is subject to the jurisdiction of the Corporation, must comply with the Rules and Rulings of the Corporation as the same are from time to time amended or supplemented.
- (b) If the approval of a Registered Representative or Investment Representative is revoked, the Registered Representative or Investment Representative must immediately cease acting as a Registered Representative or Investment Representative of his or her Dealer Member.
- 18.12. Repealed.
- 18.13. Repealed.
- 18.14. A Registered Representative or Investment Representative may have, and continue in, another gainful occupation if:
- (a)
    - (i) Either the Registered Representative's or Investment Representative's other gainful occupation is in a remote area where there is no office of a broker or dealer in securities and the Registered Representative's or Investment Representative's activities as such are limited to such remote area in which he or she resides; or
    - (ii) The securities commission in the jurisdiction in which the Registered Representative or Investment Representative acts or proposes to act as a Registered Representative or Investment Representative, or the securities legislation or policies administered by such securities commission, specifically permit him or her to devote less than his or her full time to the securities business of the Dealer Member employing him or her; and
  - (b) Repealed.

- (c) The Dealer Member establishes and maintains procedures acceptable to the Corporation to ensure continuous service to clients and to address potential problems of conflict of interest; and
  - (d) Any other occupation of the Registered Representative or Investment Representative is not
    - (i) One which would bring the securities industry into disrepute; or
    - (ii) With another dealer that is a member of a recognized self-regulatory organization unless
      - (1) Such dealer is a related company of the Dealer Member employing the Registered Representative or Investment Representative and the Dealer Member and related company provide cross-guarantees pursuant to Rule 6.6, and
      - (2) Such dual employment is not contrary to the provisions of the applicable securities legislation or any policy made pursuant thereto.
- 18.15. No Registered Representative or Investment Representative may accept or permit any associate to accept, directly or indirectly, any remuneration, gratuity, benefit or any other consideration from any person other than the Dealer Member or its affiliates or related companies, for the securities-related activities her or she conducts on behalf of the Dealer Member or its affiliates or its related companies.
- 18.16. No Dealer Member shall permit a Registered Representative or Investment Representative to use a designation when dealing with the public that wrongly indicates that he or she conducts or has been approved by the Corporation to conduct a type of business or fulfils or has been approved by the Corporation to fulfil a role.
- 18.17. Repealed.
- 18.18. Each Dealer Member is liable for and must pay to the Corporation fees in the amounts prescribed from time to time by the Board for the failure of the Dealer Member to file within ten business days of the end of each month a report with respect to the conditions imposed under Rule 20 on the approval or continued approval of a Registered Representative, or Investment Representative of the Dealer Member pursuant to Rule 20.

**RULE 22  
USE OF NAME OR LOGO: LIABILITIES: CLAIMS**

- 22.1. No Dealer Member shall use the name or logo of the Corporation on letterheads or in any circulars or other advertising or publicity matter, except in accordance with Rule 700.1. The Board of Directors may determine terms or conditions regarding a Dealer Member's use of the name or logo of the Corporation. The Board of Directors may at its sole discretion require a Dealer Member to cease using the name or logo of the Corporation. Any use by a Dealer Member of the name or logo of the Corporation name shall not have the effect of granting to the Dealer Member any proprietary interest in the Corporation's name or logo.
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**RULE 29  
BUSINESS CONDUCT**

- 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.

29.11. No Dealer Member shall pay or make any payment on account or in respect of any debt owing by such Dealer Member to any creditor of such Dealer Member contrary to the provisions of, or otherwise fail to comply with, any subordination or other agreement to which such Dealer Member and the Corporation are parties.

29.14. (a) Definitions. For the purposes of these Rules 29.14 to 29.25, the term:

"Advertising" means any promotional material used in or on any newspaper, magazine, radio, video, television, telephone or cassette recording, motion picture, slide presentation or sign or billboard;

"Applicable Securities Laws" means:

- (i) Ontario Securities Commission Rule 61-501 relating to Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions; and
- (ii) section 190 of the *Business Corporations Act* (Ontario);

"Corporation Standards" means the disclosure standards specified in Rules 29.14 through 29.24;

"CIPF" means Canadian Investor Protection Fund and "FCPE" means Fonds canadien de protection des épargnants;

"CIPF official explanatory statement" means the following statement:

"Customers' accounts are protected by the Canadian Investor Protection Fund within specified limits. A brochure describing the nature and limits of coverage is available upon request."

Or such other statement as may be prescribed as such by CIPF from time to time for use by Members;

"CIPF official brochure" means any brochure or publication prescribed as such by CIPF for use by Members;

"CIPF official symbol" means the symbol, mark or other designation prescribed as such by CIPF for use by Dealer Members with the word "Dealer Member" appearing on top of the official symbol;

"Fairness Opinion" means a report of a Valuer that contains the Valuer's opinion as to the fairness, from a financial point of view, of a transaction;

"Formal Valuation" means a report of a Valuer that contains the Valuer's opinion as to the value or range of values of the subject matter of the valuation;

"Professional Opinion" means a Formal Valuation or a Fairness Opinion;

"Subject Transaction" means an insider bid, issuer bid, going private transaction or related party transaction as each such term is defined in Applicable Securities Laws; and

"Valuer" means the person who provides a Professional Opinion.

The terms "disclosure document", "interested party" and "prior valuation" as used in these Rules 29.14 to 29.25 have the same respective meanings as in Applicable Securities Laws.

- (b) Display at Premises. Each Dealer Member shall conspicuously display in a prominent place at each of its locations to which customers have access the CIPF official symbol. No Dealer Member shall be required to display the CIPF official symbol until 30 days after the first day of operation as a Dealer Member.
- (c) Account Statements and Confirmations. Each Dealer Member shall include on the front of each confirmation and account statement sent to a customer the CIPF official symbol, and shall also include in legible print on either the front or the back (at the Dealer Member's option) of each confirmation and account statement sent to a customer the CIPF official explanatory statement in either English or French. No Dealer Member need comply with this paragraph (c) until its existing supplies of confirmation forms and account statements have been exhausted or until a date which is one year after the date this Rule comes into force, whichever is the earlier.
- (d) CIPF Official Brochure. Each Dealer Member shall make available to its customers on request the current version of the CIPF official brochure in either English or French as requested.
- (e) Advertising. Each Dealer Member shall include in any written, visual or audio advertising the words "Member CIPF" together with, at the option of the Dealer Member, a reproduction of the CIPF official symbol. Except as provided in this paragraph (e), no Dealer Member shall display any symbol relating to CIPF other than the CIPF official symbol or include any symbol, statement or explanation relating to CIPF or the Members' membership in CIPF in any advertising, promotional or other materials other than the CIPF official symbol or CIPF official explanatory statements.

- (f) Members of CIPF. For the purposes only of complying with this Rule 29.14 and to the extent permitted by CIPF from time to time, Dealer Members shall identify themselves as members of CIPF.
- (g) English/French Language. Subject to applicable laws, a Dealer Member may comply with the requirements of this Rule in either the English or French language.
- (h) Termination of Membership. Upon the termination or suspension of its Membership, each Dealer Member shall immediately cease using the CIPF official explanatory statement, CIPF official brochure or CIPF official symbol, and shall cease identifying itself as a member of CIPF.
- (i) Exemptions. A Dealer Member may be exempted from all or part of the requirements of paragraph (e) of this Rule 29.14 to the extent prescribed by CIPF from time to time.

**RULE 31  
INACTIVE STATUS**

- 31.1. A Dealer Member wishing to be temporarily transferred to the category of Dealer Member with Inactive Status shall apply to the Board of Directors in writing, in care of the Corporation, giving reasons for its request.
- 31.2. The Board of Directors may, having received an application referred to in Rule 31.1, transfer the Dealer Member to Inactive Status for such fixed period of time and subject to such terms and conditions as the Board of Directors may, in its sole discretion, deem advisable.
- 31.3. Notice of the transfer of a Dealer Member to Inactive Status shall forthwith be given by the Corporation to the Dealer Member transferring, all other Dealer Members and to such other persons as the Board of Directors may direct.
- 31.4. Unless a Dealer Member with Inactive Status has applied to the Board of Directors in writing, in care of the Corporation, at least 30 days prior to the expiration of the period of time established by the Board of Directors pursuant to Rule 31.2, for an extension of the time during which such Dealer Member shall remain a Dealer Member with Inactive Status and the Board of Directors has approved an extension for such further period and subject to such terms and conditions as the Board of Directors may, in its sole discretion, deem advisable, the Dealer Member with Inactive Status shall automatically resume the status of a Dealer Member at the expiration of the period of time originally established by the Board of Directors.
- 31.5. Upon the expiration of the extended period of time fixed by the Board of Directors pursuant to Rule 31.4 the Dealer Member with Inactive Status shall resume the status of a Dealer Member.

**RULE 35  
INTRODUCING BROKER/CARRYING BROKER ARRANGEMENTS**

- 35.1. **General**
  - (a) For the purposes of this Rule 35:
    - (i) "Carrying Broker" means the Dealer Member or member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund that carries client accounts, which at a minimum includes the clearing and settlement of trades, the maintenance of books and records of client transactions and the custody of some or all client funds and securities;
    - (ii) "Introducing Broker" means the Dealer Member or member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund that introduces client accounts to the carrying broker;
    - (iii) "Canadian Financial Institution" means a Schedule I or Schedule II Bank pursuant to the Bank Act (Canada), an insurance company governed by federal or provincial insurance legislation and a loan or trust company governed by federal or provincial loan and trust company legislation.
  - (b) A Dealer Member may, with the approval of the applicable District Council and if otherwise in compliance with the terms of this Rule and any requirements of the regulatory authority in the jurisdiction of the introducing broker, carry accounts of clients introduced to it by:

- (i) Another Dealer Member; or
  - (ii) A member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund.
- (c) A Dealer Member shall not introduce accounts to any person other than:
- (i) Another Dealer Member; or
  - (ii) A member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund.
- (d) For the purposes of this Rule 35, arrangements whereby employees of a Dealer Member's affiliated Canadian financial institution handle securities clearance and settlement, maintain records and perform operational functions on behalf of the Dealer Member shall not be considered to be introducing/carrying arrangements for the purposes of this Rule 35, provided that pursuant to the arrangement, the employees of the Dealer Member's affiliated Canadian financial institution handle custodial functions on a segregated basis in accordance with the segregation provisions of the Rule.
- (e) Except as otherwise provided herein, an introducing broker may introduce clients to only one carrying broker. An introducing broker that introduces clients to a carrying broker shall enter into a written contract with the carrying broker to which it introduces clients defining, to an extent determined from time to time by the Corporation the rights and obligations between them.
- (i) Dealer Members who enter into an introducing broker/carrying broker arrangement must enter into a written contract in a form prescribed from time to time by the Corporation and each such introducing broker/carrying broker arrangement shall come into effect only after it is approved by the Corporation;
  - (ii) An introducing broker that is party to an Introducing Type 1 or Type 2 Arrangement cannot enter into more than one introducing broker/carrying broker arrangement other than one additional introducing broker/carrying broker arrangement exclusively for trading in futures contracts and options;
  - (iii) An introducing broker that is party to an Introducing Type 1 or Type 2 Arrangement shall not fully service any part of its securities-related activities, other than fully servicing trading in futures contracts and options;
  - (iv) An introducing broker that is party to an Introducing Type 1 Arrangement shall carry out trade settlement and custody of securities related to its principal trading through the facilities of the carrying broker; and
  - (v) An introducing broker that is party to an Introducing Type 3 or Type 4 Arrangement may enter into more than one introducing broker/carrying broker arrangement and may also fully service part of its securities-related activities.
- (f) Each introducing or carrying broker that is a party to an introducing broker/carrying broker arrangement and that is not a Dealer Member, and each of such introducing or carrying brokers' partners, directors, officers, shareholders and employees, shall comply with all Rules, Rulings and Forms of the Corporation.
- (g) Each introducing broker/carrying broker arrangement must be classified as an Introducing Type 1, Type 2, Type 3 or Type 4 Arrangement and must meet the requirements for such arrangement as set out in this Rule 35.
- (h) A Dealer Member may apply for an exemption from the requirements of Rule 35 in accordance with Rule 20.25.

### **35.2. Introducing Type 1 Arrangement**

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 1 Arrangement, the parties shall execute an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

**(a) Minimum Capital Requirement**

An introducing broker that is a party to an Introducing Type 1 Arrangement must maintain at all times minimum capital of \$75,000 for the purposes of calculating its risk adjusted capital.

**(b) Margin Arising from Principal and Agency Business**

- (i) The carrying broker shall calculate and maintain the margin for any agency business that it carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation.
- (ii) The introducing broker shall calculate and maintain the margin for any principal business carried on its behalf by the carrying broker in accordance with the relevant margin requirements of the Corporation. The carrying broker shall provide for margin for any principal business which it carries on behalf of the introducing broker to the extent of any equity deficiency in the introducing broker's trading account.

**(c) Margin Offsets Permitted**

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made by the introducing broker to the extent of the excess risk adjusted capital of the introducing broker. The carrying broker shall notify the introducing broker of all such offsets at the time of such offset. Upon receiving notification of such offset, the introducing broker shall reclassify that portion of the deposit which relates to the margin offset as a non-allowable asset on its Form 1 (Joint Regulatory Financial Questionnaire and Report) or Monthly Financial Report.

**(d) Reporting of Client Balances**

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the carrying broker shall, and the introducing broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the carrying broker's Form 1 or Monthly Financial Report.

**(e) Net Client Balances/Funding Deployment**

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the carrying broker shall be responsible for meeting any financing requirements of such client accounts.

**(f) Deposit**

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

The deposit provided by the introducing broker to the carrying broker shall be reported by the introducing broker as an allowable asset on its Form 1 or Monthly Financial Report. However, any portion of the deposit that may be impaired in value due to the carrying broker carrying client accounts with unsecured debit balances on behalf of the introducing broker shall be reclassified as a non-allowable asset on the Form 1 or Monthly Financial Report of the introducing broker.

**(g) Concentration Calculation**

For the purposes of the concentration calculations required in Schedules 9 and 12 of Form 1, the carrying broker shall include, and the introducing broker shall not include, all client positions which the carrying broker maintains on behalf of the introducing broker in the carrying broker's calculation.

**(h) Segregation of Client Securities**

The carrying broker shall be responsible for segregating all securities for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

**(i) Free Credit Segregation**

The carrying broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to it by the introducing broker.

**(j) Insurance**

- (i) The introducing broker shall maintain minimum insurance of \$200,000 for the purposes of Rule 400.4.
- (ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.
- (iii) The carrying broker shall include all accounts introduced to it by the introducing broker in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.
- (iv) Both the introducing broker and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

**(k) Required Disclosure of the Opening of Client Accounts**

At the time of opening each client account, the introducing broker shall obtain from the person opening the account an acknowledgement, in a form satisfactory to the Corporation, that the introducing broker has advised the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

**(l) Contracts, Statements and Correspondence**

The name and role of each of the introducing broker and the carrying broker shall be shown on all contracts, statements, correspondence and other documentation, and shall both be parties to any margin agreements and guarantee documentation.

**(m) Clients Introduced to the Carrying Broker**

Each client introduced to the carrying broker by the introducing broker shall be considered a client of the carrying broker for the purposes of complying with the Rules, Rulings and Forms of the Corporation.

**(n) Responsibility for Compliance with all Non-Financial Requirements**

Unless otherwise specified in this Rule 35.2, the introducing broker and the carrying broker shall be jointly and severally responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

**(o) Cash Transactions**

The introducing broker may facilitate cash transactions on behalf of clients carried by the carrying broker only with the approval of the carrying broker through the use of an account in the name of the carrying broker.

**(p) Reporting of Principal Positions**

The introducing broker shall report all of its principal positions carried by the carrying broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report the principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

**35.3. Introducing Type 2 Arrangement**

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 2 Arrangement, the parties shall execute an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

**(a) Minimum Capital Requirement**

An introducing broker that is a party to an Introducing Type 2 Arrangement must maintain at all times minimum capital of \$250,000 for the purposes of calculating its risk adjusted capital.

**(b) Margin Arising from Principal and Agency Business**

- (i) The carrying broker shall calculate and maintain the margin for any agency business that it carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation.
- (ii) The introducing broker shall calculate and maintain the margin for any principal business carried on its behalf by the carrying broker in accordance with the relevant margin requirements of the Corporation. The carrying broker shall provide for margin for any principal business which it carries on behalf of the introducing broker to the extent of any equity deficiency in the introducing broker's trading account.

**(c) Margin Offsets Permitted**

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made by the introducing broker to the extent of the excess risk adjusted capital of the introducing broker. The carrying broker shall notify the introducing broker of all such offsets at the time of such offset. Upon receiving notification of such offset, the introducing broker shall reclassify that portion of the deposit which relates to the margin offset as a non-allowable asset on its Form 1 (Joint Regulatory Financial Questionnaire and Report) or Monthly Financial Report.

**(d) Reporting of Client Balances**

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the carrying broker shall, and the introducing broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the carrying broker's Form 1 or Monthly Financial Report.

**(e) Net Client Balances/Funding Deployment**

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the carrying broker shall be responsible for meeting any financing requirements of such client accounts.

**(f) Deposit**

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

The deposit provided by the introducing broker to the carrying broker shall be reported by the introducing broker as an allowable asset on its Form 1 or Monthly Financial Report. However, any portion of the deposit that may be impaired in value due to the carrying broker carrying client accounts with unsecured debit balances on behalf of the introducing broker shall be reclassified as a non-allowable asset on the Form 1 or Monthly Financial Report of the introducing broker.

**(g) Concentration Calculation**

For the purposes of the concentration calculations required in Schedule 9 and 12 of Form 1, the carrying broker shall include, and the introducing broker shall not include, all client positions which the carrying broker maintains on behalf of the introducing broker in the carrying broker's calculation.

**(h) Segregation of Client Securities**

The carrying broker shall be responsible for segregating all securities which it holds for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

**(i) Free Credit Segregation**

The carrying broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to it by the introducing broker.

**(j) Insurance**

- (i) The introducing broker shall maintain minimum insurance of \$500,000 for the purposes of Rule 400.4.

- (ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.
- (iii) The carrying broker shall include all accounts introduced to it by the introducing broker in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.
- (iv) Both the introducing broker and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

**(k) Required Disclosure of the Opening of Client Accounts**

At the time of opening each client account, the introducing broker shall obtain from the person opening the account an acknowledgement, in a form satisfactory to the Corporation, that the introducing broker has advised the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

**(l) Contracts, Statements and Correspondence**

At the option of the introducing broker and the carrying broker as they may agree, the name and role of each of the introducing broker and the carrying broker may be shown on any contracts, statements, correspondence and other documentation, otherwise the name of the introducing broker shall be shown. Notwithstanding the foregoing, all margin agreements and guarantee documentation shall be in the name of both the introducing broker and the carrying broker.

**(m) Required Annual Disclosure**

At least annually, the introducing broker shall provide written disclosure, in the form satisfactory to the Corporation, to each of its clients whose accounts are being carried by the carrying broker, outlining the relationship between the introducing broker and the carrying broker and the relationship between such client and the carrying broker. Notwithstanding the foregoing, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documentation in accordance with subparagraph (1) above, the introducing broker need not provide annual disclosure as required by this subparagraph (m).

**(n) Clients Introduced to the Carrying Broker**

Each client introduced to the carrying broker by the introducing broker shall be considered to be a client of the carrying broker for the purposes of complying with the Rules, Rulings and Forms.

**(o) Responsibility for Compliance with all Non-Financial Requirements**

Unless otherwise specified in this Rule 35.3, the introducing broker shall be responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

**(p) Cash Transactions**

The introducing broker may facilitate cash transactions on behalf of clients carried through the carrying broker through the use of an account in the name of either the carrying broker or the introducing broker.

**(q) Reporting of Principal Positions**

The introducing broker shall report all of its principal positions carried by the carrying broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report all principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

**35.4. Introducing Type 3 Arrangement**

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 3 Arrangement, the parties shall execute an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

**(a) Minimum Capital Requirement**

An introducing broker that is a party to an Introducing Type 3 Arrangement must maintain at all times minimum capital of \$250,000 for the purposes of calculating its risk adjusted capital.

**(b) Margin Arising from Principal and Agency Business**

The carrying broker shall calculate the margin for any principal and agency business that it carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation and the introducing broker shall maintain such required margin.

**(c) Margin Offsets Permitted**

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made by the introducing broker with the carrying broker.

**(d) Reporting of Client Balances**

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the introducing broker shall, and the carrying broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the introducing broker's Form 1 or Monthly Financial Report. Notwithstanding the foregoing, the carrying broker shall be required to report one balance owing to or from the introducing broker in relation to the accounts of clients which it carries on behalf of the introducing broker on its Form 1 or Monthly Financial Report. Such reporting of one balance shall not release, discharge, limit or otherwise affect the carrying broker's obligations and liabilities to each individual client whose account it carries on behalf of the introducing broker.

**(e) Net Client Balances/Funding Deployment**

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the carrying broker shall be responsible for meeting any financing requirements of such client accounts.

**(f) Comfort Deposit**

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

**(g) Concentration Calculation**

For the purposes of the concentration calculations required in Schedules 9 and 12 of the Form 1, the introducing broker shall include, and the carrying broker shall not include, all client positions which the carrying broker maintains on behalf of the introducing broker in the introducing broker's calculation.

**(h) Segregation of Client Securities**

The carrying broker shall be responsible for segregating all securities which it holds for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

**(i) Free Credit Segregation**

The carrying broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to it by the introducing broker.

**(j) Insurance**

- (i) The introducing broker shall maintain minimum insurance protection of \$500,000 for the purposes of Rule 400.4.
- (ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.

- (iii) The carrying broker and the introducing broker shall include all accounts introduced to the carrying broker by the introducing broker in each of their calculations of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.
- (iv) Both the introducing and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

**(k) Required Disclosure of the Opening of Client Accounts**

At the time of opening each client account, the introducing broker shall advise the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

**(l) Contracts, Statements and Correspondence**

At the option of the introducing broker and the carrying broker as they may agree, the name and role of each of the introducing broker and the carrying broker may be shown on all contracts, statements, correspondence and other documentation, otherwise the name of the introducing broker shall be shown. Notwithstanding the foregoing, all margin agreements and guarantee documentation shall be in the name of both the introducing broker and the carrying broker.

**(m) Required Annual Disclosure**

At least annually, the introducing broker shall provide written disclosure, in a form satisfactory to the Corporation, to each of its clients whose accounts are being carried by the carrying broker, outlining the relationship between the introducing broker and the carrying broker and the relationship between such client and the carrying broker. Notwithstanding the foregoing, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documentation in accordance with subparagraph (1) above, the introducing broker need not provide annual disclosure as required by this subparagraph (m).

**(n) Clients Introduced to the Carrying Broker**

Each client introduced to the carrying broker by the introducing broker shall be considered to be a client of the carrying broker for the purposes of the Rules, Rulings and Forms.

**(o) Responsibility for Compliance with all Non-Financial Exchange Requirements**

Unless otherwise specified in this Rule 35.4, the introducing broker shall be responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

**(p) Cash Transactions**

The introducing broker may facilitate cash transactions on behalf of clients carried through the carrying broker through the use of an account in the name of either the carrying broker or the introducing broker.

**(q) Reporting of Principal Positions**

The introducing broker shall report all of its principal positions carried by the carrying broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report all principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

**35.5. Introducing Type 4 Arrangement**

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 4 Arrangement, the parties shall execute an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

**(a) Minimum Capital Requirement**

An introducing broker that is a party to an Introducing Type 4 Arrangement must maintain at all times minimum capital of \$250,000 for the purposes of calculating its risk adjusted capital.

**(b) Margin Arising from Principal and Agency Business**

The carrying broker shall calculate the margin for any principal and agency business that the carrying broker carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation and the introducing broker shall maintain the required margin.

**(c) Margin Offsets Permitted**

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made with the carrying broker.

**(d) Reporting of Client Balances**

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the introducing broker shall, and the carrying broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the introducing Broker's Form 1 or Monthly Financial Report. Notwithstanding the foregoing, the carrying broker shall be required to report one balance owing to or from the introducing broker in relation to the accounts of clients which it carries on behalf of the introducing broker on its Form 1 or Monthly Financial Report. Such reporting of one balance shall not release, discharge, limit or otherwise affect the carrying broker's obligations and liabilities to each individual client whose account it carries on behalf of the introducing broker.

**(e) Net Client Balances/Funding Deployment**

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the introducing broker shall be responsible for meeting any financing requirements of such client accounts.

**(f) Deposit**

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

**(g) Concentration Calculation**

For the purposes of the concentration calculations required in Schedules 9 and 12 of Form 1, the introducing broker shall include, and the carrying broker shall not include, all client positions which the carrying broker maintains on behalf of the introducing broker in the introducing broker's calculation.

**(h) Segregation of Client Securities**

The carrying broker shall be responsible for segregating all securities which it holds for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

**(i) Free Credit Segregation**

The introducing broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to the carrying broker by the introducing broker.

**(j) Insurance**

(i) The introducing broker shall maintain minimum insurance protection of \$500,000 for the purposes of Rule 400.4.

(ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.

(iii) The carrying broker and the introducing broker shall include all accounts introduced to the carrying broker by the introducing broker in each of their calculations of the asset measurement for minimum Financial Institution Bond coverage for Clauses (a) through (E) under Rule 400.2.

(iv) Both the introducing and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

**(k) Required Disclosure of the Opening of Client Accounts**

At the time of opening each client account, the introducing broker shall advise the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

**(l) Contracts, Statements and Correspondence**

At the option of the introducing broker and the carrying broker as they may agree, the name and role of each of the introducing broker and the carrying broker may be shown on all contracts, statements, correspondence and other documentation, otherwise the name of the introducing broker shall be shown. Notwithstanding the foregoing, if any guarantee or margin agreement is solely between the client and the introducing broker, the agreement between the introducing broker and the carrying broker shall provide that the carrying broker may act to protect its interest in those securities for which it has not been paid by the introducing broker at the time that the introducing broker becomes insolvent, bankrupt or ceases to be a member of a self-regulatory organization that is a participating institution in the Canadian Investment Protection Fund.

**(m) Required Annual Disclosure**

At least annually, the introducing broker shall provide written disclosure, in the form satisfactory to the Corporation, to each of its clients whose accounts are being carried by the carrying broker, outlining the relationship between the introducing broker and the carrying broker and the relationship between such client and the carrying broker. Notwithstanding the foregoing, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documentation in accordance with subparagraph (1) above, the introducing broker need not provide annual disclosure as required by this subparagraph (m).

**(n) Clients Introduced to the Carrying Broker**

Each client introduced to the carrying broker by the introducing broker shall be considered to be a client of the carrying broker for the purposes of the Rules, Rulings and Forms.

**(o) Responsibility for Compliance with all Non-Financial Exchange Requirements**

Unless otherwise specified in this Rule 35.5, the introducing broker shall be responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

**(p) Cash Transactions**

The introducing broker may facilitate cash transactions on behalf of clients carried through the carrying broker through the use of an account in the name of either the carrying broker or the introducing broker.

**(q) Reporting of Principal Positions**

The introducing broker shall report all principal positions carried by the carrying broker for the introducing broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report all principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

**35.6. Exemption for Arrangements Between a Dealer Member and a Foreign Affiliate**

Notwithstanding the provisions of this Rule 35, on the application of a Dealer Member pursuant to Rule 20.25, the applicable District Council may exempt any arrangements between a Dealer Member and a Dealer Member's foreign affiliate pursuant to which the Dealer Member carries accounts of the foreign affiliate or its clients from the requirements of this Rule 35 (other than Rule 35.6) provided that the arrangements meet the following criteria:

**(a) Exemption Applicable to Affiliates of the Member**

The exemption in this Rule 35.6 shall apply only to arrangements between a Dealer Member and a foreign affiliate of the Dealer Member. The Dealer Member shall provide the Exchange with evidence satisfactory to the Exchange of such relationship and of the details of the arrangement between them.

**(b) Disclosure of Relationship to Clients of Foreign Affiliate**

The Dealer Member shall ensure that the foreign affiliate, at least annually, provides written disclosure, in a form satisfactory to the Corporation, to each of the foreign affiliate's clients whose accounts are being carried by the Dealer Member, outlining the relationship between the Dealer Member and the Dealer Member's foreign affiliate and the relationship between the Dealer Member and the client of the foreign affiliate, and outlining any limitations on coverage of such client accounts by the Canadian Investor Protection Fund.

**(c) Approval by the Requisite Authority in the Foreign Affiliate's Jurisdiction**

The exemption provided in this Rule 35.6 shall only be granted by the applicable District Council upon receipt by the Corporation of written approval from the regulatory authority in the foreign affiliate's jurisdiction acknowledging and approving the arrangement between the Dealer Member and the Dealer Member's foreign affiliate.

**(d) Responsibility for Compliance with Corporation Requirements**

Foreign affiliates of a Dealer Member that have an arrangement with the Dealer Member as set out in this Rule 35.6, are not required to comply with the requirements of the Rules, Rulings and Forms of the Corporation solely as a result of such an arrangement.

**(e) Reporting of Balances**

In calculating its risk adjusted capital required under Rule 17.1 and Form 1, the Dealer Member shall report one balance owing to or from its foreign affiliate in relation to the accounts of the clients which the Dealer Member is carrying on behalf of its foreign affiliate on its Form 1 or Monthly Financial Report.

**(f) Segregation of Securities**

The Dealer Member shall be responsible for segregating all securities which it holds for clients of its foreign affiliate in accordance with the segregation requirements of the Rules.

**(g) Insurance**

The Dealer Member shall include all accounts introduced to it by its foreign affiliate in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.

**RULE 38  
COMPLIANCE AND SUPERVISION**

38.3

- (a) No person may act and no Dealer Member may permit a person to act as a Supervisor without the approval of the Corporation.
- (b) Failure to satisfy sub-clause A.1(a)(ii)D of Part I of Rule 2900 will result in the automatic suspension of approval. Approval will be reinstated only at such time as the individual has satisfied the applicable proficiency requirement and notified the Corporation.

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.

38.6 Chief Financial Officer

(a) Each Dealer Member must, subject to the approval of the Corporation, appoint one Executive as Chief Financial Officer who, in addition to the requirements under Rule 7.4(a), must have met the proficiency requirements of Rule 2900, Part I, section A.2A. The Chief Financial Officer need not be engaged full time in the business of the Dealer Member.

(b) Notwithstanding subsection (a), if the Chief Financial Officer of a Dealer Member terminates his/her employment with the Dealer Member and the Dealer Member is unable to immediately appoint another qualified person as Chief Financial Officer, the Dealer Member may, with the Corporation's approval, appoint an Executive as Acting Chief Financial Officer, provided that within 90 days of the termination:

(1) the Acting Chief Financial Officer meets the requirement of subsection (a) and is approved by the Corporation as Chief Financial Officer; or

(2) another qualified person is appointed Chief Financial Officer by the Dealer Member and approved by the Corporation.

(c) The Chief Financial Officer must monitor adherence to the Dealer Member's policies and procedures as necessary to provide reasonable assurance that the Dealer Member complies with the financial rules of the Corporation.

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.

**RULE 39  
PRINCIPAL AND AGENT**

- 39.1. All Rules and Forms of the Corporation that refer to the term employee shall be deemed to refer as well to the term agent and all references to the term employment shall be deemed to refer as well to the term agency relationship, where applicable.
- 39.2. For the purposes of this Rule "securities related business" means any business or activity (whether or not carried on for gain) engaged in, directly or indirectly, which constitutes trading or advising in securities or exchange contracts (including commodity futures contracts and commodity futures options) for the purposes of applicable securities legislation and exchange contracts legislation in any jurisdiction in Canada, including for greater certainty, sales pursuant to exemptions under that legislation.
- 39.3. The relationship between the Dealer Member and any person conducting securities related business on behalf of the Dealer Member may be that of:
  - a) an employee, or
  - b) an agent who is not an employee, but may not be that of an incorporated salesperson.
- 39.4. Where a Dealer Member structures its business relationship with a person conducting securities related business on behalf of the Dealer Member using the principal / agent relationship contemplated in paragraph 39.3(b), the Dealer Member shall ensure that:
  - a) the business relationship is not contrary to the provisions of applicable legislation;

- b) such agent is registered or licensed in the manner necessary, and is in good standing, under the applicable legislation in the province or territory where the agent proposes to act;
- c) the Dealer Member shall be responsible for, and shall supervise the conduct of the agent in respect of the business including compliance with applicable legislation and the Rules of the Corporation, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Dealer Member is subject;
- d) the Dealer Member shall be liable to clients (and other third parties) for the acts and omissions of the agent relating to the Dealer Member's business as if the agent were an employee of the Dealer Member;
- e) the agent is in compliance with applicable legislation and the Rules of the Corporation, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Dealer Member is subject;
- f) the financial institution bond and insurance policies required to be maintained by the Dealer Member pursuant to Rule 17 and Rule 400 cover and relate to the conduct of the agent;
- g) all books and records prepared and maintained by the agent in respect of the business of the Dealer Member shall be in accordance with Rule 17 and Rule 200 and all applicable legislation and shall be the property of the Dealer Member and shall be available for review by and delivery to the Dealer Member at all times and upon termination of the agreement referred to in paragraph (n);
- h) the Dealer Member shall, at all times, have access to the premises of the agent where the agent conducts securities related business on behalf of the Dealer Member ;
- i) in the event of a compliance issue arising in respect of a client or clients, the Dealer Member shall be entitled to take control of all future dealings with the client or clients;
- j) all securities related business conducted by the agent is in the name of the Dealer Member subject to Rule 29.7A;
- k) the agent shall not conduct securities related business with or on behalf of any person other than the Dealer Member;
- l) if the agent is engaged in or carrying on any business activity other than business conducted on behalf of the Dealer Member, including any business or activity which is subject to regulation by any regulatory authority other than a securities commission, compliance with the terms of the agreement referred to in paragraph (n) shall be monitored and enforced directly by the Dealer Member and not by or through any other person including another employer or principal of the agent;
- m) the terms or basis on which the agent may be engaged in or carry on any business or activity other than the business conducted on behalf of the Dealer Member shall not prevent or impair the ability of the Dealer Member or the Corporation from monitoring and enforcing compliance by the agent with the terms of the agreement referred to in paragraph (n) or the Rules of the Corporation; and
- n) the Dealer Member and the agent shall enter into an agreement in writing which shall be provided to the Corporation prior to engaging in the principal/agent relationship and shall contain terms which include the provisions of paragraph (a) to (m), inclusive, and which do not include provisions which are inconsistent with paragraph (a) to (m), and shall provide the Corporation with a certificate by an officer or director of such Dealer Member and upon request by the Corporation shall provide an opinion of counsel confirming the agreement is in compliance with such provisions;
- o) the Dealer Member and the Corporation shall enter into an agreement in writing prior to the Dealer Member engaging in the principal/agent relationship, which shall contain terms which include the provisions of paragraphs (c) and (d) that specifically relate to the Dealer Member's responsibility for and supervision of the agent to ensure the agent's compliance with applicable legislation and the Rules of the Corporation, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Dealer Member is subject and relate to the Dealer Member's liability to clients (and other third parties) for the acts and omissions of the agent relating to the Dealer Member's business as if the agent were an employee of the Dealer Member;

- p) the agreements referred to in paragraphs (n) and (o) shall be in a form satisfactory to the Corporation;
- q) the Dealer Member and the agent shall be responsible for ensuring all arrangements between them comply with applicable tax laws and for providing satisfactory evidence to the Corporation of such compliance.

**APPENDIX A  
INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA  
PROVISIONS FOR AGENCY AGREEMENTS  
IN CONNECTION WITH RULE 39.4**

**1. Definitions**

- (a) "Agent" means [•].
- (b) "Applicable Laws" means all laws, legislation and regulations of any governmental entity that are applicable to the Dealer Member and all by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority that are applicable to the Dealer Member, including, without limitation, the Rules.
- (c) "Client" means a person who has engaged the services of the Dealer Member through the Agent.
- (d) "Corporation" means Investment Industry Regulatory Organization of Canada.
- (e) "Rules" means the Rules of the Corporation as each may be amended, supplemented, restated or replaced from time to time.
- (f) "Dealer Member" means [•], together with its successors and permitted assigns.
- (g) "Dealer Member Business" means any business activity of the Agent conducted on behalf of the Dealer Member.
- (h) "Non-Dealer Member Business" means any business activity of the Agent that is not Dealer Member Business.
- (i) "Records" means books, records, client files, client information and all other documentation of the Agent relating in any way to Dealer Member Business, whether in written or electronic form.
- (j) "Securities Related Business" has the meaning specified in Rule 39.2.

**2. Confirmation of Supremacy of Rule 39.4**

- (a) The Agent and the Dealer Member acknowledge and confirm that this Agreement is intended to be made and be effective in compliance with the Rules, including without limitation Rule 39.4. In the event of any inconsistency between the terms of this Agreement and the terms of Rule 39.4, the terms of Rule 39.4 shall prevail. Any such inconsistent terms of this Agreement shall be deemed to be severable and deleted with the intent that this Agreement shall be construed, complied with by the Agent and the Dealer Member and enforced in a manner that gives full effect to the terms of Rule 39.4.

**3. Compliance by the Agent with Applicable Laws**

- (a) The Agent represents and warrants to the Dealer Member that (i) it is registered or licensed in the manner necessary under all Applicable Laws; (ii) it is in good standing under all Applicable Laws; and (iii) it is in compliance with all Applicable Laws.
- (b) The Agent shall (i) maintain any registrations or licenses in the manner necessary under all Applicable Laws; (ii) remain in good standing under all Applicable Laws; and (iii) comply with all Applicable Laws.

**4. Conduct of the Agent's Business**

- (a) Subject to Rule 29.7A, the Agent shall conduct all Dealer Member Business in the name of the Dealer Member.
- (b) The Agent shall not conduct any Securities Related Business with, in respect of or on behalf of any person other than the Dealer Member. The Agent shall not conduct any Non-Dealer Member Business except as disclosed in writing to the Dealer Member and as consented to in writing by the Dealer Member.

**5. Supervision of the Agent by the Member**

- (a) The Dealer Member shall be responsible for the conduct of the Agent, and shall supervise the conduct of the Agent in respect of Dealer Member Business, including, without limitation, compliance by the Agent with all Applicable Laws and with the terms of this Agreement.
- (b) If the Agent is engaged in or carrying on Non-Dealer Member Business, the Dealer Member shall monitor and enforce compliance with the terms of this Agreement directly, and not by or through any other person.
- (c) The Agent shall ensure that the terms or basis on which it is engaged in or carries on Non-Dealer Member Business comply with the terms of this Agreement and the Rules and do not prevent or impair the ability of the Dealer Member or the Corporation from monitoring and enforcing compliance by the Agent with the terms of this Agreement and the Rules.
- (d) Where the Dealer Member and Agent agree that the Agent shall make written disclosure to Clients advising Clients of the business activity included in or excluded from the Securities Related Business that the Dealer Member conducts and that any other business activity conducted by the Agent is not the responsibility of the Dealer Member but the responsibility of the Agent alone, the Dealer Member shall be responsible for ensuring that the Agent provides the disclosure directly to Clients.
- (e) The Dealer Member shall be liable to clients (and other third parties) for the acts and omissions of the Agent relating to Dealer Member Business as if the Agent were an employee of the Dealer Member, subject to any defence available to the Dealer Member under Applicable Laws.
- (f) In the event that:
  - (i) the Corporation, a securities commission or any other regulatory authority having jurisdiction has advised the Dealer Member to the effect that, or has commenced an investigation or any proceeding on the basis that, or
  - (ii) the Dealer Member has reasonable grounds to believe that, the conduct by the Agent of any business in respect of any Client or Clients is not in compliance with any Applicable Laws, the Dealer Member may immediately and without notice to the Agent assume responsibility for and control of all or any dealings and communications with such Client or Clients, and the Agent shall not engage in any such dealings or communications with the Client or Clients for as long as and to the extent that the Dealer Member has assumed such responsibility. During the period that the Dealer Member has assumed responsibility for the Client or Clients in the manner above, the Dealer Member may designate another employee or agent of the Dealer Member who is qualified to provide such services to the Client or Clients as may be necessary or desirable in connection with its Dealer Member Business, and all or any portion of the remuneration otherwise payable to the Agent in respect of such services or business may be directed or paid to such other employee or agent.

**6. Records and Insurance**

- (a) The Agent shall prepare all Records in accordance with Rule 17, Rule 200 and all other Applicable Laws.
- (b) The Agent's Records are the property of the Dealer Member. Upon the request of the Dealer Member for any reason, including, without limitation, the termination of this Agreement, the Agent shall forthwith deliver the Records to the Dealer Member.
- (c) The Dealer Member shall maintain, in accordance with Rule 17 and Rule 400, financial institution bond and insurance policies that cover and relate to the conduct of the Agent.

**7. Access by the Member**

- (a) The Agent shall make the Records available for review by the Dealer Member at the premises where the Agent conducts securities related business on behalf of the Dealer Member and at any other place the Records are located. The Dealer Member has the right to inspect the Records at any time, immediately upon demand by the Dealer Member.
- (b) The Dealer Member has the right to access any place of business of the Agent at any and all times. The Dealer Member may exercise such right to access at any time, immediately upon demand by the Dealer Member.

**APPENDIX B  
MEMBER AGREEMENT REGARDING AGENTS**

**TO: INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (THE "CORPORATION")**

**RECITALS:**

- A. The Dealer Member is a member of the Corporation and has agreed to be bound by its By-laws and Rules ("Rules").
- B. Rule 39.4(o) of the Corporation requires the Dealer Member to enter into this Agreement, which is in addition to, and does not replace or modify, the Rules or any agreement between the Corporation and the Dealer Member.

For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Dealer Member agrees that:

- 1. The Dealer Member shall ensure that each of its agents (as defined in Rule 39.3(b)) complies with all laws, legislation and regulations of any governmental entity that are applicable to such agent and all by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority that are applicable to such agent (collectively, "Applicable Laws"), as if such agent is an employee of the Dealer Member.
- 2. The Dealer Member shall enter into an agreement with each agent of the Dealer Member, in accordance with Rule 39.4(n) of the Corporation, pursuant to which the agent agrees to comply with all Applicable Laws.
- 3. The Dealer Member shall administer and comply with all Rules as if each agent of the Dealer Member is an employee of the Dealer Member and, without limitation, shall be responsible for and shall supervise the conduct of each agent in respect of its business, including compliance with Applicable Laws as if such agent is an employee of the Dealer Member.
- 4. The Dealer Member or the agent of the Dealer Member shall make written disclosure to the client advising the client of the business activity included in or excluded from the securities related business (as defined in Rule 39) that the Dealer Member conducts and that any other business activity conducted by the agent is not the responsibility of the Dealer Member but is the responsibility of the agent alone. The disclosure to new clients shall be provided at the time an account is opened for a client. The disclosure to existing clients shall be provided simultaneously with the language set out in Paragraph 7 within 6 months of the effective date of Rule 39.
- 5. Where the written disclosure described in Paragraph 4 is made by the agent, the Dealer Member shall ensure that the agent provides the disclosure directly to the client.
- 6. At the time an account is opened for a client, the Dealer Member shall include the following language in the New Client Application Form:

Your investment adviser may be an employee or an agent of [Dealer Member firm]. In either case, [Dealer Member firm] will be irrevocably liable to you, and will continue to be liable to you for the acts and omissions of your investment adviser relating to [Dealer Member firm's] business as if the investment adviser were an employee of [Dealer Member firm]. By continuing to deal with our firm you accept our offer of indemnity.
- 7. For existing client accounts that were opened with the Dealer Member on or before the effective date of Rule 39, the Dealer Member shall deliver to clients a document that includes the language as set out in Paragraph 6.
- 8. This Agreement shall be governed by the laws of the [applicable province or territory] and the laws of Canada applicable in the [applicable province or territory].
- 9. This Agreement shall enure to the benefit of, and shall be binding upon, the parties hereto and their successors and permitted assigns, provided that the Dealer Member may not assign its rights and obligations hereunder without the prior written consent of the Corporation.

DATED as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**[MEMBER]**

\_\_\_\_\_  
Name:  
Title:

**RULE 40**

**INDIVIDUAL APPROVALS, NOTIFICATIONS AND FEES AND THE NATIONAL REGISTRATION DATABASE**

**40.2 Obligations of Dealer Members regarding the National Registration Database**

- (1) Each Dealer Member shall
  - (a) enrol in NRD and pay to the NRD Administrator an enrolment fee calculated as prescribed by the Board;
  - (b) have one and no more than one chief AFR enrolled with the NRD Administrator;
  - (c) maintain one and no more than one NRD account;
  - (d) notify the NRD Administrator of the appointment of a chief AFR within 7 days of the appointment;
  - (e) notify the NRD Administrator of any change in the name of the firm's chief AFR within 7 days of the change;
  - (f) submit any change in the name of an AFR, other than the firm's chief AFR, in NRD format within 7 days of the change; and
  - (g) submit any change in the phone number, fax number or e-mail address of the chief AFR in NRD format within 7 days of the change.

**40.3 Approvals and Notifications**

- (1) Each Dealer Member making an application for approval of an individual in any capacity required under any Rule of the Corporation or an application for reinstatement of approval shall make such application to the Corporation through the NRD on Form 33-109F4 or Form 33-109F7 as applicable.
- (2) Each Dealer Member making an application under subsection (1) shall be liable for and pay such fees as are prescribed from time to time by the Board, including but not limited to application fees payable to the NRD Administrator for use of the NRD for the making of such an application.
- (3) Any fees payable to the Corporation or to the NRD Administrator pursuant to subsection (3) above shall be submitted by electronic pre-authorized debit through NRD.

**40.4 Change of Approval Category or Type of Business**

- (1) Each Dealer Member making an application for approval of any Approved Person in a different or additional capacity requiring approval under any Rule of the Corporation or to surrender an existing approval shall make such application to the Corporation through the NRD on Form 33-109F2.
- (2) Each Dealer Member making an application under subsection (1) shall be liable for and pay such change of status fees as are prescribed from time to time by the Board, including but not limited to application fees payable to the NRD Administrator for use of the NRD for the making of such an application.
- (3) Any fees payable to the Corporation or the NRD Administrator pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.
- (4) Each Dealer Member must notify the Corporation through NRD on Form 33-109F2 when an Approved Person changes the type of business in which he or she engages or customer type as described in Rule 18.2(b).
- (5) Prior to providing notice of a change in the type of business in which an Approved Person will engage, a Dealer Member must ensure that it has notified the Corporation through NRD of the successful completion of the proficiency requirements under Rule 2900 necessary to undertake the type of business or that the Approved Person has been granted an exemption from the proficiency requirements under Rule 2900 and Rule 20.

40.5 **Report of Changes pursuant to Rule 3100**

- (1) Each Dealer Member making a report of a change regarding an Approved Person required pursuant to section I.B.1(a) of Rule 3100 of the Corporation shall make the report through the NRD on Form 33-109F5 in the time required pursuant to NRD National Instrument 33-109.

40.6 **Exemption request**

- (1) Each Dealer Member making an application for an exemption of an Approved Person or applicant for approval from a proficiency requirement pursuant to the Corporation's Rule 2900 that is submitted with an application for approval made through the NRD shall make such application to the Corporation through the NRD.
- (2) Each Dealer Member making an application under subsection (1) above shall be liable for and pay to the Corporation an exemption request fee as prescribed from time to time by the Board.
- (3) Any fees payable to the Corporation and to the NRD Administrator pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.

40.7 **Termination of Approved Persons**

- (1) Each Dealer Member shall notify the Corporation of the termination of the Dealer Member's employment of or principal/agent relationship with any individual approved in any capacity under any Rule of the Corporation through the NRD on Form 33-109F1 within the time period and in the manner prescribed in NRD National Instrument 33-109 for a registered firm, as defined in NRD National Instrument 33-109, to notify the regulator of the same type of event.
- (2) If an Approved Person ceases to have an employment, partnership or agency relationship with a Dealer Member, the individual's approval with the Dealer Member is suspended until reinstated by the Corporation or under the Rules of the Corporation.
- (3) Despite 40.3(1), the approval of an individual suspended under paragraph (2) is reinstated on the date the individual submits a completed Form 33-109F7 in accordance with NRD National Instrument 31-102 if:
  - (a) the Form 33-109F7 is submitted on or before the 90<sup>th</sup> day after the cessation date;
  - (b) after the cessation date there have been no changes to the information previously submitted in respect of any of the following items of the individual's Form 33-109F4:
    - (A) item 13 [*Regulatory disclosure*];
    - (B) item 14 [*Criminal disclosure*];
    - (C) item 15 [*Civil disclosure*];
    - (D) item 16 [*Financial disclosure*];
  - (c) the individual's employment, partnership or agency relationship with the former sponsoring firm did not end because the individual was asked by the firm to resign, or was dismissed, following an allegation against the individual of any of the following:
    - (A) criminal activity,
    - (B) a breach of securities laws, or
    - (C) a breach of the rules of the Corporation;
  - (d) the individual is seeking reinstatement in the same category of approval in which the individual was approved on the cessation date.
- (4) Each Dealer Member shall be liable for and pay to the Corporation fees in the amounts prescribed from time to time by the Board for the failure of the Dealer Member to file a notification required under subsection (1) above within the time period referred to in subsection (1).

- (5) Any fees payable to the Corporation pursuant to subsection (4) above shall be submitted by electronic pre-authorized debit through NRD.

**40.8 Notification of Opening or Closing of a Business Location**

- (1) Each Dealer Member required to notify the Corporation of the opening or closing of a Business Location pursuant to Rule 4.6 must do so through the NRD on Form 33-109F3 within the time period prescribed in NRD National Instrument 33-109 for a registered firm, as defined in NRD National Instrument 33-109, to notify the regulator of the opening or closing, as applicable, of a business location.
- (2) Each Dealer Member must notify the Corporation through the NRD of any change in the address or supervision of any Business Location within the time period prescribed in NRD National Instrument 33-109 for a registered firm, as defined in NRD National Instrument 33-109, to notify the regulator of a change in a business location.

**40.9 Annual NRD User Fee**

- (1) Each Dealer Member shall be liable for and pay to the NRD Administrator an annual user fee as prescribed from time to time by the Board for each person approved in any capacity under any Rule of the Corporation and recorded as such on the NRD as of the date of calculation of such annual fee as prescribed by the Board.
- (2) Any fees payable to the NRD Administrator pursuant to subsection (1) above shall be submitted by electronic pre-authorized debit through NRD.

40.10 Repealed.

**40.11 Temporary Hardship Exemption**

- (1) If unanticipated technical difficulties prevent a Dealer Member from making a submission in NRD format within the time required under this Rule 40, the Dealer Member is exempt from the requirement to make the submission within the required time period, if the Dealer Member makes the submission in paper format or NRD format no later than 7 days after the day on which the information was required to be submitted.
- (2) If unanticipated technical difficulties prevent a Dealer Member from submitting an application in NRD format, the Dealer Member may submit the application other than through the NRD website.
- (3) If a Dealer Member makes a paper format submission under this section, the Dealer Member must include the following legend in capital letters at the top of the first page of the submission:

IN ACCORDANCE WITH CORPORATION RULE 40.11 AND SECTION 5.1 OF NATIONAL INSTRUMENT 31-102 NATIONAL REGISTRATION DATABASE (NRD), THIS [SPECIFY DOCUMENT] IS BEING SUBMITTED IN PAPER FORMAT UNDER A TEMPORARY HARSHIP EXEMPTION.

- (4) If a Dealer Member makes a submission other than through the NRD website under this section, the Dealer Member must resubmit the information in NRD format as soon as practicable and in any event within 14 days after the unanticipated technical difficulties have been resolved.

**40.12 Due Diligence and Record Keeping**

- (1) Each Dealer Member must make reasonable efforts to ensure that information submitted in any submission through the NRD is true and complete.
- (2) Each Dealer Member must retain all documents used by the Dealer Member to satisfy its obligation under subsection (1) for a period of no less than 7 years after the individual ceases to be an Approved Person of the Dealer Member.
- (3) A Dealer Member that retains a document under subsection (2) in respect of an NRD submission must record the NRD submission number on the document.
- (4) A Dealer Member must obtain from each individual who is approved to act on behalf of the firm a copy of the Form 33-109F1 most recently submitted by the individual's former sponsoring firm in respect of that individual, if any, within 60 days of the firm becoming the individual's sponsoring firm.

**RULE 100  
MARGIN REQUIREMENTS**

**Guarantees**

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- .
- 100.14. No Dealer Member shall provide, directly or indirectly, any guarantee, indemnity or similar form of financial assistance to any person unless the amount of the guarantee, indemnity or other assistance is limited to a fixed or determinable amount (except a guarantee provided in accordance with Rule 16.2(iv)) and margin is provided for by the Dealer Member pursuant to this Rule 100.14 or the amount is otherwise provided for in computing the risk adjusted capital of the Dealer Member. The margin required in respect of any such guarantee, indemnity or financial assistance shall be the amount thereof, less the loan value (calculated in accordance with the Rules) of any collateral available to the Dealer Member in respect of the guarantee, indemnity or assistance and, in the case of guarantees provided in accordance with Rule 16.2(iv), no margin shall be required.
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**RULE 500  
TRADERS**

- 500.1. Application for approval as a Trader shall be made to the Corporation in such form as the Board of Directors may from time to time prescribe.
- 500.2. No person shall act as a Trader unless the person has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900.

**RULE 600  
SUSPENDED MEMBERS**

- 600.1. During the period of suspension, a suspended Dealer Member shall not be entitled to exercise the rights and privileges of Membership and without limiting the generality of the foregoing, the suspended Member:
- (a) Shall not be entitled to attend or vote at meetings of the Corporation or of any District of the Corporation;
  - (b) Shall remove from its premises any reference to its Membership in the Corporation; and
  - (c) Shall no longer use reference to its Membership in the Corporation in its advertisements, letterhead or other material, and the name of the suspended Dealer Member shall be carried in the Corporation's Membership Directory but shall be marked with an asterisk and footnote indicating that the Dealer Member has been suspended and the period of suspension;

Provided that during the period of suspension the suspended Dealer Member shall continue to be liable for the payment of Annual Fees and of any assessment and provided further that so long as the Dealer Member is not in arrears in the payment of its Annual Fee or other indebtedness to the Corporation, the suspended Dealer Member shall be entitled to remain in the Corporation's Group Insurance Plan or any other insurance or retirement plans in which the Dealer Member is enrolled at the time of suspension but if not already enrolled in such Group Insurance Plan or in any other insurance or retirement plans at the time of suspension no Dealer Member under suspension may enrol therein.

- 600.2. Within ten days after the imposition of a suspension or in the event of an appeal there from, within seven days after the confirmation of such suspension by the Board of Directors, the Dealer Member shall advise the Corporation in writing that it has complied with the requirements of clauses (b) and (c) of Rule 600.1.

**RULE 700  
USE OF NAME OR LOGO OF THE CORPORATION**

- 700.1. Unless the Board of Directors in any particular case is of the opinion that the use of the name or the logo of the Corporation is detrimental to the interests of the Corporation or its Dealer Members, the name of the Corporation, or the logo of the Corporation together with the name as provided below, may be used by Dealer Members on letterheads, circulars advertising and other publicity matter, except in the case of circulars, advertising and publicity matter (not being signed letters), mailed, delivered, published, or otherwise used for the purpose of giving publicity to any specific new issue of securities, other than securities authorized for investment by trustees in any province. Dealer Members may also use the name of the Corporation, or the logo of the Corporation with the name as provided below, on their office doors and windows, provided that the name of the Corporation, when so used shall appear in smaller

type than the name of the Dealer Member and the reference to the name of the Corporation and Membership therein shall be (in singular or plural form) in one or other of the following forms:

Member(s) of the Investment Industry Regulatory Organization of Canada  
and/or

Membre(s) de l' Organisme canadien de réglementation du commerce des valeurs mobilières  
or

Member(s) of the Investment Industry Regulatory Organization of Canada - Organisme canadien de réglementation du commerce des valeurs mobilières  
or

Membre(s) de l' Organisme canadien de réglementation du commerce des valeurs mobilières - Investment Industry Regulatory Organization of Canada

The logo of the Corporation in the form below may only be used together with the name of the Corporation in any of the formats above, provided that the size of the logo shall be such as to give reasonably equal prominence to each of the name and the logo.

Upon receiving a request from the Corporation, a Dealer Member shall provide to the Corporation, samples of any letterhead, circulars, or other promotional materials used by that Dealer Member bearing the Corporation's name or logo. Should a Dealer Member fail to comply with a request by the Corporation, should a Dealer Member be found by the Corporation not to be using the Corporation's name or logo as required by the Rules, or should a Dealer Member no longer be a member of the Corporation or be subject to any discipline by the Corporation, the Corporation may direct the Dealer Member to cease using the name or logo of the Corporation and the Dealer Member shall deliver up to the Corporation all materials bearing the Corporation's name and logo.

**RULE 1300  
SUPERVISION OF ACCOUNTS**

1300.1.

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**Corporation Approval**

- (t) The Corporation, in its discretion, shall only grant such approval where the Corporation is satisfied that the Dealer Member will comply with the policies and procedures outlined in Rule 3200. The application for approval shall be accompanied by a copy of the policies and procedures of the Dealer Member. Following such approval, any material changes in the policies and procedures of the Dealer Member shall promptly be submitted to the Corporation.

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**RULE 2400  
RELATIONSHIPS BETWEEN DEALER MEMBERS AND FINANCIAL SERVICES ENTITIES:  
SHARING OF OFFICE PREMISES  
INTRODUCTION**

This Rule establishes guidelines for Dealer Members to ensure that clients are informed of the products they are purchasing and that clients understand the relationship that a Dealer Member may have with a financial services entity in circumstances where a Dealer Member carries on business in the same location as that entity. For the purposes of this Rule 2400, a financial services entity would include an entity that is licensed or registered in another category pursuant to applicable securities legislation or subject to another Canadian regulatory regime. Financial services subject to another Canadian regulatory regime would include banking, mutual funds, insurance, deposit taking and mortgage brokerage activities.

Dealer Members should also refer to National Instrument 33-102 Regulation of Certain Registrant Activities, which came into force on August 1, 2001.

This Rule 2400 is applicable to retail clients only.

## GENERAL PRINCIPLES

1. A Dealer Member may share premises with another financial services entity, whether or not the Dealer Member is related or affiliated with that entity.
2. A Dealer Member shall ensure that clients clearly understand with which legal entity they are dealing. The client may be informed through various methods, including appropriate signage and disclosure, as set out below. Dealer Members are reminded of Rule 29.7A, which deals with the use of trade names and legal names in connection with the conduct of Dealer Member business. This Rule shall be complied with regardless of the location of the Dealer Member or its branches.
3. The provisions of this Rule apply to the Dealer Member and its branches or sub-branch offices. Such sub-branch offices shall have no more than three registered representatives. The head office or a branch office of the Dealer Member firm shall be designated as having supervisory responsibility for the sub-branch.

## DISCLOSURE OF SECURITIES RELATED ACTIVITIES

1. Where a Dealer Member opens an account for a client, the Dealer Member shall deliver a written disclosure statement outlining the relationship between the Dealer Member and the financial services entity and stating that the Dealer Member is a separate entity from the financial services entity. This disclosure is only required when the client is a client of a branch where there are shared premises.
2. At the time the account is opened, the Dealer Member shall obtain an acknowledgement from the client that specifically refers to the written disclosure statement required above and confirms that the client has read the written disclosure statement.
3. The acknowledgement may be obtained in a number of ways, including requesting the client's signature or initials at a designated place or that the client place a check in a check box. It is the responsibility of the Dealer Member to draw the client's attention to the disclosure.
4. For existing clients, the Dealer Member shall provide clients with a notice that contains the disclosure required in section 1 above.

## CONFIDENTIALITY OF CLIENT INFORMATION

### General

Where a client consents to the disclosure of confidential information, the information may be shared as set out in the consent disclosure document, described in section 2 below.

### Consent for New Clients

1. This part does not apply to a Dealer Member subject to securities legislation in Quebec with respect to its dealings with clients in Quebec. In such circumstances, Dealer Members are advised to comply with *An Act Respecting the Protection of Personal Information in the Private Sector*, regarding the protection of personal information of their clients.
2. A Dealer Member shall hold all information about a client confidential and shall not disclose the information to representatives, employees or agents of another financial services entity located in the same premises, except as expressly permitted or required by law or the Rules, unless before disclosing the information
  - (a) the Dealer Member provides at least the following information to the client to whom the information pertains:
    - (i) the name of the financial services entity to which the information will be disclosed,
    - (ii) the nature of the relationship between the Dealer Member and the financial services entity,
    - (iii) the nature of the information that will be disclosed,
    - (iv) the intended use of the information by the financial services entity, including whether that entity will disclose the information to others,
    - (v) a statement that the client has the right to revoke the consent referred to in paragraph (b), and

- (vi) a statement that the client's consent under paragraph (b) is not required as a condition of the Dealer Member dealing with the client, except in circumstances described in section 3; and
  - (b) the client provides specific and informed consent to the specific disclosure of the client information.
3. No Dealer Member shall require a client to consent to the Dealer Member disclosing confidential information regarding the client as a condition, or on terms that would appear to a reasonable person to be a condition, of supplying a product or service, unless the disclosure of the information is reasonably necessary to provide the specific product or service that the client has requested.
  4. Client consent may be obtained in a number of ways, including requesting the client's signature or initials at a designated place or that the client place a check in a check box. No Dealer Member shall use a "negative option" to obtain consent. A "negative option" would, for example, occur where a client who did not check a check-off box or initial an initial box would nonetheless be deemed to have consented.
  5. Despite section 2, a Dealer Member does not need to obtain client consent to disclose confidential retail client information
    - (a) for audit, statistical or record-keeping purposes;
    - (b) to a law enforcement agency, securities regulatory authority or self-regulatory organization;
    - (c) for the collection of a debt owed by the client; or
    - (d) to a lawyer for the purposes of obtaining legal advice.
  6. Dually Employed Representatives – Where registrants are dually employed such individuals shall not disclose any confidential client information to any person other than the staff of the entity with which the client is dealing or for the purpose of performing the relevant services for that client, unless the client's consent has been obtained.

**Consent for Existing Clients**

1. An existing client of a Dealer Member is considered to have provided consent, as required above, if the client:
  - (a) has provided consent, either positively or negatively, to the Dealer Member to disclose the confidential client information prior to the implementation of this Rule; and
  - (b) is provided with a notice that contains
    - (i) the disclosure required in section 2 above, and
    - (ii) a statement of the right of the client to withdraw his or her consent.

**MINIMUM STANDARDS FOR SHARED PREMISES**

1. Introduction – The following minimum standards are intended as guidelines for Dealer Members. The Corporation acknowledges that such standards may not be practicable in certain business arrangements, such as where there are numerous dually employed representatives or the Dealer Member engages in discount brokerage operations. The guiding objective behind the standards is to ensure clients are not confused as to which entity they are dealing. Based on the organization of business arrangements, Dealer Members may need to develop policies and procedures that differ from this Rule yet still achieve the underlying objective.
2. Telephone Operations – Clients should have a clear understanding of with which entity they are dealing when they call the Dealer Member or financial services entity. A shared receptionist is permitted. Separate directory listings for each entity are recommended.
3. Client Records – Dealer Members are required to keep client records separate from the records of the financial services entity. The financial services entity shall not have access to the client records of a Dealer Member unless the provisions relating to confidentiality above are complied with. Hard copies of client files shall not be accessible to representatives, employees or agents of the financial services entity. Electronic records must have separate passwords or other similar controls to ensure they are not accessible by the financial services entity. Separate computer hardware and software is recommended.

4. Signage – The legal names under which the Dealer Member and financial services entity operate must be clearly displayed in a prominent location such as the office entrance door or reception area. A business, trade or style name under which all the entities operate may also be displayed. The names of each individual representative of the entities need not be displayed.
5. Physical Premises – The layout of the shared location must ensure confidentiality of client information. The following guidelines apply:
  - (a) Separate entrances are not necessary;
  - (b) Where necessary to minimize client confusion and ensure confidentiality of records and privacy, and if permitted by resources and infrastructure, it may be advisable for representatives, employees or agents of the Dealer Member and the financial services entity to be situated in separate areas; and
  - (c) Client files, account process areas, etc. must be effectively controlled and physically secured.
6. CIPF Logo and Brochures – The CIPF logo and brochures must be displayed in a manner that makes it clear that they are applicable only to the Dealer Member and not to the other financial services entity.
7. Supervision
  - (a) Branch Managers
    - (i) Dual Employment - In some jurisdictions it is permissible that a trading officer be dually employed with an affiliated Dealer Member and non-Dealer Member, provided that the requirements of Rule 7.7 are satisfied. Such dually employed trading officers may be designated as a branch manager for both the Dealer Member and financial services entity. In other jurisdictions, securities legislation requires that different branch managers conduct supervision. In either situation, the branch manager may be on-site or off-site, as required by the circumstances.
    - (ii) Supervision – Branch managers are required to devote sufficient time to the supervision of the branch. In addition, Rule 2500 details specific supervisory requirements that branch managers must undertake. Rule 1300 details what is required for the supervision of accounts. Rule 29.27 in part requires periodic onsite reviews of branch office supervision to ensure that supervision is adequate. In addition, due to the sharing of office premises, branch managers have additional responsibilities with respect to the confidentiality of client records, the separation of files and operations, the issue of dually employed registrants, registrants not acting outside the limitations of their registration, etc.
  - (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.
  - (c) Administration Officer – An administration officer responsible for general office oversight may be shared between the Dealer Member and financial services entity. The administration officer is not required to be a registered person. Branch managers, however, are still required in order to supervise business practices and monitor compliance with Corporation and securities regulatory requirements.
8. Business Cards
  - (a) Where registrants are dually licensed as an investment adviser and life insurance representative, insurance legislation differs in the provinces regarding the use of separate or double-sided business cards. It is the responsibility of the Dealer Member to ensure compliance with applicable securities and insurance legislation.
  - (b) Where registrants are dually employed by a Dealer Member and a financial services entity, it is recommended that the registrant have double-sided business cards.

9. Permissible Non-Registrant Activities
- (a) Non-registered personnel employed by the Dealer Member or representatives of the financial services entity may not conduct certain activities. These individuals may not:
    - (i) open client accounts at the Member,
    - (ii) distribute or receive order forms for securities transactions to be conducted through the Member,
    - (iii) assist clients in completing order forms for securities transactions to be conducted through the Member,
    - (iv) provide recommendations or any advice on any activity in or for the account of the Dealer Member,
    - (v) complete know-your-client information on a New Client Application Form other than the biographical information, and
    - (vi) solicit securities transactions to be conducted through the Dealer Member.
  - (b) However, these individuals are permitted to:
    - (i) advertise the services and products of the Member,
    - (ii) deliver or receive securities to or from clients,
    - (iii) contact clients to arrange appointments or give notice regarding deficiencies in completed forms,
    - (iv) provide information on the status of a client's account and provide account balances,
    - (v) provide quotes and other market information,
    - (vi) contact the public, including inviting the public to firm seminars and forwarding non-securities specific information,
    - (vii) receive completed New Client Application Forms to forward to the Dealer Member for approval, and
    - (viii) distribute New Client Application Forms, provided that
      - (1) apart from specific allowances described elsewhere in this Rule 2400, if assistance is given to a client in completing the Form, it is given by a registered person of the Dealer Member, or by the manager, assistant manager or credit officer in the branch where there is no registered person of the Dealer Member, provided that such person possesses a high degree of knowledge about the client's financial affairs, and
      - (2) before any trades are conducted on behalf of a client, the Form is approved by the designated person or branch manager in accordance with Rule 1300.2.
  - (c) It is recommended that sales assistants and other employees be assigned to either the Dealer Member or financial services entity rather than shared between both. If warranted by the circumstances, certain individuals should sign confidentiality agreements.
10. Prohibited Registrant Activities – Registrants are permitted to offer services and products to clients but only with respect to the category of registration within which they are licensed. For example, a mutual fund salesperson is registered solely for the purpose of trading in mutual fund shares or units. The purpose of this restricted category is to allow individuals whose business focuses on a single product to access the securities market with reduced registration requirements. Consequently, mutual fund salespersons may not offer or advise their clients with respect to securities in which they are not registered to trade, nor may they communicate client orders directly or indirectly to an investment dealer salesperson. Furthermore, mutual fund salespersons are permitted to accept orders only for the accounts at the dealer with which they are registered.

**RULE 2900**  
**PROFICIENCY AND EDUCATION:**  
**PART I – PROFICIENCY REQUIREMENTS**

**INTRODUCTION**

This Part I outlines the proficiency requirements for Approved Persons. These proficiency requirements consist of both entrance thresholds and on-going requirements.

**DEFINITIONS**

For the purpose of this Part I:

“Recognized Foreign Self-regulatory Organization” means a foreign self-regulatory organization which offers a reciprocal treatment to Canadian applicants and which has been approved as such by Corporation.

All courses and examinations, unless otherwise specified, are administered by CSI Global Education Inc.

**A. Proficiency Requirements for Approved Persons**

**1. Supervisors**

- (a) The proficiency requirements for Supervisors of Approved Persons dealing with retail customers are:
  - (i) Two years of relevant experience working for a Dealer Member or such equivalent experience as may be acceptable to the applicable District Council;
  - (ii) If supervising Registered Representatives dealing with retail customers, successful completion of
    - A. The Canadian Securities Course,
    - B. The Conduct and Practices Handbook Course
    - C. The Branch Managers Course, and
    - D. The Effective Management Seminar within 18 months after beginning to supervise Registered Representatives dealing with retail customers.
  - (iii) If supervising Investment Representatives only, successful completion of The Canadian Securities Course, The Conduct and Practices Handbook Course, and the Branch Managers Course
  - (iv) If supervising options trading, successful completion of The Derivatives Fundamentals Course, The Options Licensing Course and The Options Supervisor Course.
  - (v) If supervising futures contract and futures contract options, successful completion of:
    - A.
      - 1. The Derivatives Fundamentals Course and the Futures Licensing Course (“FLC”), or
      - 2. The FLC and the National Commodity Futures Examination administered by the National Association of Securities Dealers;  
and
    - B. the Canadian Commodity Supervisors Examination.
- (b) The proficiency requirements for Supervisors of Approved Persons dealing with Institutional Customer accounts only are:
  - (i) If supervising Registered Representatives or Investment Representatives dealing with institutional customers, successful completion of:
    - A.
      - 1. The Branch Managers Course, or
      - 2. The Partners, Directors and Senior Officers Course;

and

- B. The proficiency requirements necessary to conduct or supervise any trading activity carried on by Approved Persons he or she supervises.
  - (ii) If supervising options trading, successful completion of The Options Supervisor Course.
  - (iii) If supervising futures contract and futures contract options, successful completion of:
    - A. 1. The Derivatives Fundamentals Course and Futures Licensing Course, or
    - 2. The Futures Licensing Course and the National Commodity Futures Examination administered by the Financial Industry Regulatory Authority;
    - and
    - B. the Canadian Commodity Supervisors Examination.
- (c) A Chief Compliance Officer who is also a Supervisor of a producing Supervisor is exempt from the proficiency requirements in 1(a)(ii) provided he/she complies with the proficiency requirements of Dealer Member Rule 2900 Part I A.2B.
- (d) If an individual is approved as a Supervisor as of September 28, 2009, the requirement to complete The Derivatives Fundamentals Course and The Options Licensing Course in subsection 1(a)(iv) does not apply to the individual so long as the individual remains approved in the Supervisor category.
- (e) An individual who supervises a Registered Representative under Rule 1300.15(c) must satisfy the applicable proficiency requirements of Rule 2900 Part I A.6 or section 3.11 (Portfolio manager – advising representative) of National Instrument 31-103 *Registration Requirements and Exemptions* and is, for greater certainty, exempt from the requirements in Rule 2900 Part I A.1(a)(i), (ii) and (v).
- (f) A partner, Director, or Officer who is a Designated Supervisor under Rule 1300.2 or 1300.4 and who undertook such a supervisory role immediately prior to September 28, 2009 is exempt from the applicable requirements in subsection 1(a)(ii) and (iii) provided:
  - (i) the individual successfully completed the Partners, Directors and Senior Officers Course;
  - (ii) the individual seeks approval as a Supervisor within 6 months of September 28, 2009; and
  - (iii) the individual remains approved in the Supervisor category.

## 2. Directors and Executives

The proficiency requirements for a Director or Executive of a Dealer Member under Rule 7.3 or 7.4 are:

- (a) Successful completion of the Partners, Directors and Senior Officers Course;
- (b) If also approved in a trading category, successful completion of the applicable proficiency requirements; and
- (c) If supervising the handling of customer accounts, successful completion of the applicable proficiency requirements for a Supervisor.

### 2A. Chief Financial Officers

- 1. The proficiency requirements for a chief financial officer pursuant to Rule 38.6 are:
  - (a) A financial accounting designation, university degree or diploma, or equivalent work experience; and
  - (b) Successful completion of the Partners, Directors and Senior Officers Course, and
  - (c) Successful completion of the Chief Financial Officers Qualifying Examination.

2. A person approved as Acting Chief Financial Officer pursuant to Rule 7.5(b) shall have 90 days from the date of termination of the Chief Financial Officer to successfully complete of the Chief Financial Officers Qualifying Examination.
3. Any Dealer Member that fails to provide to the Corporation proof of successful completion of the Chief Financial Officers Qualifying Examination within 10 days of the dates specified for successful completion in section 2 above, or such other dates as the Corporation may specify, shall be liable for and pay to the Corporation such fees as the Board may from time to time prescribe.

**2B. Chief Compliance Officers**

1. The proficiency requirements for a chief compliance officer pursuant to Rule 38.7 are:
  - (a) Successful completion of the Partners, Directors and Senior Officers Qualifying Examination; and
  - (b) Successful completion of the Chief Compliance Officers Qualifying Examination.
2. A person approved as acting Chief Compliance Officer pursuant to Rule 38.7 shall have 90 days from the date of termination of the Chief Compliance Officer to successfully complete of the Chief Compliance Officers Qualifying Examination.
3. Any Dealer Member that fails to provide to the Corporation proof of successful completion of the Chief Compliance Officers Qualifying Examination within 10 days of the dates specified for successful completion in section 2 above, or such other dates as the Corporation may specify, shall be liable for and pay to the Corporation such fees as the Board may from time to time prescribe.

**3. Registered Representatives and Investment Representatives**

The proficiency requirements for a Registered Representative or Investment Representative under Rule 18.3 are:

- (a) (i) Successful completion of
  - (A) The Canadian Securities Course prior to commencing the training programme described in subsection (C),
  - (B) The Conduct and Practices Handbook Course, and
  - (C) Either
    1. For a Registered Representative dealing with retail customers a 90-day training programme during which time he or she has been employed with a Dealer Member firm on a full-time basis, or
    2. For an Investment Representative, a 30-day training programme during which time he or she has been employed with a Dealer Member firm on a full-time basis;

or

- (ii) Successful completion of the New Entrants Course, where the person was registered or licensed with a recognized foreign self-regulatory organization within three years prior to application with the Corporation;

and

- (b) For a Registered Representative dealing with retail customers other than a Registered Representative dealing in mutual funds only, successful completion of the Wealth Management Essentials course within 30 months after his or her approval as a Registered Representative.

**4. Registered Representatives and Investment Representatives Dealing only in Mutual Funds**

The proficiency requirement for a Registered Representative or Investment Representative dealing only in mutual funds under Rule 18.7 is successful completion of:

- (a) The Canadian Securities Course;
- (b) The Canadian Investment Funds Course administered by IFIC,
- (c) The Investment Funds in Canada Course administered by CSI Global Education Inc. and previously The Institute of Canadian Bankers, or
- (d) The Principles of Mutual Funds Investment Course administered by CSI Global Education Inc. and previously The Institute of Canadian Bankers.

**5. Traders**

The proficiency requirement for a Trader under Rule 500.2 is:

- (a) for a Trader on the Toronto Stock Exchange or TSX Venture Exchange, the Trader Training Course, unless an exemption is granted by either exchange or its market regulation services provider.
- (b) for a Trader on the Bourse de Montreal, the proficiency requirements determined to be acceptable by Bourse de Montreal.

**6. Portfolio Management**

6.1 The proficiency requirements for a Registered Representative providing discretionary portfolio management for managed accounts that do not trade in futures contracts are:

- (a) Successful completion of
  - (i) The Conduct and Practices Handbook Course, and
  - (ii) either
    - A. The courses necessary to attain the Canadian Investment Manager Designation, or
    - B. The three levels of the Chartered Financial Analyst programme administered by the CFA Institute; and
- (b) Experience
  - (i) Of at least three years as a Registered Representative or a research analyst for a Dealer Member,
  - (ii) Of at least two years ending not more than three years prior to the date of application as a registered advisor under Canadian securities legislation managing on a discretionary basis at least \$5,000,000 in aggregate assets; or
  - (iii) Of at least five years ending not more than three years prior to the date of application, managing a portfolio of \$5,000,000 or more, on a discretionary basis, while employed by a government-regulated institution.

6.2 The proficiency requirements for a Registered Representative exercising discretionary authority over managed accounts trading in futures contracts or futures contracts options are:

- (a) Successful completion of
  - (i) The Canadian Commodity Supervisors Exam, the Futures Licensing Course and the courses necessary to attain the Derivatives Market Specialist Designation; or
  - (ii) The Chartered Financial Analyst program administered by the CFA Institute; and
- (b) Experience ending no earlier than three years prior to the date of commencing to exercise discretionary authority over managed accounts of at least 5 years as an Approved Person actively engaged in advising on and trading in futures contracts or futures contracts options for customer accounts.

**7. Commodity Futures Contracts and Options**

7.1 The proficiency requirements for a Registered Representative or Investment Representative who deals with customers in futures contracts or futures contract options are successful completion of:

- (a) The Derivatives Fundamentals Course and the Futures Licensing Course, or
- (b) The Futures Licensing Course and the National Commodity Futures Examination administered by the Financial Industry Regulatory Authority.

**8. Options**

The proficiency requirement for a Registered Representative or Investment Representative who deals with customers in options is successful completion of:

- (a) The Derivatives Fundamentals Course and the Options Licensing Course, or
- (b) The Series 7 administered by the Financial Industry Regulatory Authority and the New Entrants Course.

**B. General Exemption**

- 1. The applicable District Council may, under Rule 20.24, exempt any person or class of persons from the proficiency requirements on such terms and conditions, if any, as the applicable District Council may see fit.
- 2. The Board may prescribe a fee to be paid for any exemption application under paragraph 1.

**PART II – EXAMINATION REWRITE REQUIREMENTS AND COURSE AND EXAMINATION EXEMPTIONS**

**INTRODUCTION**

This Part II outlines the exemptions that exist from the Corporation's course and examination requirements for persons seeking to be approved in certain categories of registration. This Part II exempts applicants from the requirement to rewrite courses or examinations that they have successfully completed if they are re-entering the industry, re-registering in a category of registration or seeking initial registration within certain time periods. This Part II also provides exemptions to applicants from the requirements to initially write a course or examination if the applicant satisfies one of the specifically enumerated exemptions based on grandfathering provisions or the successful completion of other courses and examinations. In addition, this Part II sets out the basis upon which the applicable District Council may grant a discretionary exemption.

All courses and examinations, unless otherwise specified, are administered by CSI Global Education Inc.

**A. Requirement to Rewrite Courses and Examinations**

**1. Current and Former Approved Persons**

- (a) An applicant for approval who was previously approved in a category must complete a proficiency requirement if he or she has not been approved in the category to which the requirement applies within the three years prior to the date of application.
- (b) An Applicant or Approved Person who has previously conducted a particular type of business must complete a proficiency required to conduct the type of business if he or she has not conducted the type of business within the past three years.
- (c) Sections (a) and (b) do not apply to new or amended course requirements not required when the Approved Person or applicant for approval was initially approved or began to conduct the type of business, provided that the applicant was not under a requirement to complete the course or examination when the applicant's approval lapsed.

**2. Approval after Completion of Course**

Subject to Rule 2900 Part II A.3(a), an applicant for approval who has never been approved or conducted a type of business must rewrite a required examination or course if it was completed more than two years before the date of application.

**3. The Canadian Securities Course**

- (a) An applicant for approval who has not previously been approved in a category or conducted a type of business requiring the Canadian Securities Course who would otherwise be required to rewrite the course is exempt if the applicant has:
  - (i) within two years prior to the date of application, successfully completed any one of the Professional Financial Planning Course, Wealth Management Techniques Course, Wealth Management Essentials Course, Investment Management Techniques Course, Portfolio Management Techniques Course, or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute, or;
  - (ii) within three years prior to the date of application completed the New Entrants Course or the Canadian Securities Course
- (b) An applicant for approval in a category or to conduct business requiring the Canadian Securities Course who was approved in a category or conducted a type of business requiring the course and who would otherwise be required to rewrite the course is exempt if the applicant has within three years prior to the date of application successfully completed any one of the Professional Financial Planning Course, Wealth Management Techniques Course, Wealth Management Essentials Course, Investment Management Techniques Course, Portfolio Management Techniques Course, or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute.

**4. The Chief Financial Officers Qualifying Examination**

An applicant who would otherwise be required to rewrite the Chief Financial Officers Qualifying Examination is exempt if the applicant has, since completing the Chief Financial Officers Qualifying Examination, been working closely with and providing assistance to a Chief Financial Officer.

**5. The Derivatives Fundamentals Course**

- (a) An applicant for approval or an Approved Person who will be dealing with customers in futures contracts or futures contracts options and who would otherwise be required to rewrite the Derivatives Fundamentals Course is exempt if the applicant or Approved Person has within the past two years completed the Futures Licensing Course or the Canadian Commodity Supervisors Examination.
- (b) An applicant for approval or an Approved Person who will be dealing with customers in options and who would otherwise be required to rewrite the Derivatives Fundamentals Course is exempt if the applicant or Approved Person has within the past two years completed the Options Licensing Course.

**6. The Futures Licensing Course**

An applicant for approval or an Approved Person who will be dealing with customers in futures contracts or futures contracts options and who would otherwise be required to rewrite the Futures Licensing Course is exempt if the applicant or Approved Person has within the past two years completed the Canadian Commodity Supervisors Examination.

**7. The Wealth Management Essentials course**

An applicant who would otherwise be required to rewrite the Wealth Management Essentials Course is exempt if the applicant is currently seeking approval within two years of successfully completing the Investment Management Techniques Course, Portfolio Management Techniques Course, 3 levels of the Certified Financial Analyst programme administered by the CFA Institute, Professional Financial Planning Course, or the Wealth Management Techniques Course.

**8. 30-Day Training Program**

An applicant is exempt from re-doing the 30-day training program required under Rule 2900 Part I 3(a)(i)(C)2 if, within three years prior to application, the applicant was approved for trading for Retail Customers in securities with a Dealer Member or by a recognized foreign regulatory authority or self regulatory organization or a Canadian securities regulatory authority.

**9. 90-Day Training Program**

An applicant is exempt from re-doing the 90-day training program required under Rule 2900 Part I 3(a)(i)(C)1 if, within three years prior to application, the applicant was approved for trading and advising Retail Customers in securities with a Dealer Member or by a recognized foreign regulatory authority or self regulatory organization or a Canadian securities regulatory authority.

**B. Exemptions from Writing**

**1. Current and Former Approved Persons**

- (a) An Approved Person is exempt from completing a new or amended proficiency requirement not in place at the time he or she was approved in a category unless the rule setting the requirement specifically provides otherwise.
- (b) An applicant for approval who was an Approved Person is exempt from completing a new or amended proficiency requirement not in place at the time of the applicant's previous approval in the same category for three years after the applicant's previous approval lapsed unless the rule setting the requirement specifically provides otherwise.

**2. The Canadian Securities Course**

An applicant is exempt from writing the Canadian Securities Course if the applicant has previously been registered or licensed with a recognized foreign regulatory authority or self-regulatory organization and has successfully completed the New Entrants Course within two years of the application.

**3. The Derivatives Fundamentals Course**

An applicant is exempt from writing the Derivatives Fundamentals Course if the applicant is seeking approval within two years of successfully completing the Options Course Licensing Course, the Options Supervisors Course, the Futures Licensing Course, or the Canadian Commodity Supervisors Examination.

**4. The Wealth Management Essentials Course**

An applicant is exempt from writing the Wealth Management Essentials Course if the applicant

- (a)
  - (i) has successfully completed the Investment Management Techniques Course or the Professional Financial Planning Course prior to July 4, 2008, having been enrolled prior to July 4, 2006 and
  - (ii) is seeking approval within two years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course; or
- (b) Is seeking re-approval within three years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course.

**5. 90-Day Training Program**

An applicant is exempt from completing the 90-day training program if, within three years prior to application, the applicant was approved or registered with a Dealer Member, securities dealer or investment dealer; or by a recognized foreign regulatory authority or self regulatory organization; or as an investment advisor by a Canadian securities regulatory authority in a capacity permitting trading and advising in securities to Retail Customers.

**6. 30-Day Training Program**

An applicant is exempt from completing the 30-day training program if, within three years prior to application, the applicant was registered with a Dealer Member, securities dealer or investment dealer; or by a recognized foreign regulatory authority or self regulatory organization; or as an investment advisor by a Canadian securities regulatory authority in a capacity permitting trading in securities to Retail Customers.

**C. Discretionary Exemptions**

- (a) The applicable District Council may, under Rule 20.24, grant an exemption from the requirement to rewrite or write any required course or examination, in whole or in part, subject to such conditions or restrictions as may be

imposed in the exemption, if the applicant demonstrates adequate experience and/or successful completion of industry courses or examinations that the applicable District Council, in its opinion, determines is an acceptable alternative to the required proficiency.

- (b) The Board may prescribe a fee to be paid for any exemption application under this Rule 2900 Part II.

### **PART III – THE CONTINUING EDUCATION PROGRAM**

#### **INTRODUCTION**

This Part III establishes a Continuing Education Program (the Program) for Participants for the duration of their career in the securities industry. The Program operates on three-year cycles, the first commencing in January 1, 2000. The start-to-end date of each cycle is the same for all participants.

#### **A. DEFINITIONS**

For the purposes of this Part III,

“Course” – means a single integrated course, or a series of pertinent courses, seminars, presentations or programs that in total meet the minimum time and content requirements of the course guidelines which form part of this Rule 2900, Part III.

“Participants” – means certain “Approved Persons” employed by Dealer Members of the Investment Industry Regulatory Organization of Canada (the Corporation), and approved by the Corporation in the registration categories listed in Schedule 1 of this Rule 2900, Part III (Schedule 1).

#### **B. PARTICIPATION IN THE PROGRAM**

Unless exempted under Rule 2900, Part III, Participants must complete continuing education courses based on their categories of approval, as specified in Schedule 1.

In general, individuals who are registered to do retail business and give advice must complete a 12-hour Compliance course and a 30-hour Professional Development course during each three-year cycle. Those who are not registered to do retail business (who deal with institutions only) and those not registered to give advice (such as Investment Representatives) must complete a 12-hour compliance course only, each cycle.

#### **C. EXEMPTION FROM THE WHOLE OR PART OF THE PROGRAM**

1. Partners, Directors and Officers approved in non-trading and non-supervisory categories of registration are exempt from the Program.
2. Participants approved as Registered Representatives and Supervisors, who have been continuously approved in a trading capacity for more than 10 years as of January 1, 2000 by a recognized Self Regulatory Organization (the Corporation, Toronto Stock Exchange, Montreal Exchange, Alberta Stock Exchange or Vancouver Stock Exchange), are exempt from the requirement to complete a professional development course. However, such persons shall complete a compliance course in each cycle throughout their career.

#### **D. ENTRY OF RECENTLY APPROVED PERSONS**

Recently Approved Persons shall not participate in the Program during the first three years of registration but shall do so, depending on the year of registration, as follows:

1. If the three years since registration ends in year one of a cycle, then the Approved Person becomes a participant in that cycle.
2. If the three years since registration ends in year two or three of a cycle, then the Approved Person becomes a participant in next three-year cycle of the Program.

3. For greater clarification, refer to the Chart below.

An Approved Person first approved in the year:	Starts CE in this Cycle
1997	Cycle 1: 1/Jan/2000 to 31/Dec/2002
1998	Cycle 2: 1/Jan/2003 to 31/Dec/2005
1999	Cycle 2: 1/Jan/2003 to 31/Dec/2005
2000	Cycle 2: 1/Jan/2003 to 31/Dec/2005
2001	Cycle 3: 1/Jan/2006 to 31/Dec/2008
2002	Cycle 3: 1/Jan/2006 to 31/Dec/2008
2003	Cycle 3: 1/Jan/2006 to 31/Dec/2008
2004	Cycle 4: 1/Jan/2009 to 31/Dec/2011
2005	Cycle 4: 1/Jan/2009 to 31/Dec/2011
2006	Cycle 4: 1/Jan/2009 to 31/Dec/2011
2007	Cycle 5: 1/Jan/2012 to 31/Dec/2014
2008	Cycle 5: 1/Jan/2012 to 31/Dec/2014
2009	Cycle 5: 1/Jan/2012 to 31/Dec/2014
2010	Cycle 6: 1/Jan/2015 to 31/Dec/2017
2011	Cycle 6: 1/Jan/2015 to 31/Dec/2017
2012	Cycle 6: 1/Jan/2015 to 31/Dec/2017

#### E. RE-ENTRY OF APPROVED PERSONS

- Individuals who were registered more than three years ago and who are returning to the industry will be required to complete their CE requirements in the cycle in which they return.
- Individuals who are required to re-write the Canadian Securities Course (CSC) and Conduct & Practices Handbook (CPH) in order to re-qualify for registration, may apply these two courses towards the CE requirements for the cycle in which they were re-written. In this circumstance, the CSC can not be carried forward to fulfill the Professional Development requirement in the following cycle.
- Individuals who have previously been exempted from the Professional Development requirement under Rule 2900, Part III, C.2, who become re-registered after a gap of more than three years, will no longer qualify for the exemption from the Professional Development requirement. These individuals will be required to complete the CE requirement as per their registration category. An exception will be made for individuals who were previously exempted from the Professional Development requirement, who voluntarily participate in the Corporation's CE program during the gap in registration. These individuals will not be required to re-write the CSC and CPH, and will maintain the exemption from the Professional Development requirement when they become re-registered.

#### F. CHANGE IN CATEGORIES WITHIN A CYCLE

- Any change, in year one of a cycle, from a registration category that requires a compliance course only, to a category requiring both a compliance course and a professional development course, will require completion of the courses for the new category. If the change occurs in year two or three of the cycle, the requirements are those of the previous category. The requirements for the new position will commence in the next cycle.
- For changes from a category that requires both a compliance course and a professional development course to a category requiring a compliance course only, the requirements are those of the participant's registration category at the end of the cycle.
- For changes from a Non-Trading officer category to a Supervisory category that requires a compliance course only, the requirements are the compliance course as per the new category. If the change occurs in year two or three of the cycle, the requirements are those of the previous category. The requirements for the new position will commence in the next cycle.
- Any change back to a category requiring both a compliance course and a professional development course made after the change as described in subsection 1 will immediately return the participant to the requirement for completion of both the compliance and the professional development course. Should such a change occur too close to the end of the cycle to permit completion of the professional development course, the Dealer Member firm may apply for a hardship extension, pursuant to Section N.

5. An application for a change of category as described in subsection 3 in the first year of the cycle, following a change as described in subsection 2, must be accompanied by an explanation from the Dealer Member sufficient to satisfy the Corporation that the category changes are not in an effort to avoid completion of the Program's requirements.

#### **G. VOLUNTARY PARTICIPATION IN THE PROGRAM**

1. Persons who terminate their approval after January 1, 1997, may maintain their standing in the Program on a voluntary basis by completing select courses recognized by the Corporation as meeting the requirements of the Program. The voluntary participation courses must comply with the guidelines that form part of this policy.
2. Persons maintaining voluntary standing in the Program as described in subsection 1 are exempt from the examination rewrite requirements outlined in Rule 2900, Part II – Course and Examination Exemptions for the Canadian Securities Course (CSC) and the Conduct and Practices Handbook Exam (CPH). The CSC and/or CPH must have been successfully passed within the three years prior to the start of either:
  - (a) the current cycle, or
  - (b) the earliest cycle in which the individual began continuous participation in the Program.
3. Graduates of the CSC and the CPH who have not been approved in any capacity, may join the Program on a voluntary basis by taking courses recognized by the Corporation as meeting the requirements for the Program. The CSC and/or CPH must have been successfully passed within the three years prior to the start of either:
  - (a) the current cycle, or
  - (b) the earliest cycle in which the individual began continuous participation in the Program.
4. Persons joining the Program as described in subsection 3 are exempt from the examination rewrite requirements outlined in Rule 2900, Part II – Course and Examination Exemptions.
5. Voluntary participants must complete a professional development course and a compliance course in each cycle to maintain voluntary participation standing and qualify for the exemptions in subsections 2 and 4. Both a Compliance course and Professional Development course must be completed irrespective of which position the individual intends to apply for.
6. The exemptions in subsections 2 and 4 are valid until the end of the first year of the next cycle. As a result, Voluntary participation in CE will keep the CSC and CPH valid until the end of the first year of the next cycle.
7. Both the Compliance and the Professional Development courses used for Voluntary Participation must be completed within the cycle to which they are applied and cannot be carried forward from a previous cycle.
8. Individuals may still be responsible for obtaining exemptions and paying any associated fee required by securities legislation for their province or territory.

#### **H. RECORD KEEPING REQUIREMENTS**

1. Evidence of Completion may be in the form of a certificate issued by the provider, attendance sheet or bulk notice of completion
2. CE credits earned through courses or seminars at a Participant's previous firm in the current cycle, that have not been reported to the Corporation, may still be considered valid for the Participant by the Participant's current member firm, at the member firm's discretion. The current member firm may accept a statement of verification issued by a former member firm.
3. Dealer Member firms must retain CE certification records and course materials until the end of the cycle following the cycle to which the records relate

#### **I. REPORTING REQUIREMENTS**

1. Dealer Members must update the Corporation in the manner prescribed by the Corporation within ten days after the end of the month in which the Dealer Member becomes aware of the names of its Participants that have satisfied all CE course requirements for the completed Cycle.

2. No later than 10 business days following the end of a Cycle, a member must identify via the manner prescribed by the Corporation, those individuals who have not completed the Compliance course and who have been placed under supervision as per the penalties delineated in Section M.

**J. THE COMPLIANCE COURSE**

1. The 12-hour compliance course is a mandatory component of the Program for all participants. Participants may choose a compliance course from an external course provider or a suitable training Program offered by their sponsoring Dealer Member.
2. Dealer Members may have an external course provider develop and deliver the compliance course or may develop and deliver their own internal course.
3. Courses may be accredited for Corporation CE credits through the Corporation's official accreditation process.
4. The use of a compliance course developed by a Dealer Member is subject to the following requirements:
  - (a) The course developed must comply with the guidelines that form part of this policy.
  - (b) Participants completing a course offered by a Dealer Member shall have the Dealer Member sign off on their successful completion of that course. The Dealer Member shall determine its own method of evaluating Participants' knowledge and understanding of the courses completed.

**K. PROFESSIONAL DEVELOPMENT COURSE**

1. Participants may choose a 30-hour Professional Development course from an external course provider or a suitable training Program offered by their sponsoring Dealer Member.
2. The course chosen by a Participant, whether from an external provider or one offered by the Dealer Member, must be approved by the Dealer Member's training supervisor or other responsible person as being relevant to that Participant's role in the investment industry.
3. Courses may be accredited for Corporation CE credits through the Corporation's official accreditation process.
4. Professional development courses developed and offered by the Dealer Member or an external course provider are subject to the following requirements:
  - (a) The courses must comply with the guidelines that form part of this policy.
  - (b) Participants completing courses offered by their sponsoring Dealer Member shall have the Dealer Member sign off on their successful completion of that course. The Dealer Member shall determine its own method of evaluating Participants' knowledge and understanding of the courses completed.

**L. CARRY-FORWARD PROVISIONS**

1. No carry forwards are permitted for the compliance course requirement.
2. A maximum of one approved course completed prior to the start of the current cycle that satisfies the minimum 30-hour requirement may be carried forward into the next cycle as a professional development credit. Starting with courses taken in Cycle 2, a course of less than 30 hours may not be carried forward into the next cycle.
3. Where a recently Approved Person completes a course that qualifies for the professional development requirement during that Approved Person's first three years of registration, that course can be carried forward to apply to that Approved Person's first cycle.
4. The Professional Financial Planning Course (PFPC), Investment Management Techniques Course (IMT) or Wealth Management Essentials Course (WME) may not be carried forward pursuant to subsection 2 if it was used as to satisfy the requirement of Rule 2900, Part 1, A, section 3(c).
5. A Multi-level program completed over a period of more than one year, such as a university degree program or the Chartered Financial Analyst (CFA) program, may satisfy the professional development course requirement for

more than one cycle provided each program level meets the guidelines. A level can be carried forward to satisfy the requirement of the next cycle only.

**M. PENALTIES**

The following penalties shall be imposed for the failure of a Participant to complete the course requirements within a three-year cycle:

1. At the beginning of year one of the next three-year cycle, a monthly fee in the amount of \$500 shall be imposed against the Participant's sponsoring Dealer Member for a maximum of six months, or until the Participant completes the courses required, whichever occurs first.
2. If, at the end of the six-month period referred to in subsection 1, the Participant fails to complete the Program requirements, then the Participant's approval will be suspended automatically until such time as the participant successfully completes the course requirements.
3. If, at the end of the three-year cycle, the Participant fails to complete the compliance portion of the program, then a mandatory condition of close supervision, with reports to be retained at the Dealer Member firm, will be imposed on the Participant's registration until such time as course is successfully completed.
4. Any late completion fees paid in error will be refunded provided that the refund is claimed within 120 days of the first day of the month for which the fee was paid.

**N. HARDSHIP EXTENSION FROM COMPLETION OF COURSE REQUIREMENTS IN A THREE-YEAR CYCLE**

1. A Participant may be granted a hardship extension from the requirement to complete the course requirements within a three-year cycle due to, but not limited to, an illness if
  - (a) A partner, Director or Officer of the participant's sponsoring Dealer Member
    - (i) approves the delay of completion of the course requirements;
    - (ii) advises the Corporation of the reasons for the delay and
    - (iii) agrees to a new date for the completion of the course requirement; and,
  - (b) The applicable District Council, or its designate, in its discretion determines that the delay is warranted.
2. Despite subsection 1, the granting of such an extension does not permit the Participant to delay the commencement of the next three-year cycle.
3. In the case of an indefinite leave of absence, a Participant unable to complete their requirements for more than one cycle may receive an exemption from the Program provided that
  - (a) A partner, Director or Officer of the participant's sponsoring Dealer Member
    - (i) approves the exemption, and
    - (ii) outlines, in a letter delivered to the Corporation, the reasons for the exemption and specifying the leave is for an indefinite period; and
  - (b) The applicable District Council or its designate, in its discretion, determines that the exemption is warranted.
  - (c) Upon return to the industry and before engaging in any activity requiring registration
    - (i) after an absence of less than three years, the Participant's CE requirements will be determined by the applicable District Council
    - (ii) after an absence of more than three years, the Participant shall successfully complete the required proficiency courses as outlined in Rule 2900, Part II.

## THE COMPLIANCE COURSE

### A. BASIC PRINCIPLES

1. The Rule requires that certain Approved Persons successfully complete the compliance course within each three-year CE cycle. To determine which Approved Persons are required to take the course, please refer to the Rule itself.
2. A Dealer Member can choose to develop and deliver a compliance course, which reflects its own assessment of its current needs and priorities, or it may purchase a compliance course from an external provider. Alternatively, Dealer Members may offer a combination of both.
3. Compliance courses completed by branch managers, sales managers and others in a supervisory position should reflect their additional responsibilities.
4. The Dealer Member must maintain a record of successful completion of the compliance course.
5. As part of the audit process, the Corporation will review Dealer Member-developed compliance courses to ensure they satisfy the Guidelines.
6. If the compliance course program includes an examination, this examination must be successfully completed in order for the course to be applied towards the individual's Compliance requirement.
7. Seminars that support other courses, or preparatory courses that support a course or examination, do not qualify separately for CE credit. The course or examination they support must be successfully completed in order to complete the CE requirement and the support or preparatory course hours may then be included in determining the duration of the total course. The CE credits for the preparatory course must be counted towards the same requirement (Compliance or Professional Development) as the applicable course and must be counted in the same CE Cycle.
8. A Participant who sits on a committee or council of the Corporation, or who teaches a financial course may receive CE credits provided the member firm determines that the issues dealt with are relevant. The member firm may determine the amount of time applicable towards CE Compliance credits.
9. Foreign courses that have a compliance portion can satisfy up to 1/3 (4 hours) of the Corporation's CE Compliance requirement for a cycle. The remaining 2/3 (8 hours) must be satisfied through Canadian compliance courses.
10. The Compliance requirement for Voluntary Participation is restricted to selected courses. For further information, see Voluntary Participation Courses in this guideline.

## THE PROFESSIONAL DEVELOPMENT COURSE

### A. BASIC PRINCIPLES

1. In general, the courses should be relevant to the securities industry and financial advisors, management-oriented, or designed to improve client service.
2. The subject matter of an individual's course or courses should reasonably reflect that person's skill requirements or be based on the firm's products and market strategies.
3. The program undertaken should reflect the industry's commitment to high quality client service, advice, and professionalism.
4. The subject matter should be educational and non-promotional in nature. For example, the following would not qualify: corporate events held exclusively to introduce or promote new product or service offerings, networking events, or motivational speakers.
5. Subject matter relating to issuer-specific/branded product qualifies if presented in the context of a larger education course or presentation. The general education portion of a course relating to a product category may be granted full credit for the number of hours it takes and the issuer-specific portion should be credited half credit.

6. The program's provider should be professional, having defined the program's learning outcomes in advance, and be able to certify a student's successful completion. Alternatively, the firm may certify a student's successful completion, and assume responsibility for this function.
7. If the course program includes an examination, this examination must be successfully completed in order for the course to be applied towards the individual's Professional Development requirement.
8. Seminars that support other courses, or preparatory courses that support a course or examination, do not qualify separately for CE credit. The course or examination they support must be successfully completed in order to complete the CE requirement and the support or preparatory course hours may then be included in determining the duration of the total course. The CE credits for the preparatory course must be counted towards the same requirement (Compliance or Professional Development) as the applicable course and must be counted in the same CE Cycle.
9. An individual who teaches a relevant course may receive CE credits provided the member firm determines that the issues dealt with are relevant to Professional Development. The member firm may determine the amount of time applicable towards CE Professional Development credits.
10. Foreign courses can be used to satisfy the entire Professional Development requirement provided the course relates to the business the participant is engaged in.
11. The Professional Development requirement for Voluntary Participation is restricted to selected courses. For further information, see Voluntary Participation Courses in this guideline.

**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**
- 1. Business Structure and Compensation**
    - (a) The Dealer Member must operate either as a legal entity or a separate business unit which provides order-execution only services.
    - (b) If operated as a separate business unit of the Dealer Member, the order-execution only service must have separate letterhead, accounts, registered representatives and investment representatives and account documentation.
    - (c) The registered representatives and investment representatives of the Dealer Member or separate business unit of the Dealer Member shall not be compensated on the basis of transactional revenues.
  - 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.
  - 3. Account Opening**
    - (a) At the time an account is opened, the Dealer Member or separate business unit of the Dealer Member must make a written disclosure to the customer advising that the Dealer Member or separate business unit of the Dealer Member will not provide any recommendations to the customer and will not be responsible for making a suitability determination of trades when accepting orders from the customer. Such disclosure shall clearly explain to the customer that the customer alone is responsible for his or her own investment decisions and that the Dealer Member will not consider the customer's financial situation, investment knowledge, investment objectives and risk tolerance when accepting orders from the customer.

- (b) At the time an account is opened, the Dealer Member or separate business unit of the Dealer Member must obtain an acknowledgement from the customer that the customer has received and understood the disclosure described in Paragraph 3(a). For accounts such as joint and investment club accounts having more than one direct beneficial owner, the Dealer Member must obtain an acknowledgement from all beneficial owners.
- (c) Prior to operating any existing accounts under the approval, the Dealer Member or separate business unit of the Dealer Member must provide the disclosure described in Paragraph 3(a) to the customer and obtain the acknowledgement described in Paragraph 3(b).
- (d) The acknowledgements obtained under Paragraphs 3(b) and (c) must take the form of a positive act by the customer(s), a record of which must be maintained by the Dealer Member in an accessible form. Possible forms of the acknowledgement are:
  - (i) The customer's signature or initials on a new customer application form or similar document where the signature or initial specifically relates to the required disclosure and acknowledgement;
  - (ii) The clicking of an appropriately labeled button on an electronic account application form, placed directly under the disclosure and acknowledgement text;
  - (iii) The tape recording of a verbal acknowledgement made by telephone.

**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 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.

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA  
PROPOSED STRUCTURE AND REGISTRATION PLAIN LANGUAGE RULES**

**TABLE OF CONCORDANCE**

<b>Current rule number and title</b>	<b>Sub-section</b>		<b>New rule number</b>	<b>New section, title and description</b>	<b>Sub-Section</b>	<b>Comments</b>
New Provision			Rule 2100	R. 2101 Introduction	(1)	<b>[New - Non-substantive - Introduction section]</b>
Rule 0005: Ownership of Dealer Member Securities	5.01					<b>[Repealed - Non-substantive - Requirement to inform IIROC of renewable / extendible borrowings is redundant. IIROC already receives monthly financial filings that includes this information.]</b>
Rule 0005: Ownership of Dealer Member Securities	5.02	(1)(a)	Rule 2100	R. 2102 Dealer Member must have Corporation approval to issue subordinated debt	(1)	
Rule 0005: Ownership of Dealer Member Securities	5.02	(1)(b) - (c)				<b>[Repealed – Substantive – Requirement for IIROC approval of issuance of restrictive and limited participation securities has been removed.]</b>

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0005: Ownership of Dealer Member Securities	5.02	(2)	Rule 2100	R. 2102 Dealer Member must have Corporation approval to issue subordinated debt	(2)	
Rule 0005: Ownership of Dealer Member Securities	5.02A		Rule 2100	R. 2103 Repayments and additional subordinated debt	(1)	
Rule 0029: Business Conduct	29.11		Rule 2100	R. 2104 Agreements with Corporation	(1)	
Rule 0005: Ownership of Dealer Member Securities	5.03		Rule 2100	R. 2105 Corporation notification of changes of ownership	(1)-(2)	
Rule 0005: Ownership of Dealer Member Securities	5.06		Rule 2100	R. 2106 Ownership of Another Dealer Member	(1)	
Rule 0005: Ownership of Dealer Member Securities	5.04		Rule 2100	R. 2107 Ownership of a Significant Equity Interest	(1)-(2)	
New Provision			Rule 2100	R. 2107 Ownership of a Significant Equity Interest	(3)	<b>[New - Substantive –</b> Allows District Council to delegate its authority under this section.]
Rule 0005: Ownership of Dealer Member Securities	5.05		Rule 2100	R. 2108 A Dealer Member's ownership of another Dealer Member	(1)	
New Provision			Rule 2100	R. 2108 A Dealer Member's ownership of another Dealer Member	(2)	<b>[New - Substantive –</b> Allows District Council to delegate its authority under this section.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0005: Ownership of Dealer Member Securities	5.07		Rule 2100	R. 2109 Public Ownership	(1)-(2)	
Rule 0005: Ownership of Dealer Member Securities	5.08		Rule 2100	R. 2109 Public Ownership	(3)-(4)	
New Provision			Rule 2100	R. 2109 Public Ownership	(5)	<b>[New - Substantive –</b> Allows District Council to delegate its authority under this section.]
Rule 0005: Ownership of Dealer Member Securities	5.09	(a)				<b>[Repealed - Substantive -</b> Duplicative of securities law requirements.]
Rule 0005: Ownership of Dealer Member Securities	5.09	(b)	Rule 2100	R. 2110 Public distribution of a Dealer Member's securities	(1)-(3)	
Rule 0005: Ownership of Dealer Member Securities	5.09	(c)				<b>[Repealed - Non-substantive -</b> Redundant]
Rule 0005: Ownership of Dealer Member Securities	5.09	(d)				<b>[Repealed - Non-substantive -</b> Redundant]
Rule 0005: Ownership of Dealer Member Securities	5.10		Rule 2100	R. 2110 Public Distribution of a Dealer Member's securities	(1)-(3)	
Rule 0005: Ownership of Dealer Member Securities	5.11					<b>[Repealed - Substantive -</b> Duplicative of securities law requirements.]
Rule 0005: Ownership of Dealer Member Securities	5.12 (except (a))		Rule 2100	R. 2111 Take-over Bids or amalgamations	(1)-(3)	<b>[Amended - Substantive -</b> Subsection 5.12(a) deleted, duplicative of securities law requirements.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0005: Ownership of Dealer Member Securities	5.13		Rule 2100	R. 2112 Secondary distribution of securities	(1)	
Rule 0005: Ownership of Dealer Member Securities	5.15		Rule 2100	R. 2113 Soliciting trades in a Dealer Member's securities	(1)-(3)	
Rule 0005: Ownership of Dealer Member Securities	5.15	last paragraph	Rule 2100	R. 2114 Dealer Member's securities in client accounts	(1)	
Rule 0005: Ownership of Dealer Member Securities	5.14		Rule 2100	R. 2114 Dealer Member's securities in client accounts	(2)	
Rule 0005: Ownership of Dealer Member Securities	5.16		Rule 2100	R. 2115 Research reports	(1)	
Rule 0005: Ownership of Dealer Member Securities	5.16A					<b>[Repealed - Substantive -</b> Duplicative of securities law requirements.]
Rule 0005: Ownership of Dealer Member Securities	5.17		Rule 2100	R. 2116 Corporation approvals	(1)-(4)	
Rule 0005: Ownership of Dealer Member Securities	5.18		Rule 2100	R. 2116 Corporation approvals	(5)	
New Provision			Rule 2100	R. 2116 Corporation approvals	(6)	<b>[New - Substantive –</b> Allows District Council to delegate its authority under this section.]
New Provision			Rule 2100	R. 2117. - 2149. Reserved		<b>[New - Non-substantive -</b> Reserved sections]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2150	R. 2151 Introduction	(1)	<b>[New – Non-substantive -</b> Introductory provision added.]
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	4.06		Rule 2150	R. 2152 Business locations	(1)	
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.02		Rule 2150	R. 2153 Holding companies	(1)	
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.01		Rule 2150	R. 2153 Holding companies	(2)	
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.03		Rule 2150	R. 2154 Related companies and associates	(1)	<b>[Amended – Substantive -</b> Approval requirement for investment in “associates” removed.]
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.04					<b>[Repealed – Non-substantive -</b> Related companies that are Dealer Members must comply with the Rules anyway, and those that aren’t Dealer Members are not under IIROC jurisdiction.
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.05		Rule 2150	R. 2154 Related companies and associates	(2)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.06	(1)	Rule 2150	R. 2154 Related companies and associates	(3)	
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.06	(4)	Rule 2150	R. 2154 Related companies and associates	(4)	
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.06	(2) and (3)	Rule 2150	R. 2154 Related companies and associates	(5)	
Rule 0100: Margin Requirements	100.14	1st part	Rule 2150	R. 2154 Related companies and associates	(6)	
New Provision			Rule 2150	R. 2154 Related companies and associates	(7)	<b>[New - Substantive –</b> Allows District Council to delegate its authority under this section.]
Rule 0100: Margin Requirements	100.14	2nd part				<b>[Repealed – Non-substantive -</b> Redundant with requirements of Statement B]
Rule 1300: Supervision of Accounts	1300.01	(t)	Rule 2150	R. 2155 Approval as a discount broker	(1)-(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	A	(1)(a)	Rule 2150	R. 2155 Approval as a discount broker	(1)	

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	A	(2)(a)	Rule 2150	R. 2155 Approval as a discount broker	(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	A	(1)(b)	Rule 2150	R. 2155 Approval as a discount broker	(4)	
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	(1)(c)	Rule 2150	R. 2155 Approval as a discount broker	(5)	
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.07		Rule 2150	R. 2156 Business other than securities	(1)-(3)	<b>[Amended – Non-substantive –</b> Last paragraph deleted. Permitting mutual fund and insurance sales is redundant.]
New Provision			Rule 2150	R. 2156 Business other than securities	(4)	<b>[New - Substantive –</b> Allows District Council to delegate its authority under this section.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2400: Relationship between Dealer Member & Financial Service Entities	Confidentiality of Client Info	General	Rule 2150	R. 2157 Shared premises	(1)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	General Principles	(1)	Rule 2150	R. 2157 Shared premises	(1)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Introduction		Rule 2150	R. 2157 Shared premises	(2)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	General Principles	(2)	Rule 2150	R. 2157 Shared premises	(3), (7), and (10)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(7)(a)(ii)	Rule 2150	R. 2157 Shared premises	(4)-(5)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(5)	Rule 2150	R. 2157 Shared premises	(6)	<b>[Amended - Non-substantive -</b> Some of the materials have been moved to GN 2200-2 Shared Premises. Not a requirement.]
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(4)	Rule 2150	R. 2157 Shared premises	(7)-(8)	<b>[Amended - Non-substantive -</b> Some of the materials have been moved to GN 2200-2 Shared Premises. Not a requirement.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(6)	Rule 2150	R. 2157 Shared premises	(9)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(3)	Rule 2150	R. 2157 Shared premises	(11)	<b>[Amended - Non-substantive -</b> Some of the materials have been moved to GN 2200-2 Shared Premises. Not a requirement.]
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Disclosure of Securities Related Activities	(1), (2) and (4)	Rule 2150	R. 2157 Shared premises	(12)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities	Confidentiality of Client Info - Consent for New Clients	(1)-(5)	Rule 2150	R. 2157 Shared premises	(13)	<b>[Amended – Substantive -</b> This section is amended so that it does not duplicate privacy legislation. Rather than list privacy considerations , it now refers to privacy legislation.]
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Confidentiality of Client Info - Consent for Existing Clients	(1)	Rule 2150	R. 2157 Shared premises	(13)	<b>[Amended – Substantive –</b> The rewrite does not distinguish between new and existing clients for confidentiality purposes.]
Rule 2400: Relationship between Dealer Member & Financial Service Entities	Confidentiality of Client Info - Consent for New Clients	(6)	Rule 2150	R. 2157 Shared premises	(14)	

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<b>Current rule number and title</b>	<b>Sub-section</b>		<b>New rule number</b>	<b>New section, title and description</b>	<b>Sub-Section</b>	<b>Comments</b>
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(9)(a)	Rule 2150	R. 2157 Shared premises	(15)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(9)(b)	Rule 2150	R. 2157 Shared premises	(16)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(9)(b)(vii)	Rule 2150	R. 2157 Shared premises	(17)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(10)	Rule 2150	R. 2157 Shared premises	(18)	
New Provision			Rule 2150	R. 2158. - 2199. Reserved		<b>[New - Non-substantive - Reserved sections]</b>
New Provision			Rule 2200	R. 2201 Introduction	(1)	<b>[New – Non-substantive - Introductory provision added.]</b>
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.04		Rule 2200	R. 2202 Notice of intention to resign	(1)	
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.06		Rule 2200	R. 2202 Notice of intention to resign	(1)	
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.02		Rule 2200	R. 2203 Filing letter of resignation	(1)	<b>[Amended – Substantive – Remove requirement for Dealer Member to state reasons for resigning.]</b>

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.03		Rule 2200	R. 2204 Acquisition and resignation	(1)	[Amended – Substantive – Remove specific requirement for amalgamated Dealer Member to demonstrate solvency as there is a specific requirement elsewhere that applies to all Dealer Members.]
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.03	A	Rule 2200	R. 2205 Amalgamation of Dealer Members	(1)	
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.03	AA	Rule 2200	R. 2206 Amalgamation with non-Dealer Member	(1)	
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.05		Rule 2200	R. 2207 Effective date of resignation	(1)	[Amended – Substantive – Remove specific requirement that resignation take place at “close of business” and add requirement for IIROC to publish a resignation notice.]
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.07		Rule 2200	R. 2208 Payment of Corporation fees	(1)	
Rule 0031: Inactive Status	31.01 through 31.04		Rule 2200	R. 2209 Inactive members	(1) through (4)	
Rule 0600: Suspended Members	600.01 and 600.02		Rule 2200	R. 2210 Suspension of membership		[Amended – Substantive – Amended to

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.08		Rule 2200	R. 2211 Termination of membership	(1)-(2)	allow both termination and suspension of Dealer Members under a broader set of circumstance, subject to granting the affected Dealer Member an opportunity to be heard.]
New Provision			Rule 2200	R. 2212. - 2249. Reserved		[New - Non-substantive - Reserved sections]
New Provision			Rule 2250	R. 2251 Introduction	(1)	[New – Non-substantive - Introductory provision added.]
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.12	1st 3 lines, to end of (i)	Rule 2250	R. 2252 Dealer Member's notice of changes to Corporation	(1)(i)-(iii)	
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.12	(ii)	Rule 2250	R. 2252 Dealer Member's notice of changes to Corporation	(1)(iv)	
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.12	2nd sentence	Rule 2250	R. 2253 Corporation informs Dealer Member about review when necessary	(1)	
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.12	3rd sentence	Rule 2250	R. 2254 District Council review of proposed changes	(1)	
New Provision			Rule 2250	R. 2255. - 2299. Reserved		[New - Non-substantive - Reserved sections]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2300	R. 2301 Introduction	(1)	[New – Non-substantive - Introductory provision added.]
Rule 0004: Branch Office Dealer Members, Branch Offices & Sub-Branch Offices	4.01		Rule 2300	R. 2302 Branch Office Members	(1)	
Rule 0004: Branch Office Dealer Members, Branch Offices & Sub-Branch Offices	4.03, 4.04 and 4.05		Rule 2300	R. 2303 Branch Office Member's representation	(1)	
Rule 0004: Branch Office Dealer Members, Branch Offices & Sub-Branch Offices	4.02		Rule 2300	R. 2304 Fees	(1)	
New Provision			Rule 2300	R. 2305. - 2349. Reserved		[New - Non-substantive - Reserved sections]
New Provision			Rule 2350	R. 2351 Introduction	(1)	[New – Non-substantive - Introductory provision added.]
Rule 0029: Business Conduct	29.07	A(1)	Rule 2350	R. 2352 Trade names	(2)	
Rule 0029: Business Conduct	29.07	A(2)	Rule 2350	R. 2352 Trade names	(3)	
Rule 0029: Business Conduct	29.07	A(5)	Rule 2350	R. 2352 Trade names	(4)	
Rule 0029: Business Conduct	29.07	A(8)	Rule 2350	R. 2352 Trade names	(5)	
Rule 0029: Business Conduct	29.07	A(3)	Rule 2350	R. 2353 Corporation notification	(1)(i)	
Rule 0029: Business Conduct	29.07	A(4)	Rule 2350	R. 2353 Corporation notification	(1)(ii)	
Rule 0029: Business Conduct	29.07	A(9)	Rule 2350	R. 2353 Corporation notification	(2)	
Rule 0029: Business Conduct	29.07	A(6)	Rule 2350	R. 2354 Displaying the full legal name	(1)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0029: Business Conduct	29.07	A(7)	Rule 2350	R. 2354 Displaying the full legal name	(1)-(2)	
Rule 0029: Business Conduct	29.14	(b)	Rule 2350	R. 2355 Compliance with Disclosure Policy of the Canadian Investor Protection Fund (CIPF)	(1)	
Rule 0700: Use of Name or Logo	700.01	name part	Rule 2350	R. 2356 Use of Corporation name and logo	(1)	
Rule 0700: Use of Name or Logo	700.01	last part of 1st paragraph	Rule 2350	R. 2356 Use of Corporation name and logo	(2)	
Rule 0700: Use of Name or Logo	700.01	2nd paragraph	Rule 2350	R. 2356 Use of Corporation name and logo	(3)	
Rule 0700: Use of Name or Logo	700.01	1st paragraph middle part	Rule 2350	R. 2356 Use of Corporation name and logo	(4)	
Rule 0022: Use of Name or Logo: Liabilities: Claims	22.01	middle part	Rule 2350	R. 2357 Corporation governance of its name and logo	(1)	
Rule 0022: Use of Name or Logo: Liabilities: Claims	22.01	last sentence	Rule 2350	R. 2357 Corporation governance of its name and logo	(5)	

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Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0700: Use of Name or Logo	700.01	1st part of 1st paragraph & last paragraph	Rule 2350	R. 2357 Corporation governance of its name and logo	(2) and (4)	<b>[Amended - Non-substantive – provisions regarding use of IIROC name and logo on new issues has been removed and replaced with a general provision prohibiting misleading or confusing use of IIROC name and logo]</b>
Rule 0700: Use of Name or Logo	700.01	last paragraph	Rule 2350	R. 2357 Corporation governance of its name and logo	(3)	
New Provision			Rule 2350	R. 2358. - 2399. Reserved		<b>[New - Non-substantive - Reserved sections]</b>
New Provision			Rule 2400	R. 2401 Introduction	(1)	<b>[New – Non-substantive - Introductory provision added.]</b>
Rule 0039: Principal & Agent	39.01					<b>[Repealed – Non-substantive – The deeming of agents being equivalent to employees for the purposes of the rule is now included in the definitions.]</b>

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0039: Principal & Agent	39.02					<b>[Repealed – Non-substantive –</b> A separate proposal to repeal the definition of “securities related business” is currently awaiting CSA approval.]
Rule 0039: Principal & Agent	39.03		Rule 2400	R. 2402 Principal and agent relationships	(1)-(2)	
Rule 0039: Principal & Agent	39.04	(o)	Rule 2400	R. 2403 Written agreement between the Dealer Member and the Corporation	(1)-(2)	
Rule 0039: Principal & Agent	39.04	(p)	Rule 2400	R. 2403 Written agreement between the Dealer Member and the Corporation	(3)	
Rule 0039: Principal & Agent	39.04	(n)	Rule 2400	R. 2404 Written agreement between the Dealer Member and its agents	(1)-(5)	
Rule 0039: Principal & Agent	39.04	(p)	Rule 2400	R. 2404 Written agreement between the Dealer Member and its agents	(3)	
Rule 0039: Principal & Agent	39.04	(q)	Rule 2400	R. 2404 Written agreement between the Dealer Member and its agents	(6)	

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Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0039: Principal & Agent	Appendix B	Recitals (A)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(1)(i)	
Rule 0039: Principal & Agent	Appendix B	Recitals (B)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(1)(ii)	
Rule 0039: Principal & Agent	Appendix B	Recitals (B)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(1)(iii)	
Rule 0039: Principal & Agent	Appendix B	(2)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(2)(i)-(ii)	
Rule 0039: Principal & Agent	Appendix B	(1)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(3)	
Rule 0039: Principal & Agent	Appendix B	(3)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(1)	
Rule 0039: Principal & Agent	Appendix B	(4)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(4)	
Rule 0039: Principal & Agent	Appendix B	(7)				<b>[Repealed – Non-substantive – This grandfathering provision is obsolete.]</b>
Rule 0039: Principal & Agent	Appendix B	(6)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(5)	
Rule 0039: Principal & Agent	Appendix B	(5)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(6)	

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Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0039: Principal & Agent	Appendix B	(8)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(7)	
Rule 0039: Principal & Agent	Appendix B	(9)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(8)	
Rule 0039: Principal & Agent	39.04	(a)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(1)	
Rule 0039: Principal & Agent	39.04	(q)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(1)	
Rule 0039: Principal & Agent	Appendix A	(1)				<b>[Repealed – Non-substantive – These definitions are unnecessary]</b>
Rule 0039: Principal & Agent	Appendix A	(2)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(2)	
Rule 0039: Principal & Agent	39.04	(b)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(3)	
Rule 0039: Principal & Agent	Appendix A	(3)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(3)	
Rule 0039: Principal & Agent	39.04	(j)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(4)(i)	
Rule 0039: Principal & Agent	Appendix A	(4)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(4)(i)-(ii)	

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<b>Current rule number and title</b>	<b>Sub-section</b>		<b>New rule number</b>	<b>New section, title and description</b>	<b>Sub-Section</b>	<b>Comments</b>
Rule 0039: Principal & Agent	39.04	(k)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(4)(ii)	
Rule 0039: Principal & Agent	39.04	(c)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(5)(i)	
Rule 0039: Principal & Agent	39.04	(e)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(5)(i)	
Rule 0039: Principal & Agent	Appendix A	(5)(a)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(5)(i)	
Rule 0039: Principal & Agent	39.04	(d)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(5)(ii)	
Rule 0039: Principal & Agent	Appendix A	(5)(e)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(5)(ii)	
Rule 0039: Principal & Agent	Appendix A	(5)(d)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(6)	
Rule 0039: Principal & Agent	Appendix A	(5)(f)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(7)	
Rule 0039: Principal & Agent	39.04	(i)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(7)(i)	
Rule 0039: Principal & Agent	Appendix A	(4)(b)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(8)(i)	

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<b>Current rule number and title</b>	<b>Sub-section</b>		<b>New rule number</b>	<b>New section, title and description</b>	<b>Sub-Section</b>	<b>Comments</b>
Rule 0039: Principal & Agent	39.04	(l)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(8)(ii)	
Rule 0039: Principal & Agent	Appendix A	(5)(b)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(8)(ii)	
Rule 0039: Principal & Agent	39.04	(m)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(8)(iii)	
Rule 0039: Principal & Agent	Appendix A	(5)(c)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(8)(iii)	
Rule 0039: Principal & Agent	39.04	(h)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(9)	
Rule 0039: Principal & Agent	Appendix A	(7)(b)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(9)	
Rule 0039: Principal & Agent	39.04	(g)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(10)	
Rule 0039: Principal & Agent	Appendix A	(6)(a)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(10)(i)	
Rule 0039: Principal & Agent	Appendix A	(6)(b)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(10)(ii), (iii) and (iv)	
Rule 0039: Principal & Agent	Appendix A	(7)(a)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(10)(iii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0039: Principal & Agent	39.04	(f)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(11)	
Rule 0039: Principal & Agent	Appendix A	(6)(c)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(11)	
New Provision			Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(12)	[New – Non-substantive - Transition provision]
New Provision			Rule 2400	R. 2405. - 2449. Reserved		[New - Non-substantive - Reserved sections]
New Provision			Rule 2450	R. 2451 Introduction	(1)	[New – Non-substantive - Introductory provision added.]
New Provision			Rule 2450	R. 2452. - 2459. Reserved		[New - Non-substantive - Reserved sections]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(a)(iii)	Rule 2450	R. 2460 Definitions - "Canadian financial institution"	(1)	
New Provision			Rule 2450	R. 2460 Definitions – "Canadian registered firm"	(2)	[New - Substantive – Adoption of term "Canadian registered firm" to accurately describe the population of other domestic firms with which an arrangement could be executed.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2450	R. 2460 Definitions - "clearing arrangement"	(3)	<b>[New - Substantive –</b> Adoption of term "clearing arrangement" provides greater clarity as to which services provided in combination comprise a clearing arrangement.]
New Provision			Rule 2450	R. 2460 Definitions - "introducing broker / carrying broker arrangement"	(4)	<b>[New - Substantive –</b> Adoption of term "introducing broker / carrying broker arrangement" provides greater clarity as to which services provided in combination comprise an introducing broker / carrying broker arrangement.]
New Provision			Rule 2450	R. 2461. - 2469. Reserved		<b>[New - Non-substantive -</b> Reserved sections]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(ii)	Rule 2450	R. 2470 Arrangements between two Dealer Members - Arrangements that may be executed	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(ii)	Rule 2450	R. 2470 Arrangements between two Dealer Members - Arrangements that may be executed	(1)(ii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(v)	Rule 2450	R. 2470 Arrangements between two Dealer Members - Arrangements that may be executed	(1)(iii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(ii)	Rule 2450	R. 2471 Arrangements between two Dealer Members – Additional conditions that apply to an introducing broker under a Type 1 Arrangement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)1st sentence	Rule 2450	R. 2471 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under a Type 1 Arrangement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(iii)	Rule 2450	R. 2471 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under a Type 1 Arrangement	(1)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(iv)	Rule 2450	R. 2471 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under a Type 1 Arrangement	(1)(iii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(ii)	Rule 2450	R. 2472 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under a Type 2 Arrangement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)1st sentence	Rule 2450	R. 2472 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under a Type 2 Arrangement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(iii)	Rule 2450	R. 2472 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under a Type 2 Arrangement	(1)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(iv)	Rule 2450	R. 2472 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under a Type 2 Arrangement	(1)(iii)	<b>[Amended – Non-substantive - Implied by Rule 35.1(e)(iv) since only Type 1 Arrangements are mentioned.]</b>

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(iv)	Rule 2450	R. 2473 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under either a Type 3 or a Type 4 Arrangement	(1)(i)	<b>[Amended – Non-substantive -</b> Implied by Rule 35.1(e)(iv) since only Type 1 Arrangements are mentioned.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(v)	Rule 2450	R. 2473 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under either a Type 3 or a Type 4 Arrangement	(1)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(v)	Rule 2450	R. 2473 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under either a Type 3 or a Type 4 Arrangement	(1)(iii)	
New Provision			Rule 2450	R. 2473 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under either a Type 3 or a Type 4 Arrangement	(1)(iv)	<b>[New - Substantive -</b> Consistent with original rule concept that introduced clients should not be reported on the books of two different brokers.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(i)	Rule 2450	R. 2474 Arrangements between two Dealer Members - Requirement for an agreement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)2nd sentence	Rule 2450	R. 2474 Arrangements between two Dealer Members - Requirement for an agreement	(1)(i)-(iv)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(f)	Rule 2450			<b>[Repealed - Non-substantive - Clause is no redundant since only IIROC Dealer Members are participating institutions in CIPF]</b>
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(g)	Rule 2450	R. 2474 Arrangements between two Dealer Members - Requirement for an agreement	(1)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(g)	Rule 2450	R. 2474 Arrangements between two Dealer Members - Requirement for an agreement	(1)(iii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(h)	Rule 2450			<b>[Repealed – Non-substantive -</b> Clause to allow general exemption from the requirements of the Rule has been repealed. Ability to obtain exemptions will be dealt with through a general exemptions rule.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(b)(i)	Rule 2450	R. 2474 Arrangements between two Dealer Members - Requirement for an agreement	(1)(iv)	<b>[Amended - Substantive -</b> Rules 35.1(b)(i) and 35.1(e)(i) have been amended to require Corporation approval of an introducing broker / carrying broker arrangement rather than applicable District Council approval.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(b)(ii)	Rule 2450			<b>[Repealed - Non-substantive -</b> Clause is now redundant since only IIROC Dealer Members are participating institutions in CIPF]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(i)	Rule 2450	R. 2474 Arrangements between two Dealer Members - Requirement for an agreement	(1)(iv)	[Amended - Substantive - Rules 35.1(b)(i) and 35.1(e)(i) have been amended to require Corporation approval of an introducing broker / carrying broker arrangement rather than applicable District Council approval.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	opening paragraph	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement	opening paragraph	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(a)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Minimum capital requirement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(b)(ii)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Margin requirements to be provided by the introducing broker	(2)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(b)(i)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Margin requirements to be provided by the carrying broker	(3)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(b)(ii)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Margin requirements to be provided by the carrying broker	(3)(i)(b)	<b>[Amended - Substantive -</b> Rule 35.2(b)(ii) has been clarified to specify how carrying broker margin on any settlement date equity deficiency amounts is to be determined. Language has been made consistent for Types 1 through 4.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(c)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Offsets of carrying broker margin requirements against deposits	(4)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(d)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Reporting client balances	(5)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(e)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Net client balances / funding	(6)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(f)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(f)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(b)	
New Provision			Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(c)	<b>[New – Substantive – Reflects current carrying broker practice for the reporting of deposits received from the introducing broker.]</b>

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Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(c)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)(a)(I)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(f)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)(a)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(f)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(g)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Concentration calculations	(8)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(h)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Segregating client securities	(9)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(i)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Free credit segregation	(10)(i)	
New Provision			Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(I)	<b>[New - Substantive -</b> To make consistent with current requirements for Type 3 and 4 Arrangements.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(iv)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(II)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(i)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(ii)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(iv)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(c)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(iii)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(l)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(iv)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(i)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(ii)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(iv)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(c)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(k)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Client account opening required disclosure	(13)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(k)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Client account opening required disclosure	(13)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(l)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Parties to margin and guarantee documents	(14)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(l)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Disclosure on contracts, statements and correspondence	(15)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(m)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Clients introduced to the carrying broker	(16)(i)	[Amended - Substantive – Existing Rule 35.2(m) language clarified to indicate that introduced clients are considered to be clients of both the introducing broker and the carrying broker since the services provided to the client are split between two dealers.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(n)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Compliance with non-financial requirements	(17)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(o)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Handling client cash	(18)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(o)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Handling client cash	(18)(ii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(o)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Handling client cash	(18)(iii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(p)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Reporting of introducing broker principal positions	(19)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(p)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Reporting of introducing broker principal positions	(19)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	opening paragraph	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement	opening paragraph	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(a)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Minimum capital requirement	(1)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(b)(ii)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Margin requirements to be provided by the introducing broker	(2)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(b)(i)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Margin requirements to be provided by the carrying broker	(3)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(b)(ii)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Margin requirements to be provided by the carrying broker	(3)(i)(b)	<b>[Amended - Substantive -</b> Rule 35.3(b)(ii) has been clarified to specify how carrying broker margin on any settlement date equity deficiency amounts is to be determined. Language has been made consistent for Types 1 through 4.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(c)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Offsets of carrying broker margin requirements against deposits	(4)(i)	

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Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(d)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Reporting client balances	(5)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(e)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Net client balances / funding	(6)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(f)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(f)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(b)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(c)	<b>[New – Substantive –</b> Reflects current carrying broker practice for the reporting of deposits received from the introducing broker.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(c)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)(a)(I)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(f)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)(a)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(f)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)(b)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(g)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Concentration calculations	(8)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(h)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Segregating client securities	(9)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(i)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Free credit segregation	(10)(i)	
New Provision			Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(l)	<b>[New - Substantive -</b> To make consistent with current requirements for Type 3 and 4 Arrangements.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(iv)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(ll)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(i)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(ii)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(iv)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(c)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(iii)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(l)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(iv)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(i)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(ii)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(iv)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(c)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(k)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Client account opening required disclosure	(13)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(k)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Client account opening required disclosure	(13)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(l)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Parties to margin and guarantee documents	(14)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(l)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Disclosure on contracts, statements and correspon- dence	(15)(i)(a)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(m)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Disclosure on contracts, statements and correspondence	(15)(i)(b)(I)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(m)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Disclosure on contracts, statements and correspondence	(15)(i)(b)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(n)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Clients introduced to the carrying broker	(16)(i)	<b>[Amended - Substantive – Existing Rule 35.3(n) language clarified to indicate that introduced clients are considered to be clients of both the introducing broker and the carrying broker since the services provided to the client are split between two dealers.]</b>

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(o)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Compliance with non-financial requirements	(17)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(p)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Handling client cash	(18)(i) to (ii)	<b>[Amended - Substantive -</b> The cash handling requirements have been amended for Type 2 Arrangements to prohibit the introducing broker from handling client cash in the form of money and to require that any cheques provided to the introducing broker be in the name of the carrying broker.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(q)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Reporting of introducing broker principal positions	(19)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(q)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Reporting of introducing broker principal positions	(19)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	opening paragraph	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement	opening paragraph	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(a)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Minimum capital requirement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(b)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Margin requirements to be provided by the introducing broker	(2)(i)(a)	
New Provision			Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Margin requirements to be provided by the introducing broker	(2)(i)(b)	<b>[New – Non-substantive - Clarification of Rule 35.4(b) to specify that introducing broker must provide margin for client accounts.]</b>

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Margin requirements to be provided by the carrying broker	(3)(i)	<b>[New – Substantive -</b> Implied by Rule 35.4(b) but clarified to specify how carrying broker margin on any settlement date equity deficiency amounts is to be determined. Language has been made consistent for Types 1 through 4.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(c)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Offsets of carrying broker margin requirements against deposits	(4)(i)	
New Provision			Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Offsets of carrying broker margin requirements against deposits	(4)(i)	<b>[New - Substantive -</b> To introduce requirement that carrying broker notify the introducing broker when a portion of any deposit amount is used. This is consistent with the current requirement for Type 1 and 2 Arrangements. ]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(d)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Reporting client balances	(5)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(d)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Reporting client balances	(5)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(d)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Reporting client balances	(5)(iii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(e)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Net client balances / funding	(6)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(f)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(a)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(f)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(b)	
New Provision			Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(c)	<b>[New – Substantive –</b> Reflects current carrying broker practice for the reporting of deposits received from the introducing broker.]
New Provision			Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)	<b>[New - Substantive -</b> To make the deposit reporting requirements for introducing brokers consistent with current requirements for Type 1 and 2 Arrangements. ]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(g)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Concentration calculations	(8)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(h)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Segregating client securities	(9)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(i)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Free credit segregation	(10)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(iii)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(I)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(iv)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(II)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(i)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(ii)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(iv)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(c)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(iii)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(l)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(iv)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(i)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(ii)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(iv)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(c)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(k)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Client account opening required disclosure	(13)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(l)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Parties to margin and guarantee documents	(14)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(l)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Disclosure on contracts, statements and correspondence	(15)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(m)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Disclosure on contracts, statements and correspondence	(15)(i)(b)(l)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(m)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Disclosure on contracts, statements and correspondence	(15)(i)(b)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(n)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Clients introduced to the carrying broker	(16)(i)	<b>[Amended - Substantive – Existing Rule 35.4(n) language clarified to indicate that introduced clients are considered to be clients of both the introducing broker and the carrying broker since the services provided to the client are split between two dealers.]</b>
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(o)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Compliance with non-financial requirements	(17)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(p)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Handling client cash	(18)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(q)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Reporting of introducing broker principal positions	(19)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(q)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Reporting of introducing broker principal positions	(19)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	opening paragraph	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement	opening paragraph	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(a)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Minimum capital requirement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(b)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Margin requirements to be provided by the introducing broker	(2)(i)(a)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Margin requirements to be provided by the introducing broker	(2)(i)(b)	<b>[New – Non-substantive -</b> Clarification of Rule 35.5(b) to specify that introducing broker must provide margin for client accounts.]
New Provision			Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Margin requirements to be provided by the carrying broker	(3)(i)	<b>[New - Substantive -</b> Implied by Rule 35.5(b) but clarified to specify how carrying broker margin on any settlement date equity deficiency amounts is to be determined. Language has been made consistent for Types 1 through 4.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(c)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Offsets of carrying broker margin requirements against deposits	(4)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Offsets of carrying broker margin requirements against deposits	(4)(i)	<b>[New - Substantive -</b> To introduce requirement that carrying broker notify the introducing broker when a portion of any deposit amount is used. This is consistent with the current requirement for Type 1 and 2 Arrangements.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(d)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Reporting client balances	(5)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(d)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Reporting client balances	(5)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(d)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Reporting client balances	(5)(iii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(e)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Net client balances / funding	(6)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(f)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(f)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(b)	
New Provision			Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(c)	<b>[New – Substantive – Reflects current carrying broker practice for the reporting of deposits received from the introducing broker.]</b>

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)	<b>[New - Substantive -</b> To make the deposit reporting requirements for introducing brokers consistent with current requirements for Type 1 and 2 Arrangements.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(g)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Concentration calculations	(8)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(h)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Segregating client securities	(9)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(i)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Free credit segregation	(10)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(iii)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(l)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(iv)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(i)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(ii)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(iv)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(c)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(iii)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(I)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(iv)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(i)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(ii)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(iv)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(c)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(k)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Client account opening required disclosure	(13)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(l)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Parties to margin and guarantee documents	(14)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(l)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Parties to margin and guarantee documents	(14)(ii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(l)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Disclosure on contracts, statements and correspon- dence	(15)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(m)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Disclosure on contracts, statements and correspon- dence	(15)(i)(b)(l)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(m)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Disclosure on contracts, statements and correspon- dence	(15)(i)(b)(ll)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(n)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Clients introduced to the carrying broker	(16)(i)	[Amended - Substantive – Existing Rule 35.5(n) language clarified to indicate that introduced clients are considered to be clients of both the introducing broker and the carrying broker since the services provided to the client are split between two dealers.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(o)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Compliance with non-financial requirements	(17)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(p)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Handling client cash	(18)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(q)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Reporting of introducing broker principal positions	(19)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(q)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Reporting of introducing broker principal positions	(19)(ii)	
New Provision			Rule 2450	R. 2479. - 2484. Reserved		[New - Non-substantive - Reserved sections]
New Provision			Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(i)	[New - Substantive - Clarifies existing IIROC expectations that a foreign affiliate introduction arrangement must be an arrangement type that is permitted between two IIROC Dealer Members.]
New Provision			Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(ii)	[New - Substantive - Codifies existing IIROC expectations that an affiliate agreement should with the applicable IIROC requirements that apply to the type of arrangement.]
New Provision			Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(iii)(a)	[New - Substantive - Written to be consistent with written agreement requirements set out in 2474((1)(i))]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(iii)(b)	<b>[New - Substantive -</b> Written to be consistent with written agreement requirements set out in 2474((1)(ii))]
New Provision			Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(iii)(c)	<b>[New - Substantive -</b> Written to be consistent with written agreement requirements set out in 2474((1)(iii))]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	opening paragraph	Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(iii)(d)	<b>[Amended - Substantive -</b> Rule has been modified to no longer require that the Dealer Member apply for an exemption. The Dealer Member will now require Corporation approval only for the permitted arrangement with a foreign affiliate. Language is consistent with written agreement requirements set out in 2474((1)(iv).]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	(a)	Rule 2450			<b>[Repealed – Non-substantive -</b> Clause to provide satisfactory evidence to IIROC of the proposed arrangement is redundant since IIROC must approve the arrangement.]
New Provision			Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(iv)	<b>[New - Substantive -</b> New requirement that foreign affiliated dealer must be a regulated entity. Codifies existing IIROC expectations that the foreign dealer must be subject to satisfactory regulatory oversight.]
New Provision			Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(v)	<b>[New – Non-substantive -</b> Cross references to other requirements. Not a material change itself.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	(b)	Rule 2450	R. 2486 Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer - Annual disclosure requirement	(1)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	(c)	Rule 2450	R. 2486 Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer - Foreign jurisdiction approval	(2)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	(d)	Rule 2450	R. 2486 Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer - Responsibility for compliance	(3)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	(e)	Rule 2450	R. 2486 Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer - Reporting balances	(4)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	(f)	Rule 2450	R. 2486 Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer - Segregating securities	(5)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	(g)	Rule 2450	R. 2486 Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer - Insurance	(6)	
New Provision			Rule 2450	R. 2487. - 2489. Reserved		<b>[New - Non-substantive - Reserved sections]</b>
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(d)	Rule 2450	R. 2490 Certain arrangements executed with a Canadian financial institution affiliate	(1)(i) through (iii)	
New Provision			Rule 2450	R. 2491 Certain arrangements with other dealers	(1)(i) and (ii)	<b>[New - Substantive - Clarifies that clearing arrangements involving DAP and RAP accounts are not introducing broker / carrying broker arrangements.]</b>
New Provision			Rule 2450	R. 2492. - 2494. Reserved		<b>[New - Non-substantive - Reserved sections]</b>
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(c)(i)	Rule 2450	R. 2495 Prohibited introducing broker / carrying broker arrangements	(1)	<b>[Amended - Substantive - Rule 35.1(c)(i) has been amended to accommodate foreign affiliate dealer arrangements.]</b>

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(c)(ii)	Rule 2450			[Repealed - Non-substantive - Clause is no redundant since only IIROC Dealer Members are participating institutions in CIPF]
New Provision			Rule 2450	R. 2496. - 2499. Reserved		[New - Non-substantive - Reserved sections]
New Provision			Rule 2500	R. 2501 Introduction	(1)	[New – Non-substantive - Introductory provision added.]
Rule 0007: Dealer Member Partners, Directors & Officers	7.03	(a)	Rule 2500	R. 2502 General requirements for directors	(1)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.03	(b)	Rule 2500	R. 2502 General requirements for directors	(2)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.04	(a)	Rule 2500	R. 2503 General requirements for executives	(1)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.04	(b)	Rule 2500	R. 2503 General requirements for executives	(2)	
Rule 0007: Dealer Member Partners, Directors & Officers	38.06	(a)	Rule 2500	R. 2504 Chief Financial Officer	(1)	
Rule 0007: Dealer Member Partners, Directors & Officers	38.06	(b)	Rule 2500	R. 2504 Chief Financial Officer	(2)	
Rule 0038: Responsibilities of CCO & UDP	38.07	(a)	Rule 2500	R. 2505 Chief Compliance Officer	(1)	
Rule 0038: Responsibilities of CCO & UDP	38.07	(b)	Rule 2500	R. 2505 Chief Compliance Officer	(1)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0038: Responsibilities of CCO & UDP	38.07	(c)	Rule 2500	R. 2505 Chief Compliance Officer	(1)	
Rule 0038: Responsibilities of CCO & UDP	38.07	(f)	Rule 2500	R. 2505 Chief Compliance Officer	(2)	
Rule 0038: Responsibilities of CCO & UDP	38.05	(a)	Rule 2500	R. 2506 Ultimate Designated Person	(1)	
Rule 0038: Responsibilities of CCO & UDP	38.05	(b)(i)	Rule 2500	R. 2506 Ultimate Designated Person	(1)	
Rule 0038: Responsibilities of CCO & UDP	38.05	(b)(iii)	Rule 2500	R. 2506 Ultimate Designated Person	(1)	
Rule 0038: Responsibilities of CCO & UDP	38.05	(b)(ii)	Rule 2500	R. 2506 Ultimate Designated Person	(2)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.05		Rule 2500	R. 2507 Exemption	(1)	
New Provision			Rule 2500	R. 2508. - 2549. Reserved		[New - Non-substantive - Reserved sections]
New Provision			Rule 2550	R. 2551 Introduction	(1) and (2)	[New – Non-substantive - Introductory provision added.]
Rule 0018: Registered Representatives & Investment Representatives	18.02	(a)	Rule 2550	R. 2552 Individual approval	(1)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.02		Rule 2550	R. 2552 Individual approval	(1)	
New Provision			Rule 2550	R. 2552 Individual approval	(2)	[Amended – Non-substantive - Added list of registration categories]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2550	R. 2552 Individual approval	(3)	[Amended – Non-substantive - Added clarification that only directors, executives, employees, and agents of Dealer Members can be approved persons]
Rule 0018: Registered Representatives & Investment Representatives	18.02	(a)	Rule 2550	R. 2552 Individual approval	(4)	
New Provision			Rule 2550	R. 2552 Individual approval	(5)	[Amended – Non-substantive - Added clarification that Dealer Member must ensure individuals comply with registration category requirements]
Rule 0007: Dealer Member Partners, Directors & Officers	7.08		Rule 2550	R. 2552 Individual approval	(6)	
Rule 0018: Registered Representatives & Investment Representatives	18.02	(a)	Rule 2550	R. 2552 Individual approval	(6)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.09		Rule 2550	R. 2552 Individual approval	(7)	
Rule 0018: Registered Representatives & Investment Representatives	18.18		Rule 2550	R. 2552 Individual approval	(7)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.07		Rule 2550	R. 2552 Individual approval	(8)	

**SROs, Marketplaces and Clearing Agencies**

<b>Current rule number and title</b>	<b>Sub-section</b>		<b>New rule number</b>	<b>New section, title and description</b>	<b>Sub-Section</b>	<b>Comments</b>
Rule 0018: Registered Representatives & Investment Representatives	18.15		Rule 2550	R. 2552 Individual approval	(8)	
Rule 0038: Responsibilities of CCO & UDP	38.03	(a)	Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(1)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.02		Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(2)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.02		Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(3)	
Rule 0038: Responsibilities of CCO & UDP	38.06	(a)	Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(4)	
Rule 0038: Responsibilities of CCO & UDP	38.07	(a)	Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(5)	
Rule 0038: Responsibilities of CCO & UDP	38.07	(b)	Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(5)	
Rule 0038: Responsibilities of CCO & UDP	38.07	(e)	Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(5)	
Rule 0038: Responsibilities of CCO & UDP	38.05	(a)	Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(6)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0018: Registered Representatives & Investment Representatives	18.02	(a)	Rule 2550	R. 2554 Approval of registered representatives and investment representatives and their obligations	(1)	
Rule 0018: Registered Representatives & Investment Representatives	18.03		Rule 2550	R. 2554 Approval of registered representatives and investment representatives and their obligations	(1)	
Rule 0018: Registered Representatives & Investment Representatives	18.04		Rule 2550	R. 2554 Approval of registered representatives and investment representatives and their obligations	(2)	
Rule 0018: Registered Representatives & Investment Representatives	18.07	(d)	Rule 2550	R. 2554 Approval of registered representatives and investment representatives and their obligations	(2)	
Rule 0018: Registered Representatives & Investment Representatives	18.02	(b)	Rule 2550	R. 2554 Approval of registered representatives and investment representatives and their obligations	(3)	
Rule 0018: Registered Representatives & Investment Representatives	18.02	(c)	Rule 2550	R. 2554 Approval of registered representatives and investment representatives and their obligations	(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 0018: Registered Representatives & Investment Representatives	18.07	(a)	Rule 2550	R. 2554 Approval of registered representatives and investment representatives and their obligations	(4)	
Rule 0018: Registered Representatives & Investment Representatives	18.07	(b)	Rule 2550	R. 2554 Approval of registered representatives and investment representatives and their obligations	(4)	
Rule 0018: Registered Representatives & Investment Representatives	18.07	(c)	Rule 2550	R. 2554 Approval of registered representatives and investment representatives and their obligations	(4)	
Rule 0018: Registered Representatives & Investment Representatives	18.14		Rule 2550	R. 2554 Approval of registered representatives and investment representatives and their obligations	(5)	
Rule 0018: Registered Representatives & Investment Representatives	18.16		Rule 2550	R. 2554 Approval of registered representatives and investment representatives and their obligations	(6)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.06	(a)	Rule 2550	R. 2555 Person owning or controlling more than 10% of Dealer Member's voting shares	(1)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0007: Dealer Member Partners, Directors & Officers	7.06	(b)	Rule 2550	R. 2555 Person owning or controlling more than 10% of Dealer Member's voting shares	(2)	
Rule 0500: Traders	500.01		Rule 2550	R. 2556 Trader	(1)	
Rule 0500: Traders	500.02		Rule 2550	R. 2556 Trader	(1)	
New Provision			Rule 2550	R. 2557. - 2599. Reserved		[New - Non-substantive - Reserved sections]
Rule 2900: Proficiency and Education	Part I	Introduction	Rule 2600	R. 2601 Introduction	(1)	
New Provision			Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)	[Amended – Non-substantive - Added clarification requiring compliance with education provisions in chart form]
Rule 2900: Proficiency and Education	Part I	(A)(1)(a)(i)-(ii)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(i)	
Rule 2900: Proficiency and Education	Part I	(A)(2)(a)(iii)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(i)	
Rule 2900: Proficiency and Education	Part I	(A)(1)(a)(iii)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(ii)	
Rule 2900: Proficiency and Education	Part I	(A)(1)(a)(iv)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(iii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part I	(A)(1)(a)(v)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(iv)	
Rule 2900: Proficiency and Education	Part I	(A)(1)(b)(i)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(v)	
Rule 2900: Proficiency and Education	Part I	(A)(1)(b)(ii)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(vi)	
Rule 2900: Proficiency and Education	Part I	(A)(1)(b)(iii)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(vii)	
Rule 2900: Proficiency and Education	Part I	(A)(2)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(viii)	
Rule 2900: Proficiency and Education	Part I	(A)(2)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(ix)	
Rule 2900: Proficiency and Education	Part I	(A)(2A)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(x)	
Rule 2900: Proficiency and Education	Part I	(A)(2B)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xi)	
Rule 2900: Proficiency and Education	Part I	(A)(3)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xii)	
Rule 2900: Proficiency and Education	Part I	(A)(3)(a)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xiii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part I	(A)(8)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xiv)	
Rule 2900: Proficiency and Education	Part I	(A)(8)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xv)	
Rule 2900: Proficiency and Education	Part I	(A)(7)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xvi)	
Rule 2900: Proficiency and Education	Part I	(A)(7)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xvii)	
Rule 2900: Proficiency and Education	Part I	(A)(3)(a)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xviii)	
Rule 2900: Proficiency and Education	Part I	(A)(8)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xix)	
Rule 2900: Proficiency and Education	Part I	(A)(7)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xx)	
Rule 2900: Proficiency and Education	Part I	(A)(4)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xxi)	
Rule 2900: Proficiency and Education	Part I	(A)(6)(6.1)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xxii)	
Rule 2900: Proficiency and Education	Part I	(A)(6)(6.2)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xxiii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part I	(A)(5)(a)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xxiv)	
Rule 2900: Proficiency and Education	Part I	(A)(5)(b)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xxv)	
Rule 0007: Dealer Member Directors and Executives	7.06	(b)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xxvi)	
Rule 2900: Proficiency and Education	Part I	(A)(2)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xxvi)	
Rule 2900: Proficiency and Education	Part I	(B)	Rule 2600	R. 2603 General and discretionary exemptions	(1)	
Rule 2900: Proficiency and Education	Part I	(B)	Rule 2600	R. 2603 General and discretionary exemptions	(2)	
Rule 0020: Corporation Hearing Process	20.24		Rule 2600	R. 2603 General and discretionary exemptions	(2)	
Rule 2900: Proficiency and Education	Part II	Introduction	Rule 2600	R. 2604 Exemptions from writing the required courses	(1)	
Rule 2900: Proficiency and Education	Part II	(B)(1)	Rule 2600	R. 2604 Exemptions from writing the required courses	(1)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2600	R. 2604 Exemptions from writing the required courses	(2)	<b>[Amended – Non-substantive -</b> Added clarification requiring compliance with education exemption provisions in chart form]
Rule 2900: Proficiency and Education	Part II	(B)(2)	Rule 2600	R. 2604 Exemptions from writing the required courses	(2)(i)	
Rule 2900: Proficiency and Education	Part II	(B)(3)	Rule 2600	R. 2604 Exemptions from writing the required courses	(2)(ii)	
Rule 2900: Proficiency and Education	Part II	(B)(4)	Rule 2600	R. 2604 Exemptions from writing the required courses	(2)(iii)	
Rule 2900: Proficiency and Education	Part II	(B)(5)	Rule 2600	R. 2604 Exemptions from writing the required courses	(2)(iv)	
Rule 2900: Proficiency and Education	Part II	(B)(6)	Rule 2600	R. 2604 Exemptions from writing the required courses	(2)(v)	
Rule 2900: Proficiency and Education	Part II	Introduction	Rule 2600	R. 2605 Exemptions from rewriting courses	(1)	
Rule 2900: Proficiency and Education	Part II	(A)(1)-(2)	Rule 2600	R. 2605 Exemptions from rewriting courses	(2)-(5)	
Rule 2900: Proficiency and Education	Part II	(A)(3)(a)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(i)	
Rule 2900: Proficiency and Education	Part II	(A)(3)(b)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(ii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part II	(A)(4)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(iii)	
Rule 2900: Proficiency and Education	Part II	(A)(4)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(iv)	
Rule 2900: Proficiency and Education	Part II	(A)(9)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(ix)	
Rule 2900: Proficiency and Education	Part II	(A)(5)(a)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(v)	
Rule 2900: Proficiency and Education	Part II	(A)(5)(b)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(vi)	
Rule 2900: Proficiency and Education	Part II	(A)(6)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(vii)	
Rule 2900: Proficiency and Education	Part II	(A)(7)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(viii)	
Rule 2900: Proficiency and Education	Part II	(A)(8)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(x)	
New Provision			Rule 2600	R. 2606. - 2649. Reserved		<b>[New - Non-substantive - Reserved sections]</b>
Rule 2900: Proficiency and Education	Part III	(B) first paragraph	Rule 2650	R. 2651 Introduction	(1)	
Rule 2900: Proficiency and Education	Part III	(H)(3)	Rule 2650	R. 2651 Introduction	(2)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2650	R. 2652 General CE program description	(1)	<b>[Amended – Non-substantive -</b> Added general description of compliance and professional development components to CE]
Rule 2900: Proficiency and Education	Part III	Introduction	Rule 2650	R. 2652 General CE program description	(2)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, Introduction, 4th paragraph	Rule 2650	R. 2652 General CE program description	(3)	
Rule 2900: Proficiency and Education	Part III	The Compliance Course (A)(5)	Rule 2650	R. 2652 General CE program description	(3)	
Rule 2900: Proficiency and Education	Part III	(B)	Rule 2650	R. 2653 Continuing education requirements	(1)	
Rule 2900: Proficiency and Education	Schedule I		Rule 2650	R. 2653 Continuing education requirements	(1)	
New Provision			Rule 2650	R. 2653 Continuing education requirements	(2)	<b>[Amended – Non-substantive -</b> Added clarification that registrants in multiple categories must comply with CE requirements of the most demanding category]
Rule 2900: Proficiency and Education	Part III	(C)	Rule 2650	R. 2653 Continuing education requirements	(3)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part III	(J)	Rule 2650	R. 2654 The compliance course	(1)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (A)(2)	Rule 2650	R. 2654 The compliance course	(1)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (A)(4)	Rule 2650	R. 2654 The compliance course	(1)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (C)(1)	Rule 2650	R. 2654 The compliance course	(1)	
Rule 2900: Proficiency and Education	Part III	(J)(1) first sentence	Rule 2650	R. 2654 The compliance course	(2)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (A)(1)	Rule 2650	R. 2654 The compliance course	(2)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (B)(1)	Rule 2650	R. 2654 The compliance course	(2)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (B)(2)	Rule 2650	R. 2654 The compliance course	(2)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (A)(6)	Rule 2650	R. 2654 The compliance course	(3)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (A)(7)	Rule 2650	R. 2654 The compliance course	(3)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (B)(4)	Rule 2650	R. 2654 The compliance course	(3)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (A)(7)	Rule 2650	R. 2654 The compliance course	(4)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (A)(9)	Rule 2650	R. 2654 The compliance course	(4)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (C)(4)	Rule 2650	R. 2654 The compliance course	(5)	
Rule 2900: Proficiency and Education	Part III	(K)	Rule 2650	R. 2655 The professional development course	(1)	
Rule 2900: Proficiency and Education	Part III	(K)(1)	Rule 2650	R. 2655 The professional development course	(2)	
Rule 2900: Proficiency and Education	Part III	(L)(2)	Rule 2650	R. 2655 The professional development course	(2)	
Rule 2900: Proficiency and Education	Part III	(L)(4)	Rule 2650	R. 2655 The professional development course	(2)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Professional Development Course (B)(2)	Rule 2650	R. 2655 The professional development course	(2)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Professional Development Course (A)(7)	Rule 2650	R. 2655 The professional development course	(3)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Professional Development Course (A)(8)	Rule 2650	R. 2655 The professional development course	(3)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Professional Development Course (A)(10)	Rule 2650	R. 2655 The professional development course	(3)	
Rule 2900: Proficiency and Education	Part III	(K)(3)	Rule 2650	R. 2655 The professional development course	(4)	
Rule 2900: Proficiency and Education	Part III	(H)(1)	Rule 2650	R. 2656 Dealer Member's administration of CE program	(1)	
Rule 2900: Proficiency and Education	Part III	(H)(3)	Rule 2650	R. 2656 Dealer Member's administration of CE program	(1)	
Rule 2900: Proficiency and Education	Part III	(I)	Rule 2650	R. 2656 Dealer Member's administration of CE program	(2)	
Rule 2900: Proficiency and Education	Part III	(D) first paragraph	Rule 2650	R. 2657 Participation of recently approved persons	(1)	
Rule 2900: Proficiency and Education	Part III	(D)(1)-(3)	Rule 2650	R. 2657 Participation of recently approved persons	(2)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part III	(L)(3)	Rule 2650	R. 2657 Participation of recently approved persons	(3)	
Rule 2900: Proficiency and Education	Part III	(G)(1)	Rule 2650	R. 2658 Voluntary participation in the CE program	(1)	
Rule 2900: Proficiency and Education	Part III	(G)(2)	Rule 2650	R. 2658 Voluntary participation in the CE program	(2)	
Rule 2900: Proficiency and Education	Part III	(G)(5)	Rule 2650	R. 2658 Voluntary participation in the CE program	(3)	
Rule 2900: Proficiency and Education	Part III	(E)(1)	Rule 2650	R. 2659 Re-approval of former approved persons	(1)	
Rule 2900: Proficiency and Education	Part III	(E)(2)	Rule 2650	R. 2659 Re-approval of former approved persons	(2)	
Rule 2900: Proficiency and Education	Part III	(E)(3)	Rule 2650	R. 2659 Re-approval of former approved persons	(3)	
Rule 2900: Proficiency and Education	Part III	(F)	Rule 2650	R. 2660 Changes to Corporation category during a cycle	(1)	
Rule 2900: Proficiency and Education	Part III	(F)(1)	Rule 2650	R. 2660 Changes to Corporation category during a cycle	(1)(i)-(ii)	
Rule 2900: Proficiency and Education	Part III	(F)(2)	Rule 2650	R. 2660 Changes to Corporation category during a cycle	(1)(iii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part III	(F)(4)	Rule 2650	R. 2660 Changes to Corporation category during a cycle	(1)(iv)	
Rule 2900: Proficiency and Education	Part III	(F)(3)	Rule 2650	R. 2660 Changes to Corporation category during a cycle	(1)(v)-(vi)	
Rule 2900: Proficiency and Education	Part III	(N)(1)	Rule 2650	R. 2661 Hardship extension of time to complete the program requirements	(1)	
Rule 2900: Proficiency and Education	Part III	(N)(2)	Rule 2650	R. 2661 Hardship extension of time to complete the program requirements	(2)	
Rule 2900: Proficiency and Education	Part III	(N)(3)(a)-(b)	Rule 2650	R. 2661 Hardship extension of time to complete the program requirements	(3)	
Rule 2900: Proficiency and Education	Part III	(N)(3)(c)	Rule 2650	R. 2661 Hardship extension of time to complete the program requirements	(4)	
Rule 2900: Proficiency and Education	Part III	(M)(1)	Rule 2650	R. 2662 Penalties for not completing the program requirements in a cycle	(1)	
Rule 2900: Proficiency and Education	Part III	(M)(3)	Rule 2650	R. 2662 Penalties for not completing the program requirements in a cycle	(2)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part III	(M)(2)	Rule 2650	R. 2662 Penalties for not completing the program requirements in a cycle	(3)	
Rule 2900: Proficiency and Education	Part III	(M)(4)	Rule 2650	R. 2662 Penalties for not completing the program requirements in a cycle	(4)	
New Provision			Rule 2650	R. 2663. - 2699. Reserved		<b>[New - Non-substantive - Reserved sections]</b>
New Provision			Rule 2700	R. 2701 Introduction	(1) and (2)	<b>[New – Non-substantive - Introductory provision added.]</b>
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.02		Rule 2700	R. 2702 Dealer Member obligations for the National Registration Database	(1)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.03	(1)	Rule 2700	R. 2702 Dealer Member obligations for the National Registration Database	(2)(a),(i)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.04		Rule 2700	R. 2702 Dealer Member obligations for the National Registration Database	(2)(b)-(c)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.05		Rule 2700	R. 2702 Dealer Member obligations for the National Registration Database	(2)(d)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.06		Rule 2700	R. 2702 Dealer Member obligations for the National Registration Database	(2)(e)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.07	(1)	Rule 2700	R. 2702 Dealer Member obligations for the National Registration Database	(2)(f)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.08		Rule 2700	R. 2702 Dealer Member obligations for the National Registration Database	(2)(g)-(h)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.11	(1)-(2)	Rule 2700	R. 2703 Temporary hardship exemption	(1)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.11	(3)	Rule 2700	R. 2703 Temporary hardship exemption	(2)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.11	(4)	Rule 2700	R. 2703 Temporary hardship exemption	(3)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.12	(1)	Rule 2700	R. 2704 Due diligence and record keeping	(1)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.12	(2)	Rule 2700	R. 2704 Due diligence and record keeping	(2)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.12	(3)	Rule 2700	R. 2704 Due diligence and record keeping	(3)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.12	(4)	Rule 2700	R. 2704 Due diligence and record keeping	(4)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.09	(1)	Rule 2700	R. 2705 Fees	(1)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.03	(2)-(3)	Rule 2700	R. 2705 Fees	(2)	

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Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.07	(4)-(5)	Rule 2700	R. 2705 Fees	(2)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.09	(1)-(2)	Rule 2700	R. 2705 Fees	(2)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.07	(2)	Rule 2700	R. 2706 Termination	(1)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.07	(3)	Rule 2700	R. 2707 Reinstatement of suspended approved persons	(1)	
New Provision			Rule 2700	R. 2708. - 2999. Reserved		[New - Non-substantive - Reserved sections]

## GUIDANCE NOTE 2100-1

## INVESTMENT IN A DEALER MEMBER – NOTIFICATION AND APPROVAL

This Guidance Note describes how to obtain Corporation approval for ownership of a Dealer Member or its holding company (other than those firms publicly owned).

**Notification and Approval**

The approval process for ownership of a Dealer Member or its holding company (other than those firms publicly owned) applies to:

- (i) acquisitions of 10% or more of the Dealer Member or
- (ii) 10% or more of the voting shares of the Dealer Member.

For smaller acquisitions (see immediately below), the Dealer Member must notify the Corporation by form or letter, as applicable, within 20 days before the transaction date.

**Investment of less than 10% in a Dealer Member**

If an investor wishes to make an investment of less than 10% in the ownership of a Dealer Member, the Dealer Member must:

- (i) notify the Corporation Secretary using an Investor Notification Form, and
- (ii) include with the form a shareholder schedule<sup>1</sup>.

Subsequent purchases by the same investor require only a letter to the Corporation Secretary, along with the shareholder schedule, unless the purchase results in ownership of 10% or more of the Dealer Member. An application through the National Registration Database (NRD) is not required.

**Investment of more than 10% in a Dealer Member**

Section 2106 requires that a Dealer Member:

- (i) obtain Corporation's approval for an investment of 10% or more in another Dealer Member;
- (ii) submit an Investor Application Form, along with a shareholder schedule;
- (iii) file an Initial Registration submission *Form 33-109F4 Registration of Individuals and Review of Permitted Individuals* [LINK] through NRD, unless the individual is already registered with a Dealer Member. In the latter case, the Dealer Member must submit a *33-109F2 Change or Surrender of Individual Categories* [LINK] for approval as an Investor; and
- (iv) after the transaction is completed, submit an *Item 17 – Ownership of Securities and Derivatives Firms Change* submission through NRD.

The Dealer Member will receive approval both through NRD and the Corporation Secretary.

The Partners, Directors and Senior Officers Course (PDO) must be completed by:

- (a) Any Director of a Dealer Member who directly or indirectly owns or controls a voting interest in the Dealer Member of 10% or more;
- (b) Any person other than a Director of a Dealer Member, who is actively engaged in the business of a Dealer Member and directly or indirectly owns or controls a voting interest in the Dealer Member of 10% or more.

<sup>1</sup> The shareholder schedule must show the number of shares owned (with percentages), both before and after the proposed transactions.

**GUIDANCE NOTE 2150-1**

**GUARANTEES**

Rule 2150, subsection 2154(3) requires a *Dealer Member* and its *related companies* to sign the Corporation *guarantee* form. The current *guarantee* form follows.

**Uniform Guarantee by Dealer Members and Related Companies**

**By**

Guarantee amount  
as % of Regulatory  
Capital

**Guarantors**


**To**

**Investment Industry Regulatory Organization of Canada** on its own behalf  
and as trustee for Customers of the Dealer Members listed above.

**Background**

- (a) The Guarantors are Dealer Members of a Participating Institution and *related companies* under the Institution Rules.
- (b) The Rules require each Guarantor to guarantee each other's debts, liabilities, and obligations to their respective Customers for the amount and in the way this Guarantee describes.
- (c) The Institution agrees to hold as bare trustee\* the benefit of this Guarantee for the Customers and itself and for the Participating Institution for paragraphs 12 and 13 of this Guarantee.
- (d) The amount of this Guarantee for each Guarantor is intended to be limited to reflect the direct or indirect ownership interest of a Guarantor or a Common Owner in each of the other Guarantors by applying the Guarantee Amount to the Regulatory Capital of each other Guarantor.

**Definitions**

<b>Beneficiaries</b>	<b>the Institution and its Customers</b>
<b>CIPF/FCPE</b>	Canadian Investor Protection Fund/Fonds canadien de protection des épargnants established under a May 1, 1969 Agreement and Declaration of Trust, as amended from time to time
<b>Common Owner</b>	the guarantor(s) and institution on the last page of this Guarantee who consent to its signing and delivery
<b>Customer</b>	for any Guarantor, the persons who are, or are identified as, eligible for protection by CIPF/FCPE (under its Agreement and Declaration of Trust and under any policies its Board of Governors adopts from time to time). The protection covers losses in accounts they hold as customers of the Guarantor whenever the Beneficiaries may enforce the Guaranteed Liabilities. Any Guarantor's Customers that are identified as eligible are treated as if the Board of Governors of CIPF/FCPE had exercised the discretion necessary to entitle the person to CIPF/FCPE protection. A decision by the Board of Governors of CIPF/FCPE on whether a person is eligible for CIPF/FCPE protection under this Guarantee is final and binds the parties.
<b>Dealer Member</b>	a Dealer Member of a Participating Institution
<b>Guarantee Amount</b>	the percentage of Regulatory Capital shown opposite the name of each Guarantor at the beginning of this Guarantee. The Guarantee Amount that applies to any

\* A trustee whose only duty is to convey the trust property to the beneficiaries.

	Guarantor may be amended from time to time by agreement between the Institution and the Guarantor to reflect the direct and indirect ownership of the Guarantor or a Common Owner in each of the other Guarantors.
<b>Guaranteed Liabilities</b>	the obligations, debts and liabilities that the Guarantor guarantees under this Guarantee as described under the heading, <b>Guarantee</b>
<b>Guarantor</b>	each of the Dealer Members that sign and deliver this Guarantee
<b>Institution</b>	the Participating Institution to which this Guarantee refers
<b>JRFQR</b>	in relation to a Dealer Member, the Joint Regulatory Financial Questionnaire and Report (i) prescribed from time to time by the Participating Institution of which the Dealer Member is a member, and (ii) if the Dealer Member is a member of more than one Participating Institution, as prescribed by the Participating Institution having prime audit jurisdiction for the purposes of CIPF/FCPE
<b>Participating Institution</b>	related to a Guarantor, each of the participating institutions of CIPF/FCPE of which that Guarantor is a Dealer Member
<b>Regulatory Capital</b>	at any time the "capital employed" of a Guarantor decided in accordance with the JRFQR (Line 3, Statement B) and the Rules of the Participating Institution of which the Guarantor is a Dealer Member. It may be that the Regulatory Capital of a Guarantor at the time of demand under this Guarantee cannot, in the sole discretion of the Institution, be identified accurately or with confidence in a timely manner. It is then considered to be the Guarantor's capital calculated according to the (i) information in the JRFQR and (ii) financial statements most recently filed with, or available to, a Participating Institution. Any such calculation that the Institution makes, following the notes and instructions to the JRFQR and the Rules, is a final and binding decision on the Regulatory Capital of the Guarantor for this Guarantee.
<b>Related Company</b>	for a Guarantor, another Guarantor that is a related company of the first Guarantor under the Rules of the Participating Institution to which the first Guarantor belongs
<b>Rules</b>	the by-laws, regulations, rules, policies, and forms of a Participating Institution

**Guarantee**

Each Guarantor, individually (severally) with each other Guarantor, guarantees payment and discharge on demand to Beneficiaries of all the obligations, debts, and liabilities that any other Guarantor incurs, or is under, that occur related to their securities businesses. However, the Guarantor's liability under this Guarantee is limited to an amount equal to its Regulatory Capital at the time demand is made, multiplied by the Guarantee Amount that applies to the Guarantor. Each Guarantor makes this Guarantee in exchange for the eligibility of Customers for protection by CIPF/FCPE.

If the Guaranteed Liabilities:

- (i) exceed a Guarantor's liability under this Guarantee, and
- (ii) are owed to more than one Beneficiary,

the Guarantor will pay each Beneficiary a pro-rated amount, calculated by:

- (i) dividing the amount of the Guaranteed Liabilities owed to that Beneficiary by the total amount of the Guaranteed Liabilities owed to all Beneficiaries, and
- (ii) multiplying the result by the total amount payable to all Beneficiaries.

## Guarantee's terms

### 1. Continuing guarantee

This Guarantee is a continuing guarantee of all the Guaranteed Liabilities and secures any amount owing to the Beneficiaries. A Guarantor's obligations under this Guarantee continue even if it pays the Beneficiaries part of any amount then owing to them.

### 2. Beneficiaries' entitlement

The Beneficiaries are entitled to payment from any Guarantor without having to pursue any other remedy available to them.

### 3. Starting the Guarantor's liability

Each Guarantor's liability to make a payment under this Guarantee begins when the Institution, acting on behalf of all of the Beneficiaries, demands payment in writing. Any demand or notice to a Guarantor under this Guarantee takes effect when delivered to the Guarantor's registered office in an envelope addressed to its President

### 4. Interest rate

A Guarantor's liability bears interest from the demand date. Obligations under this Guarantee bear interest at the rate that the Institution's principal bank uses to assess interest rates on Canadian dollar loans to its customers in Canada, plus 2% yearly.

### 5. Independence of this guarantee

This Guarantee is in addition to, and not a substitute for, any other guarantees or securities that the Beneficiaries may hold for the Guaranteed Liabilities. The Beneficiaries need not help a Guarantor by calling on any other guarantees, securities or assets that they may be entitled to receive or may have a claim on. No loss of, loss from, or unenforceability of any other guarantees or securities for the Guaranteed Liabilities that the Beneficiaries hold at any time limits or lessens any Guarantor's liability.

### 6. Beneficiaries' actions don't affect Guarantee's terms

The Beneficiaries may deal with any person as they see fit without limiting or lessening a Guarantor's liability. For example, they:

- (i) need not give notice to, or have the consent of, a Guarantor to grant time, renewals, extensions, indulgences, releases, or discharges to or accept compositions from any person, including a Guarantor or any other guarantor.
- (ii) may take, not take, not perfect, vary, exchange, renew, discharge, give up, realize on or otherwise deal with securities and guarantees as they see fit.
- (iii) may apply all money received from a Guarantor or others, or from securities or guarantees, to the parts of the Guaranteed Liabilities that they see fit, and change any such application in whole or in part from time to time.

### 7. Conditions of Guarantor's repayment

Until the Guarantor repays all the Guaranteed Liabilities in full:

- (i) All dividends, compositions, proceeds of securities, or payments received by the Beneficiaries from the Guarantor, for which the Beneficiaries are customers in relation to the Guaranteed Liabilities, are payments in gross. No other Guarantor may claim the benefit of any such payments to reduce its liability under this Guarantee.
- (ii) No Guarantor may (a) claim any reduction or counterclaim against any other Guarantor for any liability of that Guarantor to any other Guarantor (b) compete with the Beneficiaries in the bankruptcy or insolvency of a Guarantor, or (c) have any right to make claims in the Beneficiaries' names.

Any liability of a Guarantor to another Guarantor described in clause (ii) must be held as security for the performance of this Guarantee.

**8. Changes to a Guarantor do not affect this Guarantee**

This Guarantee will not be affected by

- (i) any change in a Guarantor's name, objects, capital structure, or constitution
- (ii) the sale of a Guarantor's business or any part of it, or
- (iii) a Guarantor's amalgamation with a corporation.

In any such event, this Guarantee continues to apply to all Guaranteed Liabilities whether incurred before or after the event. If a Guarantor amalgamates with a corporation, this Guarantee applies to the liabilities of the resulting corporation as Guaranteed Liabilities. The term "Guarantor" then includes any resulting corporation.

**9. Disabilities of Guarantors**

All cash balances and securities that a Guarantor receives in its dealings with the Beneficiary, and in the course of its business before the Beneficiaries have received notice of a Disability (as defined in the next sentence), form part of the Guaranteed Liabilities. A Guarantor's "Disability" means:

- (i) any lack of or limitation in its legal authority
- (ii) the Guarantor's not being a legal or suable entity, or
- (iii) any irregularity, defect, or informality under which the Guarantor receives cash balances, securities, or other property.

**10. How a Guarantor ends further liability**

Each Guarantor may end its ongoing liability under this Guarantee by giving 60 days' notice in writing to the Institution. The Guarantor

- (i) is liable for any Guaranteed Liabilities incurred before the 60 days' expiry even if not yet matured, but
- (ii) is not liable for any Guaranteed Liabilities incurred after that.

Even if they have received that notice, the Beneficiaries may fulfil any Guarantor's requirements based on express or implied agreements made before the 60 days expire, and this Guarantee applies to any resulting Guaranteed Liabilities.

**11. Whole agreement**

This Guarantee is the entire agreement among the parties, and none of them is bound by any representation or promise that is not written in this Guarantee. The Beneficiaries are not bound by any representations or promises that any Guarantor makes to any other Guarantor.

**12. Institution's authority**

Each Guarantor may rely on the Institution's authority to represent, and act for and on behalf of, all Beneficiaries in giving notice of default, making demand on the Guarantor, and receiving, on behalf of all Beneficiaries, any payment under this Guarantee of the Guaranteed Liabilities. Any such payment reduces the Guarantor's liability under this Guarantee to the Beneficiaries. The Institution's possession of this document is proof against any Guarantor that it was not delivered to any Beneficiary in escrow or under any agreement that it does not take effect until any condition has been complied with.

**13. The effect of a Guarantor's failure to follow a Participating Institution's rules**

A Guarantor's failure to comply with the Rules of a Participating Institution to which it belongs does not affect a Guarantor's obligations under this Guarantee. A Guarantor may not use that failure as a defence on the basis that the risk to the Guarantor has changed or for any other reason.

14. **The Institution's role and enforcement**

The Institution must hold the benefit of each Guarantor's promises in trust for the Beneficiaries according to their respective interests. Any Customer, the Institution, or a Participating Institution may enforce a Guarantor's promises directly against that Guarantor. The Institution

- (i) is under no obligation or responsibility to any Customer, Participating Institution or person claiming through any of them under this Guarantee, and
- (ii) in particular, has no obligation or responsibility to see that any promise here is fulfilled or to take any action to enforce this Guarantee.

15. **Severability**

The terms of any part or section of this Guarantee are independent of the terms of any other part or section.

16. **Execution of one document**

This Guarantee may be executed in any number of counterparts, each of which is an original and all of which together constitute one document.

17. **Ontario's laws govern**

This Guarantee is governed by the laws of the Province of Ontario.

18. **Succession or assignment**

This Guarantee benefits the Beneficiaries, each Guarantor, and their respective successors and assigns and binds each Guarantor, the Institution, and their respective successors and assigns.

This Guarantee has been executed and delivered by the Guarantors and the Institution by their authorized representatives as of \_\_\_\_\_, 20\_\_\_\_.

[Guarantor's name]

[Guarantor's name]

By \_\_\_\_\_

By \_\_\_\_\_

\_\_\_\_\_  
Representative's name and title

\_\_\_\_\_  
Representative's name and title

By \_\_\_\_\_

By \_\_\_\_\_

\_\_\_\_\_  
Representative's name and title

\_\_\_\_\_  
Representative's name and title

[Name of Institution]

By: \_\_\_\_\_

\_\_\_\_\_  
Representative's name and title

By: \_\_\_\_\_

\_\_\_\_\_  
Representative's name and title

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The person signing below, a shareholder or owner, directly or indirectly, of each Guarantor, acknowledges and consents to the execution and delivery of this Guarantee by the Guarantors.

\_\_\_\_\_ (Signature)      Dated: \_\_\_\_\_, 20

## GUIDANCE NOTE 2150-2

### SHARED PREMISES

#### Introduction

This Guidance Note provides assistance to a Dealer Member that shares offices premises with a financial services entity. IIROC acknowledges that standards in this Guidance Note may not be practicable in certain business arrangements such as where there are numerous dually employed representatives or the Dealer Member provides discount brokerage services. A Dealer Member may develop different policies and procedures from this Guidance Note that achieve the same objectives; however, a Dealer Member must ensure that Corporation requirements are met.

The objective behind the standards is to ensure that clients are not confused as to which entity they are dealing with.

Dealer Members should also refer to *NI 31-103 Registration Requirements and Exemptions*, which came into force on September 28, 2009. That instrument has application to these issues.

#### Telephone Operations

Clients should have a clear understanding of which entity they are dealing with when they call the Dealer Member or the financial services entity. A shared receptionist is permitted. Separate directory listings for each entity are recommended.

#### Signage

A business, trade or style name under which all of the entities operate may be displayed in addition to the legal names. The names of each individual representative of the entities need not be displayed.

#### Physical Premises

Separate entrances are not necessary. It may be advisable for the respective representatives, employees or agents of the Dealer Member and the financial services entity to be situated in separate areas, if permitted by resources and infrastructure, to minimize client confusion and ensure privacy and confidentiality of records.

#### Confidentiality of Records

A Dealer Member must maintain controls on client records so that a financial services entity does not have access to the client's file. When hardware and software are shared, a Dealer Member should ensure that confidentiality protocols separate the Dealer Member's client files from non-Dealer Member files.

#### Supervision

In some jurisdictions, securities regulators may allow a trading officer to be dually employed with a Dealer Member and non-Dealer Member financial services entity, provided that Rule 2550 is complied with. Such dually employed officers may be designated a Supervisor for both entities. In other jurisdictions, different Supervisors must conduct supervision. In either situation, the Supervisor may be on-site or off-site.

A Supervisor must devote sufficient time to supervision of the branch. Specific requirements are set out in Rule 3900. In addition, Supervisors have additional responsibilities regarding confidentiality of client records, the separation of files and operations, the issue of dually employed registrants, registrants operating within the limits of their registration, etc.

An administration officer responsible for general office oversight may be shared between the entities. The administration officer need not be registered. This does not diminish the requirement for a Supervisor to supervise business practices and monitor compliance.

#### Business Cards

For persons holding both a securities and insurance registration, provincial legislation differs regarding the use of double-sided or separate business cards. It is the Dealer Member's responsibility to ensure compliance with applicable securities and insurance legislation.

When registrants are dually employed by a Dealer Member and a financial services entity, IIROC recommends the registrants have double-sided business cards.

**Shared Employees**

Sales assistants or other employees should be assigned to either the Dealer Member or the financial services entity, rather than being shared between them. If warranted under the circumstances, certain individuals should sign confidentiality agreements.

## GUIDANCE NOTE 2350-1

### TRADE NAMES

This Guidance Note provides guidance on the use of trade names and describes the process for notifying the Corporation of the use of trade names.

#### Use of Trade Name on Materials used to communicate with the public

A Dealer Member that uses a trade name on materials used to communicate with the public must include its full legal name in size at least equal to that of the trade name. Materials used to communicate with the public include:

- (i) letterhead
- (ii) business cards
- (iii) invoices
- (iv) trade confirmations
- (v) monthly statements
- (vi) websites
- (vii) research reports
- (viii) advertisements
- (ix) market letters

#### Reasons for the Corporation to prohibit use of a trade name

The Corporation may prohibit a Dealer Member, or an approved person, from using any trade name that is contrary to the provisions of Section 2352, is objectionable, or contrary to the public interest.

Reasons that the Corporation will prohibit use of a trade name include:

- (i) The trade name is already in use by another Dealer Member or approved person;
- (ii) The trade name suggests an affiliation with a Dealer Member or other financial institution where not such affiliation exists;
- (iii) The trade name suggests that a Dealer Member or approved person provides services that require registration or Corporation approval that the Dealer Member does not have, such as discretionary account management;
- (iv) The trade name uses terms like “guaranteed” that suggest improper representations.

#### Notifying the Corporations of a trade name used by a Dealer Member

A Dealer Member must notify the Corporation before using a business, trade or style name other than the Dealer Member's legal name. A Dealer Member must send a letter to the Corporation Secretary confirming that it has registered the trade name with the appropriate government agencies in the jurisdictions where it will be used. The firm may wish to enclose copies of the search and registration documentation.

#### Notifying the Corporation of a trade name used by an approved person

All trade names used by an approved person and not owned by the Dealer Member must be reported to the Corporation. It is unnecessary to forward proof of registration; however, the Corporation recommends that the Dealer Member conduct the necessary due diligence and file that proof as a supporting document.

**Filings made through the National Registrations Database (NRD)**

NRD Item 10 (current employment) requires a separate employment entry for an individual who conducts business through the Dealer Member and through a trade name. The submissions on the trade name must answer all Item 10 questions. To avoid confusion, Dealer Members should clarify the number of hours spent with each entity, under the question: "Describe the type of business or employment and your duties". When the approved person uses the trade name to conduct all business activities on behalf of the Dealer Member, the number of hours for Item 10 for the trade name should match the number of hours for the sponsoring Dealer Member. The description should confirm that the Dealer Member has given written consent to the use of the trade name.

**Other filings**

Provincial securities commissions may also require notification of trade names, which is a separate matter from Section 2352.

## GUIDANCE NOTE 2400-1

### PRINCIPAL AND AGENT RELATIONSHIPS

This Guidance Note provides direction on the agreements a Dealer Member must enter into to establish a principal/agency arrangement with its registered representatives. It also covers certain reporting, filing and other requirements for principal/agency arrangements.

#### Entering into agreements

A Dealer Member must first enter into an agreement with the Corporation before engaging agents. The agreement should be signed under seal by an authorized director or executive of the Dealer Member and sent to the Business Conduct Department of the Corporation office having jurisdiction. The contents of the agreement may not be changed.

Along with filing the completed agreement, a Dealer Member must include a covering letter describing satisfactory plans for compliance with the disclosure requirements of paragraph 4 of the agreement. In addition, the Dealer Member must file its revised New Account Application Form containing the disclosure required in paragraph 5. If the Dealer Member wishes to exhaust existing supplies of forms, it should advise how the disclosure will be made on an interim basis.

A Dealer Member must also obtain approval of its form of agency agreement. The agreement must contain all of the provisions in Section 2403 and no inconsistent provisions. The Dealer Member must file a certificate of a director or executive confirming that the agreement is in compliance with Corporation requirements.

If a Dealer Member drafts its own agency agreement, a table of concordance addressing Section 2403 should be included to assist Corporation staff in reviewing the agreement. If compliance with Corporation requirements is unclear, Corporation staff may request the Dealer Member file a legal opinion that it does comply. If a Dealer Member changes the agency agreement, re-approval from the Corporation is required, other than for changes of a strictly commercial nature.

The proposed agreement and certificate should be filed with the Business Conduct Department of the Corporation office having jurisdiction.

#### Requirements under the Rule

Financial Institution Bond (FIB) insurance coverage – A Dealer Member must have an “agent” rider added to its FIB insurance coverage to ensure that its agents and the employees of those agents are covered by the FIB policy to the same extent as its own employees. An FIB insurance coverage review is included in the Corporation Financial and Operations Compliance Department regular examinations.

**Special reporting requirements** – Dealer Members using principal/agent relationships are required to report to through COMSET any compliance issues arising from the principal/agent relationships and how they were resolved. The Corporation will be reporting to the Securities Commissions on all such compliance issues.

**Compliance with tax laws** – A Dealer Member must provide satisfactory evidence to the Corporation that the arrangements between it and its agents comply with applicable tax laws. The evidence may be in the form of a legal opinion or a Canada Revenue Agency ruling. The evidence should be filed with the Business Conduct Department of the Corporation office having jurisdiction.

**Books and records** – The requirement that the agent maintain proper books and records extends to all Dealer Member record keeping obligations. In particular, this includes the maintenance of new account documents and compliance review or approval records.

**Individual registration filings** – A registration application must disclose that this is an agency, not an employment relationship. This is done on the NRD by entering “Agent” as part of the disclosure in the text box for the response to:

“Describe the type of business or employment and your duties. If you are seeking registration or acceptance for which specified experience is required, provide detailed experience below (for example, level of responsibility, value of accounts under direction and research experience.).

Dealer Members are reminded that all regular registration filing requirements apply to agents, including notification of business locations or outside employment and uniform termination notices.

GUIDANCE NOTE 2550-1

REGISTRATION AND APPROVAL OF INDIVIDUALS

**Part I. Registration and approval of individuals**

Before an individual in a *Corporation* category carries out certain aspects of his or her job, Section 2552 requires that a *Dealer Member*:

- (i) register the individual in the appropriate registration category under the *applicable securities legislation*, and
- (ii) obtain *Corporation* approval of the individual's applicable *Corporation* category.

Part I of this Guidance Note clarifies the difference between registration and approval.

**Registration**

The *securities legislation* in each jurisdiction requires that any individual "in the business of trading" must be registered in the appropriate registration category under *securities legislation*. The companion policy to National Instrument 31-103 gives the following as indicators of being in the business of trading in securities:

**(a) *Directly or indirectly holding oneself out as being in the business of the activity***

Merely holding oneself out as being willing to engage in trading or advising in securities is sufficient to be engaged in the business for the purposes of securities legislation. This is because holding out induces the client to rely on the dealer or adviser.

Engaging in practices similar to those used by registrants also reflects a business purpose. Examples include promoting securities and making disclaimers or stating by any other means that the person or company will buy or sell securities. Carrying on any of these activities at the start-up stage may be considered carrying on a business.

**(b) *Acting in an intermediary capacity or as a market maker***

Acting in an intermediary capacity between a seller and a buyer of securities or making a market in securities constitute trading for a business purpose.

**(c) *Directly or indirectly carrying on the activity with repetition, regularity or continuity***

Frequent transactions are a common indicator that a person is engaged in a business. We consider a person who regularly trades or advises in any manner that could produce profits to be engaged in a business. The activity does not have to be the person's sole or even primary endeavour for that person to be in the business. However, whether a person has other sources of income and how much time the person spends on the activity are also relevant factors.

**(d) *Being, or expecting to be, remunerated or otherwise compensated for the activity***

Receiving, or expecting to receive, compensation for carrying on the activity, whether transaction or value based, reflects a business purpose. It does not matter if the person actually receives compensation or what form the compensation takes. Having the capacity or the ability to carry on the activity to produce profit is also a relevant factor.

However, carrying on an activity with no expectation of compensation may suggest that it is not for a business purpose.

**(e) *Directly or indirectly soliciting others in connection with the activity***

Contacting others to solicit securities transactions or to offer advice reflects a business purpose. Solicitation includes contacting others by any means, including advertising that proposes buying or selling securities or participating in a securities transaction, or that offers services or advice for these purposes.

The requirement for registration includes both those who deal with customers and those who trade for a *Dealer Member's* own accounts.

A *Dealer Member* may have some employees who occasionally effect trades for operational reasons but are not in the business of trading and therefore do not require registration.

The *securities legislation* requires that potential registrants meet certain criteria regarding fitness for registration. An individual must be registered under the *securities legislation* in each jurisdiction in which they intend to conduct business.

In addition, the registrant must obtain *Corporation* approval.

### **Approval**

The *Corporation* approves individuals to work under several *Corporation* categories. For approval, the individual must meet the *Corporation requirements*, including Rule 2600 proficiency requirements.

Once approved by the *Corporation*:

- (i) the individual's approval applies nationally. He or she does not need to apply for approval in the same category in another province.
- (ii) the individual's approval continues in that category unless he or she withdraws or the *Corporation* suspends or revokes the approval.

### **Role of the Corporation**

In addition to approving individuals under the *Corporation requirements*, the *Corporation* handles the registration applications under delegation orders for the securities regulators in Alberta, British Columbia, Ontario, Newfoundland & Labrador, Quebec, and Saskatchewan. The securities commissions in the other jurisdictions grant registration separately from the *Corporation's* granting of approval. However, in all cases the applications are made in a single process through the National Registration Database (NRD) system.

### **Part II. Process for abandoned or withdrawn applications**

This part describes the *Corporation* process for dealing with abandoned or withdrawn applications. The *Corporation* developed this process to ensure removal of approval applications that are not pursued so that current applications are processed more quickly.

If a *Dealer Member* files a deficient approval application through *NRD*, it will receive a deficiency notice through *NRD*. The *Dealer Member* must respond to this notice within 90 days or the *Corporation* will consider the application abandoned and close the file. The *Corporation* sends the *Dealer Member* a reminder after 60 days that it will consider the file abandoned 90 days from the original deficiency notice.

The *Corporation* recognizes that a *Dealer Member* may need more than 90 days to correct some deficiencies. The *Corporation* will review these situations and approve extensions if needed. A *Dealer Member* must apply for the extension before the expiry of the 90 days.

The *Corporation* will not return abandoned applications and supporting documents to the *Dealer Member*, unless the *Dealer Member* asks for them. The *Corporation* will not refund its fees.

A *Dealer Member* that wants to withdraw an approval application must send the *Corporation* a written request signed by a *director* or *executive* of the sponsoring *Dealer Member*. The *Corporation* does not return withdrawn applications and supporting documents unless the *Dealer Member* asks. The *Corporation* refunds its fees if the *Corporation* has not started its application review by the time of the withdrawal.

### **Part III. Approval due diligence process**

Under Section 2552, an individual must be approved by the *Corporation* in order to work in certain capacities at a *Dealer Member*. As part of the approval process, documents are exchanged between the applicant and the *Corporation*. The *Corporation* keeps documents that an *approved person* sends to it about the approval process. An *approved person* may ask for a copy of this file as this Part III describes.

#### **Requesting an approval file**

An individual may request a hard copy of his or her approval file by using the *File Copy Request Form* from the Registration Guide section of the *Corporation's* website: [http://www.IIROC.ca/Files/Registration/RegisGuide/FileCopyRequestForm\\_en.pdf](http://www.IIROC.ca/Files/Registration/RegisGuide/FileCopyRequestForm_en.pdf). The *Corporation* also accepts a letter signed by the individual asking for the file. The letter must include, for identification purposes, the individual's full legal name and date of birth.

The individual may obtain the file copy at the Corporation's offices or specify on the request that the file be delivered directly to a *Dealer Member's* offices. If the individual chooses to pick the file up, the Corporation notifies him or her when the file is ready. The individual must pick up the requested file in person and provide photo identification

The *Corporation* tries to provide copies of the file within five *business days* of receiving the request. The time may be longer because of workload or if the *approved person* has been out of the industry for some time.

### **What is in the approval file**

The *Corporation* approval file includes the following, where applicable:

- (a) All applications the individual filed, with detailed personal information and disclosure of any criminal, civil, regulatory, or financial problems;
- (b) *Corporation* Notices of Approval, containing the individual's previous *Corporation* categories, *CE program* requirements, and any terms and conditions;
- (c) Termination Notices and reasons for termination that previous employers have disclosed;
- (d) All other correspondence between the individual and the *Corporation* registration department;
- (e) Enforcement Opening and Closing letters, if the individual is, or has been, under *Corporation* investigation;
- (f) Warning Letters that *Corporation* Enforcement has issued;
- (g) *I/ROC* Disciplinary Notices;
- (h) Statements of Claim involving the individual as a defendant (as originally provided by the individual);
- (i) Bankruptcy documents involving the individual (as originally provided by the individual); and
- (j) A printout of the individual's *NRD* record.

The file also includes a report from the Comset database of the number of Comset entries about the individual. The *Corporation* does not review the Comset entries, which are filings that *Dealer Members* and other sources make on Comset. The Corporation does not provide any further details about the Comset entries.

The *Corporation* approval file only contains *Corporation* documents previously provided to the individual or documents the individual has provided to the *Corporation* registration department. *Dealer Members* may contact other regulators directly if the individual has been registered with a non-*I/ROC* firm. *Dealer Members* may use the FINRA Brokercheck service, which contains registration and licensing information on current and former FINRA-registered individuals. This information can be accessed at <http://www.finra.org/BrokerCheck> or (800) 289-9999.

### **Fee for file request**

As of February 26, 2007, the fee for approval file requests is \$50.

## **Part IV. Administrative Matters**

### **Approval letters**

Approval letters the *Corporation* sends include an effective date, which may not be the date of the letter. *I/ROC* made this change to alleviate any problems caused by the previous practice of backdating approval letters.

### **Exemption application fees (Ontario only)**

Ontario is the only jurisdiction that has a fee for exemption applications. The *Corporation* grants exemptions on behalf of the OSC from the requirements of Ontario Regulation 1015, sections 127(2)(b), (d), (e), (g) and (h) (full time requirements) and Rule 31-502 (Proficiency Requirements). When filing an exemption request under these sections, a *Dealer Member* must include the application fee payable to the OSC. The amount of the fee is specified in OSC Rule 13-502. See Appendix C-3 of the rule at [http://www.osc.gov.on.ca/Regulation/Rulemaking/Current/Part1/rule\\_20050812\\_13-502\\_fees-cp.pdf](http://www.osc.gov.on.ca/Regulation/Rulemaking/Current/Part1/rule_20050812_13-502_fees-cp.pdf)

## GUIDANCE NOTE 2550-2

### OTHER BUSINESS ACTIVITIES

#### INTRODUCTION

This Guidance Note assists Dealer Members with the issue of non-Dealer Member related business activities by approved persons, referred to as “other business activities”. This includes activities for which direct or indirect payment is received for services. It does not include unpaid charitable, social or religious services. Any other activity must be compatible with Rule 3100 – adhere to high standards of ethical conduct and not be unbecoming or detrimental to the public interest. No approval should be given for any other business activity which might cause client confusion or reflect poorly on the Dealer Member or the industry.

Dealer Members are reminded that all securities related activities must be conducted on their books, except where IIROC expressly permits otherwise. Insurance activities that are provided through an individuals’ financial planning or other personal entity are not considered securities activities, but must be reported via NRD as a separate business activity.

Dealer Members must have policies and procedures that require all other business activities to be disclosed and approved by the appropriate supervisor. The process of approval must consider any potential client confusion or conflicts of interest. Approval should only take place where there are effective controls and qualified supervision. Dealer Members should ensure that approval provisions include a due diligence process and that appropriate records are kept.

#### APPROVAL CONSIDERATIONS

Dealer Members should establish appropriate approval processes which take into account the considerations below:

**Duty of care to existing clients** – The other business activity should not materially impair a Dealer Member’s duty of care to its existing clients. A Dealer Member should not permit other business activities which are likely to disrupt timely client access to their accounts and suitable advice (where that is part of the service offered).

**Activities preventing fully-informed advice** – In circumstances where fully-informed advice and unbiased counsel cannot be given due to a conflict (eg, the RR has a position with an issuer), a Dealer Member should have effective measures for confidential information containment. This activity should only be permitted where clients have clearly waived any entitlement or expectation to the RR’s advice. Dealer Members in B.C. are reminded of BC Securities Commission Rules 61(2) and MLP 34-202, S. 1.6 which prohibit a salesperson from being a director of a reporting issuer.

**Use of client information** – A client’s personal information may only be used for the purposes consented to by the client. This does not extend to business activities outside of the Dealer Member. Dealer Members should have appropriate training and controls to prohibit client information from being used in other business activity.

**Use of the Dealer Member’s facilities** – The other business activities must be clearly seen to be outside the Dealer Member. A Dealer Member should not permit the use of its premises, records, logos, trade name(s), stationery, support staff, office facilities (eg, mail, fax, email, etc.)

**Robust approval process** – A Dealer Member’s policies, procedures and training programs should emphasize the need and process for up-front approvals. Dealer Members may wish to include their approval or disapproval criteria in the policy and do an annual canvas of other business activities. Dealer Members’ records of approvals should include all supporting evidence including any special conditions, policies, procedures or controls that might have been imposed. Individuals should not adjudicate their own approval requests.

#### FILING REQUIREMENTS – NRD

Other business activities are reported under Item 10 of NRD 33-109F4, which deals with current employment information. Each other business activity must be treated as a separate item addressing all of the elements set out below. Activities which are conducted through an affiliated, related or subsidiary company of the Dealer Member must be noted, including any situations where the individual registrant conducts business through an individual trade name.

#### Multiple registrant employment-

In Ontario, where individuals are registered as a director, executive or shareholder of more than one registrant firm, the firm must provide notice to IIROC in its registration or renewal of registration pursuant to OSC Rule 31-501 s. 2.1 in addition to NRD Item 10 Requirements below. The notice filing must also address the requirements of IIROC.

In Alberta, where individuals are registered as a director, executive or shareholder of more than one registrant firm, the firm must provide notice to IIROC in its registration or renewal of registration pursuant to ASC Policy 3.3. The notice filing must also address the requirements of IIROC.

In BC, where individuals are registered as a trading officer of affiliated firms, the firm must provide notice to IIROC in its registration or renewal of registration. The notice filing must also address the requirements of IIROC.

In jurisdictions that permit multiple employments, a Dealer Member must file with IIROC the Dealer Member's policies and procedures to address any potential for conflicts of interest resulting from multiple employment and ensuring that clients are aware of the details of the multiple employments and the potential conflicts.

**Life insurance activities** – Where an individual conducts life insurance activities through a registered life insurance provider or through the Dealer Member's related, affiliated or subsidiary entity, this item need only be reported under NRD Item 13(3), but must include the name of the insurance firm. If the activity is conducted through another entity, with or without financial planning services, individuals must report this information under Item 10 and 13(3)(a), in addition to the guidelines in NRD Item 10 Requirements below.

**NRD notice is not an approval** – Acknowledgement of these notices filed through NRD are not an approval of the activity, or that all potential conflicts of interest have been addressed. IIROC may request further information.

**Quebec** – In Quebec, other business activity may require that a Dual Employment Exemption be obtained under Policy Statement Q-9, article 53. The applicable fee is \$250.00 payable to IIROC.

### **NRD ITEM 10 REQUIREMENTS**

The following items under Item 10 are identified for further clarity.

*Name of Business or Employer/Address of Business or Employer* – self explanatory

*Name and Title of Immediate Supervisor* – Discuss with the applicant to determine what is applicable. In cases of a high-ranking employee, such as a CEO or Managing Partner, the individual may choose to identify a reporting structure to the Board of Directors or other governing body, whichever is most applicable.

*Describe the type of business or employment and your duties* – Details should be provided in full for the type of business, position with the Dealer Member and duties associated with the position. This must be provided for other business activities as well.

*Indicate the number of hours per week you are devoting to this business or employment* – The number of hours should be approximated on a weekly basis. The system will only accept a minimum of 1 hour. An explanation should be provided in the text box disclosing the actual number of hours worked.

*Is the above business or employment with the sponsoring firm?*

- (a) If the individual's employment comprises less than 30 hours per week, there must be an explanation as to why in order to determine if the individual is eligible for part time exemption provisions available under securities laws. If the individual is working more than 30 hours, but also engaged in other securities related activities, a response will be required under (b) below (due to system functionality).
- (b) If the other securities related activity is not with the sponsoring Dealer Member, the individual must disclose any potential for confusion by clients and any potential for conflicts of interest arising from the proposed activities as a registrant and the other business activities described above. If the business is listed on an exchange, this information should be included.

When involved in other business activities, the explanation should address:

- Confirmation as to whether there is potential for client confusion and conflicts of interest arising from the other business activity.
- Confirmation that the sponsoring Dealer Member has reviewed the outside business activity to ensure compliance with the Dealer Member's policies and procedures to address these situations. The name and title of the officer who performed the review must be included.
- Each description must include whether the business is listed on an exchange and whether the other business activity will result in shared premises.

## GUIDANCE NOTE 2600-1

### PROFICIENCY REQUIREMENTS

Rule 2600 sets out the proficiency requirements for all *Corporation* approval categories. This Guidance Note provides guidelines for the required 30- or 90- day training program, certain post-approval and examination requirements and the proficiency exemption. In particular:

- A. Parts I and II of this Guidance:
  - (i) set out guidelines for both these training programs, and
  - (ii) outline activities permitted during the training programs;
- B. Part III clarifies what work training program participants may do during the program;
- C. Part IV outlines the training program exemptions available under subsection 2604(2); and
- D. Part V explains the *Corporation's* requirement for mutual fund representatives to rewrite certain courses when transferring to a *Dealer Member*.

### PART I – GUIDELINES FOR THE 30- DAY TRAINING PROGRAM

Subsection 2602(1) requires that applicants for approval as *investment representatives* complete a 30-day training program before being approved

A *Dealer Member* is responsible for:

- (i) overseeing and administering the 30-day training program,
- (ii) ensuring their applicants complete the program, and
- (iii) submitting an update on the National Registration Database confirming the applicant completed the 30-day training program.

### 30-day training program content

The goal of the program is to prepare new *investment representatives* for their duties at a *Dealer Member's* business, such as taking and entering orders, giving quotes, reporting on trades, correcting errors, responding to customer enquiries, and other customer service functions.

A *Dealer Member* may use the *CSI investment representative* training course but it is not mandatory. A *Dealer Member* using the *CSI* program must supplement it with material specific to the *Dealer Member's* business as specified in the course.

The training program should not cover material from the *CSC* and *CPH*. Instead, it should focus on the *Dealer Member's* products, policies, procedures and systems. The training should cover at least the following topics:

- (1) The *Dealer Member*
  - (a) The *Dealer Member* and its position within the industry
  - (b) *Products* and services offered by the *Dealer Member*
  - (c) Key relationships such as related financial institutions and introducing and carrying broker arrangements
- (2) Product knowledge
  - (a) Products offered by the *Dealer Member*
  - (b) Characteristics and key information for each product
  - (c) How to obtain quotes and other information on each product

- (3) Trading each product
  - (a) Types of orders
  - (b) Required information for an order
  - (c) Order entry and order marking
  - (d) Disclosure requirements
  - (e) Changing or canceling orders
  - (f) Credit and suitability assessments
  - (g) Prohibitions on advice
- (4) Transactions and operations
  - (a) Firm's operations departments and their functions
  - (b) Account types, opening, documentation, and operation
  - (c) Settlement
  - (d) Margin and credit policies
  - (e) Commission
  - (f) Transaction trail
  - (g) Client records
  - (h) Systems and technical issues
  - (i) Client communication
- (5) Compliance issues
  - (a) Business ethics
  - (b) Compliance rules, requirements, and procedures
  - (c) Compliance and credit contacts

**PART II – GUIDELINES FOR THE 90-DAY TRAINING PROGRAM**

Subsection 2602(1) requires that applicants for approval as a *registered representative* conducting certain types of business complete a 90-day training program before being approved.

A *Dealer Member* is responsible for:

- (i) overseeing and administering the 90-day training program;
- (ii) ensuring their applicants complete the program; and
- (iii) filing with the *Corporation* an update on the National Registration Database confirming the applicant completed the 90-day training program.

**Course content**

A *Dealer Member* may use the *CSI* 90-day training program but must supplement it with material specific to the *Dealer Member's* business as specified in the course.

The time and topic headings set out below are suggestions that should be tailored to the *Dealer Member's* business. By the end of each lesson, the participant should be able to complete the items listed under the lesson.

**Chapter 1 General background (1 week)**

**1.1 Overview of the financial services and securities system**

- (a) Evolution of the financial services industry and the securities industry;
- (b) Current industry issues and trends;
- (c) Institutions and organizations involved in the securities system.

**1.2 Participant's position in financial services**

- (a) The participant's role, registration, and proficiency requirements and those of their competitors and colleagues;
- (b) Size, activities, and profitability of the securities industry;
- (c) Position and the competitive advantages of the participant's *Member* in the industry;
- (d) Role of an investment advisor in the *Dealer Member's* organization.

**1.3 Capital markets and the economy**

- (a) Economic principles that affect capital markets and the economy, such as GDP growth, inflation, interest rates, unemployment, and the exchange rate;
- (b) Relationship between risk and return;
- (c) Purpose and effect of monetary and fiscal policy;
- (d) How to apply economic principles when recommending investments to clients.

**Chapter 2 Product knowledge (4 weeks)**

**2.1 Fixed income products**

- (a) Details of fixed-income products available;
- (b) Factors that influence bond prices and yields, including the term structure of interest rates, duration, immunization, and convexity;
- (c) Types of bond yields; bond prices;
- (d) Factors to consider when selecting the appropriate fixed-income product for clients;
- (e) Passive and active fixed-income portfolio.

**2.2 Equities**

- (a) Characteristics, risks, and advantages of equity products currently available;
- (b) Stock selection and valuation techniques and models;
- (c) Research, evaluating companies, interpreting analysts' research reports including the assumptions and valuation approach used; and
- (d) Factors to consider when selecting the appropriate equity product for clients.

2.3 **Derivatives and hybrid securities**

- (a) Features of derivatives;
- (b) Characteristics of the types of options and futures;
- (c) Mechanics of trading;
- (d) Option and futures strategies;
- (e) Calculating the value of an option;
- (f) Characteristics of income trusts, closed-end funds, exchange-traded funds and structured products (such as principal-protected notes);
- (g) Factors to consider when selecting the appropriate derivative or hybrid product for clients.

2.4 **Mutual funds and other managed products**

- (a) How open-end mutual funds operate and the process and calculations used to buy and sell units;
- (b) Features, fees charged, objectives, and risks of the different types of mutual funds;
- (c) Evaluation of whether a fund is suitable for a client's portfolio based on proper criteria including rate of return, fund objectives, client objectives, needs, and risk tolerance;
- (d) Characteristics and uses of hedge funds, and explain when they would be suitable in a client's portfolio.

2.5 **Proprietary products and accounts**

- (a) Features and characteristics of *Dealer Member*-specific products and accounts, including proprietary-structured products, wrap accounts, managed accounts, and fee-based accounts;
- (b) Other *Dealer Member* services offered to the client, such as access to research on the internet or financial planning tools;
- (c) Comparison of the *Dealer Member's* proprietary products to other industry proprietary products available.

**Chapter 3 Portfolio planning (3 weeks)**

3.1 Basic financial planning

- (a) Necessary information about a client's financial situation;
- (b) Calculating net worth cash flow statements;
- (c) Evaluating the client's requirements and savings needed for insurance and post-secondary education;
- (d) Developing a financial plan, making appropriate investment recommendations, and recognizing when to seek expert advice.

3.2 **Tax and retirement planning**

- (a) Ways that investment income can be taxed; calculating the after-tax income from the different types of investments;
- (b) Tax-reduction strategies;
- (c) Sources of retirement income available to a client, including RRSPs, company plans, and government plans; and
- (d) Evaluating a client's retirement needs and savings required to make up any shortfall.

3.3 **Portfolio theory and asset allocation**

- (a) The portfolio management process including the role diversification plays in an overall portfolio strategy;
- (b) Basic features of the efficient frontier and the Capital Asset Pricing Model (CAPM);
- (c) Market efficiency theories and asset allocation techniques;
- (d) Developing an investment policy statement for a client applying the concepts of market efficiency, portfolio management, and international investing, while taking the client's objectives, risks, and constraints into account; and
- (e) Measures of risk and their use in performance measurement.

3.4 **Firm specific planning programs and services**

- (a) Features and characteristics of the *Member*-specific financial planning tools and services offered;
- (b) Comparison of proprietary planning products and services to other industry proprietary tools and services available.

**Chapter 4 Operations and administration (2 weeks)**

4.1 **Accounts and client records**

- (a) Types of accounts available to a client;
- (b) Account-opening procedure, the information needed and why it is needed;
- (c) The know-your-client obligation;
- (d) Client documents and documentation procedures including purpose, timing requirements, filing and updating;
- (e) Trading authorizations;
- (f) Account-transfer procedures.

4.2 **Transaction and settlement procedures**

- (a) Role of clearing corporations and depository services;
- (b) Clearing-services processes and rules about *CDS* and over-the-counter trade settlements;
- (c) Trade-processing flow order entry procedures;
- (d) Trading reports generated and how to use them to process trades accurately and fix errors.

4.3 **Margin and credit policies**

- (a) Regulatory minimum and *Dealer Member*-specific cash and margin account rules;
- (b) Calculating margin requirements for client accounts.

4.4 **Commissions, compensation and fees**

- (a) Compensation available to the registered representative;
- (b) Calculation of compensation earned on all products, services and accounts;
- (c) Other *Dealer Member* fees charged to the client.

**4.5 Member structure**

- (a) The *Dealer Member's* structure;
- (b) Departments such as underwriting, trading, research, portfolio management, operations, treasury or finance, accounting, credit, compliance, and administration;
- (c) Internal procedures and resources for obtaining assistance.

**4.6 Systems and technology**

- (a) Order entry, execution-and-confirmation process and documents;
- (b) Systems resources and software available for working with the client such as programs to help choose suitable instruments, create financial plans, propose asset allocation or record client notes;
- (c) Client-contact software;
- (d) Use and risks of the internet; information to the client on the internet.

**Chapter 5 Communication training (2 weeks)**

**5.1 Client communication**

- (a) Rules and guidelines about external communication including print and internet-marketing materials; and
- (b) Rules for using business titles, professional associations, and memberships on business cards and marketing materials.

**5.2 Prospecting and marketing**

- (a) Prospecting, including cold calling, client referrals, direct mail;
- (b) Do not call restrictions;
- (c) Conducting persuasive prospecting calls that result in new appointments; and
- (d) Target or niche markets for prospecting;
- (e) Developing an effective marketing plans.

**5.3 Selling/communication skills**

- (a) Effective written and oral presentations to clients
- (b) Promotional seminars;
- (c) Uncovering the investment needs and objectives of a client through advanced questioning skills and techniques and observed client behaviour;
- (d) Presenting investment solutions in an influential manner;
- (e) Securing the client's commitment to recommended investment solutions.

**5.4 Relationship management and practice management**

- (a) Elements of a successful business plan;
- (b) Developing a personal business plan for the practice;
- (c) Building effective rapport with different types of customer personalities;
- (d) Effectively manage a team in the practice.

## Chapter 6 Standards of conduct and practice

### 6.1 Code of ethics and standards of conduct

- (a) Importance of ethics in the securities industry;
- (b) Use of the Standards of Conduct and the Code of Ethics to guide the participant's behaviour as an investment advisor, both with clients and colleagues;
- (c) Consequences of not dealing ethically with clients.

### 6.2 Compliance rules and regulations

- (a) Structure, principles and rules of Canadian securities industry regulation;
- (b) Regulatory penalties for breaking securities industry rules;
- (c) Role of the *Self Regulatory Organizations*, the provincial regulators, *Canadian Investor Protection Fund (CIPF)*, and limits of *CIPF* coverage; and
- (d) Takeover bid process and relevant takeover legislation, including insider and issuer bids.

### 6.3 Compliance procedures

- (a) The *Dealer Member's* policies; and
- (b) The *Dealer Member's* procedures to meet all compliance obligations.

### 6.4 Know-your-client rule and choosing suitable investments

- (a) Importance of the know-your-client rule and suitability in dealing with clients;
- (b) The role suitability plays in the investment advisor-client relationship; and
- (c) Knowledge of investment product attributes.

### 6.5 New and pending legislation and regulation

- (a) Impact of new and pending legislation and regulation.

### 6.6 Broker liability, complaint processes, and penalties

- (a) An investment advisor's contractual, civil, and fiduciary obligations to a client;
- (b) Issues with clients that could lead to potential liability and the potential costs involved;
- (c) Action to avoid liability;
- (d) Client complaint procedures; and
- (e) Recourse available to clients, including arbitration, ombuds services and litigation.

## PART III – GUIDELINES FOR CONDUCT DURING THE 30- OR 90-DAY TRAINING PROGRAM

Clauses 2602(1)(xii) and (xvii) require that applicants for approval in certain *registered representative* and *investment representative* categories finish a training program before they are approved. The training period is 90 days for those applying as *registered representatives* and 30 days for those applying as *investment representatives*. During the programs, the *Dealer Member* must employ the applicant full time.

Individuals in the training program are not approved. They cannot

- (i) have contact with clients or prospective clients to get, take, or solicit orders for trades in *securities*, or advise on them, or
- (ii) receive commission splits as part of their compensation.

**Permitted activities**

Participants in the 30- or 90-day training program may:

- (1) obtain information from existing or prospective clients on behalf of a *registered representative*, give quotes and answer clients' questions about their accounts that are not related to the specific investments and do not involve giving investment advice.
- (2) contact the public, including sending out introduction letters, inviting the public to firm seminars, and forwarding non-securities specific information;
- (3) create and research lists of potential clients for future follow-up work;
- (4) if they are approved to sell mutual funds, deal with their existing mutual fund clients to purchase and sell mutual funds only. They cannot solicit or take on any new clients during the 90-day training program, nor can they transact non-mutual fund securities for their existing mutual fund clients.

**Prohibited activities**

Participants in either the 30- or 90-day training program cannot act in furtherance of a trade. In particular, they cannot:

- (1) provide written or oral recommendations, opinions, or advice about securities, as defined in *securities legislation*;
- (2) open client accounts;
- (3) complete know-your-client information on a *NAAF*, other than to complete the biographical information at the beginning of a *NAAF* on behalf of a *registered representative*;
- (4) distribute, under their own names, research reports containing security-specific comments, recommendations or opinions to clients or prospective clients. They can, on behalf of one or more registered persons, distribute literature, including research reports, if the *Dealer Member*, the supervising branch manager, or both approve the literature for distribution; or
- (5) solicit orders, or accept or process any orders, including unsolicited orders.

**PART IV – EXEMPTIONS FROM 30- OR 90-DAY TRAINING PROGRAM**

Clauses 2604(2)(iv) and (v) exempt an applicant for approval from the 30- or 90-day training program if the applicant requests approval within three years of being registered:

- (i) with a *Dealer Member*, securities dealer, or investment dealer;
- (ii) by a recognized foreign regulatory authority or *recognized foreign*; or
- (iii) as an investment advisor by a Canadian securities regulatory authority;

in a capacity allowing trading of, and advising in, *securities for retail clients*.

Approval in another type of category does not qualify an individual for the exemption. For example, an individual previously registered in a restricted category, such as *registered representative* dealing with *institutional clients*, applying to be a *registered representative* dealing with *retail clients* is not exempt from the 90-day training program.

Similarly, an individual registered as an *investment representative* in the past three years would be exempt from re-taking the 30-day training program when applying in the same category, but not from completing the 90-day training program if the individual requests approval as a *registered representative*.

An applicant requesting approval as an *investment representative* or *registered representative* dealing with *retail clients* is not exempt from the 30- or 90-day training program if he or she:

- (i) completed the training program at another *Dealer Member* but did not become approved; or
- (ii) completed part of the training at another *Dealer Member*.

An applicant may apply to the *District Council* for a discretionary exemption under Rule 2600, subsection 2603(2). To get the exemption, the applicant must show equivalent experience, training, or education.

**PART V – EXAMINATION REQUIREMENTS FOR TRANSFERS FROM MUTUAL FUND DEALERS TO DEALER MEMBERS**

Part V of this Guidance Note clarifies the requirements for a mutual fund representative to rewrite certain courses when transferring to a *Dealer Member* and applying for full registration.

An applicant registered for mutual funds for more than three years before transferring to a *Dealer Member* is required to re-write both the *CSC* and the *CPH*.

The applicant is exempt from re-writing those courses if the applicant has been a voluntary *CE participant*.

## GUIDANCE NOTE 2650-1

### CONTINUING EDUCATION REQUIREMENTS

Part I of this Guidance Note provides detailed guidance to help *Dealer Members* create an acceptable *CE program* for their *CE participants*. Part II provides guidance on voluntary participation in the *CE program*.

#### PART I – GUIDELINES FOR THE CONTINUING EDUCATION PROGRAM

Section 2653 requires that *CE participants* meet the *Corporation's CE program* requirements in each cycle. Rule 2650 outlines the mandatory components of the *CE program*.

This part of Guidance Note 2650-1 gives guidelines to help a *Dealer Member* create an acceptable *CE program*, including guidance on course content, length and how a *Dealer Member* can comply with Rule 2650.

Please consider these guidelines in the context of what is appropriate to the *CE participant*, his or her position and responsibilities, and the needs of the *Dealer Member*. A *Dealer Member* can best accomplish this by making one person responsible for defining the training needs and finding appropriate programs to meet them. If appropriate, a *Dealer Member* may delegate some responsibility for approving a *CE participant's* program to the *CE participant's* supervisor.

#### The compliance requirement

##### General

The compliance requirement can be met by taking one course or a combination of shorter courses or seminars: internal, external or a combination of the two. Compliance courses should meet the following guidelines:

- (1) Courses should relate to the *CE participant's* regulated functions. For example, compliance courses completed by *supervisors* should reflect their supervisory responsibilities.
- (2) A *Dealer Member* may credit towards compliance requirements all or some of the time that a *CE participant* spends on
  - (i) a *Corporation* committee or council, or
  - (ii) teaching a financial course,if the *Dealer Member* considers the issues dealt with as relevant.
- (3) There is no requirement that courses be selected from the *Corporation's* accredited courses except for those being used in Voluntary Participation. A *Dealer Member* can accept an accredited course for the number of hours for which it is accredited without further review provided that it is relevant *CE* for the *approved person*. A *Dealer Member* must conduct sufficient due diligence to ensure that non-accredited courses meet the criteria for *CE* courses in Sections 2605 and 2606.
- (4) A *Dealer Member* may credit towards compliance requirements *CE* credits earned through courses and seminars at a *CE participant's* previous *Dealer Member* during the current cycle but not reported to the *Corporation* on receipt of a verification issued by the *CE participant's* former *Dealer Member*.

#### Course content

Clause 2654(1)(iii) establishes four general topics for *Dealer* compliance courses. Some examples of relevant issues in the four-topic areas are:

- (1) how securities administrators and *SROs* regulate industry participants;
- (2) regulatory developments that affect firm management;
- (3) disclosure of information to clients;
- (4) registration and continuing education;
- (5) operations and firm capital;

- (6) sales and trading conduct – general;
- (7) sales and trading conduct – institutional;
- (8) current developments in debt market regulation;
- (9) suitability and new products;
- (10) corporate finance – new rules;
- (11) corporate finance – proposed new rules;
- (12) ethical issues and case studies;
- (13) anti-money laundering laws and regulations and the *Dealer Member's* implementation of these laws and regulations;
- (14) privacy; and
- (15) screening for suitable clients.

These examples are for *approved persons* dealing with both *retail* and *institutional clients* and may change over time. The importance of certain topics may vary depending on a *Dealer Member's* business and the *CE participant's* responsibilities.  
Delivery guidelines

A *Dealer Member* can tailor an internal compliance course to meet its needs, including deciding how to review the topics. However, the course must meet the minimum 12-hour requirement for each three-year cycle.

A *Dealer Member* may decide how to deliver a compliance course. For example, a *Dealer Member* may:

- (1) hold an eight-hour in-house compliance seminar, with four hours of preparatory reading and study. In the first part of the seminar, *CE participants* could review topics 1-4. *They could then* use the information to discuss case studies during the rest of the seminar; or
- (2) offer the compliance course over three years, requiring *CE participants* to attend a four- hour seminar every year. Each seminar must cover at least one of the topic areas in depth.

Clause 2654(1)(iv) allows a *Dealer Member* to decide what *CE participants* must do to complete the course. A *Dealer Member* may require *CE participants* to:

- (1) pass a firm-developed examination;
- (2) pass an external examination;
- (3) attend and participate in a seminar; or
- (4) a combination of the above.

### **The professional development requirement**

A *Dealer Member* may decide how to best meet its *CE participants'* professional development program needs by offering an internal course, using an external course provider, or a combination of these.

### **General guidelines**

The professional development course, whether internal or external, should meet the following guidelines:

- (1) The professional development course should be relevant to the securities industry and financial advisors, management-oriented, or designed to improve client service.
- (2) The course should reflect the industry's commitment to high quality client service, advice, and professionalism.
- (3) Each *CE participant's* courses should reflect that person's skill requirement or be based on the *Dealer Member's* products and market strategies.

- (4) The course content should be educational and non-promotional. For example, corporate events held solely to introduce or promote new products or services, networking events or motivational speakers do not qualify. Some parts of an issuer's product-branded or product-specific presentations will qualify for professional development credit if presented as part of a larger educational course or presentation. A *Dealer Member* may grant:
  - (i) full credit for the general education part of the course for a product category for the number of hours it takes, and
  - (ii) half of the issuer-specific portion as credit towards the professional development course.
- (5) The program should have defined learning objectives. The course provider must be professional and able to certify completion. Alternatively, a *Dealer Member* may assume responsibility to certify course completion.
- (6) A *Dealer Member* may credit towards professional development requirements all or some of the time that a *CE participant* spends teaching a relevant course, if the *Dealer Member* considers that the issues dealt with are relevant.
- (7) A *Dealer Member* may accept towards professional development requirements *CE* credits earned during the current cycle (but not reported to the *Corporation*) through courses and seminars at a *CE participant's* previous firm. A *Dealer Member* may accept a verification of completion from the *CE participant's* former *Dealer Member*.

### **Course content**

Generally, the professional development courses should either review product groups, services and investment and financial strategies that the *CE participant* may offer to clients, or develop the *CE participant's* managerial skills. The courses and materials should cover the following:

- (1) product category features that should be communicated to a client;
- (2) approaches to product valuation and risk factors;
- (3) strategies for investing in a product category, including when it is suitable for the client's objectives;
- (4) the suitability of leveraging for a particular product category or investment strategy;
- (5) the features and costs of a *Dealer Member*-offered service;
- (6) the regulatory, tax, and other features of a product category or service that might affect its suitability;
- (7) methods of evaluating competing products, services, and investment strategies;
- (8) the suitability of a product category, service, or strategy for clients with different financial, risk and knowledge profiles;
- (9) developing managerial skills to help managers meet strategic and operational objectives;
- (10) developing communication skills to improve client service and assessments of client service;
- (11) developing practice management skills to provide tools to improve client service;
- (12) discussing technology used to enhance client service and advice; and
- (13) screening for suitable clients – the quantitative and the qualitative.

There are several types of external courses that would fit the guidelines for a *CE participant's* course. Courses and seminars offered by *CSI*, for example, are acceptable, as are the *Corporation*-accredited courses. Additional licensing courses, such as derivatives courses, may be credited to the professional development requirement. However, a *CE participant* may not use the Professional Financial Planning Course the Investment Management Techniques Course or the Wealth Management Essentials Course if the course was used to satisfy the requirement of Rule 2600.

Relevant courses offered or endorsed by professional financial services associations that have licensing and continuing education requirements, such as CIMA, CFP, CFA, IQPF, CLU, and insurance-licensing and *CSI* designations may also be acceptable, as would relevant courses at established post-secondary institutions.

### Delivery guidelines

A *Dealer Member* may design its professional development program to meet its needs and may decide how the topics are reviewed, as long as the 30-hour requirement is met. In designing the program, a *Dealer Member* should consider the most appropriate learning tools to meet its requirements. If appropriate, a *Dealer Member* may use:

- (1) discussions offered by internal or external providers;
- (2) electronic or on-line material; or
- (3) seminars and discussions offered by internal or external providers.

If possible, course materials should use cases and other applications to develop a *CE participant's* problem-solving and decision-making skills. Training strategies should focus on product knowledge, regulatory knowledge, business development skills, managerial skills and client communication skills.

Some *Dealer Members* have developed programs beyond the basic requirements to develop additional skills for a particular position. These courses would generally meet the continuing education guidelines if they do not promote products or provide product incentives.

### Suggested process to establish courses that meet the continuing education requirements

To establish a training course that meets these guidelines, a *Dealer Member* should:

- (1) identify its training needs, including knowledge and skills that would have a positive impact on the *Dealer Member*;
- (2) identify the course objectives;
- (3) identify the evaluation method to be used, such as course work, case study or examination;
- (4) decide how to measure successful completion;
- (5) decide whether the course should be internal or external, find professional internal or external experts to provide the course, and decide which courses best meet the *Dealer Member's* needs; and
- (6) evaluate whether the course meets its objectives.

## PART II – VOLUNTARY PARTICIPATION IN THE CE PROGRAM

### Course accreditation

A *Dealer Member* may not decide which courses are eligible for voluntary participation. Voluntary *CE participants* must choose only the *Corporation* accredited courses. The *Corporation* uses the following guidelines to approve courses to qualify for voluntary *CE participation*:

*The courses must:*

- (1) build on or refresh *CSC* or *CPH* material;
- (2) meet the time requirements (at least 12 hours for compliance courses and 30 hours for professional development courses);
- (3) include a learning evaluation process such as an exam or case study; and
- (4) provide proof from the course provider that the *CE participant* passed.

A course provider, or a *Dealer Member*, who believes that one or more of its courses meet these criteria and wants a course or courses considered for voluntary *CE participation* may apply for CECAP accreditation. Go to [www.cecacp.ca](http://www.cecacp.ca) for applications and details on the accreditation process

## Examples

Below are examples of how the voluntary *CE program* participation has helped, or could have helped, individuals avoid rewriting the *CSC* or the *CPH*:

- Example 1:** John S completed the *CSC* and *CPH* on April 14, 2003. John would have had to rewrite the *CSC* and the *CPH* after April 14, 2005. John could have extended the validity of his *CSC* and *CPH* under *IIROC requirements* to December 31, 2009 by becoming a voluntary *CE participant* in Cycle 3 (1/Jan/2006 to 31/Dec/2008).
- Example 2:** Jane D was approved as a *registered representative* until July 19, 2002. If Jane did not become re-approved with an *IIROC Member* by July 19, 2005, she would have had to re-write the *CSC* and *CPH*. Jane could have extended the validity of the *CSC* and *CPH* to December 31, 2006 by becoming a voluntarily *CE participant* in Cycle 2 (1/Jan/2003 to 31/Dec/2005).
- Example 3:** Jack W completed the *CSC* and *CPH* on October 25, 1997 and had never been approved. Jack took two additional the *Corporation*-accredited courses in 2001 that qualified for voluntary *CE program* participation. As a result, the *Corporation* considered Jack as a voluntary *CE participant* in Cycle 1, and he did not have to rewrite the *CSC* and *CPH* until December 31, 2003. If Jack had been a voluntary *CE participant* in Cycle 2, his *CSC* and *CPH* would have remained valid until December 31, 2006.
- Example 4:** Betty R was approved as a *registered representative* until March 4, 1997. Betty did not take any courses during Cycle 1 (1/Jan/2000 to 31/Dec/2002), but took two courses that qualified for voluntary *CE participation* in Cycle 2. As Betty did not continuously participate in the *CE program* since her termination, she must rewrite both the *CPH* and the *CSC*.

## GUIDANCE NOTE 2700-1

### NRD Filings and NRD Fees

This guidance note contains additional information about Dealer Member filings and NRD fees.

#### NRD FILINGS

##### Foreign business location with an approved person

For foreign business locations that have an approved person dealing with Canadian clients, a Dealer Member should record the individual's working location on NRD under 'Contact Information' under Item 9 – Location of Employment. A Dealer Member does not need to make a paper filing. The Dealer Member must have a Corporation-approved supervisor for the approved person's Canadian activity.

##### Requirements for filing exemption requests

A Dealer Member must submit any proficiency exemption requests for an individual through NRD at the time of that individual's approval application. However, a Dealer Member cannot process, through NRD, exemption requests for individuals that are not recorded on NRD or not yet sponsored by the applying Dealer Member. In such cases, a Dealer Member may submit the exemption request by filing a letter signed by a director or executive of the Dealer Member.

The Dealer Member must, when filing in paper, show that the applicant's academic or employment background gives the applicant equivalent proficiency. This is the same as in the NRD "Apply for an Exemption Submission" process. To show equivalency, the Dealer Member must provide, with the application:

- (1) a statement of the basis for the exemption. For example, if the submission is based on the applicant's employment experience, the Dealer Member must state the relevance of that experience and how it allowed the applicant to keep up to date with the course content;
- (2) proof that the applicant completed any courses he or she is relying on for equivalency;
- (3) the applicant's full legal name, birth date, and residential address; and
- (4) cheques for the exemption fee.

While an applicant's resumé may be helpful, it does not replace the above information.

A Dealer Member must send the exemption request letter to the appropriate Corporation registration office for review. The Corporation office will forward the application to the District Council registration subcommittee for review.

If the Corporation grants the exemption, the Dealer Member must file the application for approval through NRD within 90 days of the exemption date.

##### Filing of notices of change under Rule 2703: Temporary Hardship Exemption

The paper form for submitting a notice of change to the information in Form 33-109F4 is Form 33-109F5.

#### NRD FEES

##### Annual NRD user fee

Section 2705 requires a Dealer Member to pay an annual user fee for using the NRD. This fee is:

- (1) \$75 (plus GST) for each registered and non-registered individual in one jurisdiction, and
- (2) \$50 (plus GST) for each additional jurisdiction (capped at \$250 plus GST) required for that individual.

This fee is due on December 31 for the next year and is automatically withdrawn from a Dealer Member's NRD account.

### **Annual regulatory fee**

As well, the NRD calculates a Dealer Member's annual fee for each province and territory in which a Dealer Member carries on business. This fee is also due December 31 and is automatically withdrawn from the Dealer Member's NRD account.

### **Annual Fee Summary process**

Every year on December 1, the NRD generates a preliminary Annual Fee Summary. The summary sets out the number of the Dealer Member's individuals and locations recorded on NRD for which annual regulatory registration fees are due and if applicable, the participation fee amount due in Ontario. The summary also includes a calculation of the Dealer Member's annual NRD user fee and the total amount that NRD withdraws from the Dealer Member's NRD account on December 31 if the Dealer Member's registered and permitted individuals stay the same.

The summary is only available on NRD. To view the summary, a Dealer Member must log in to NRD and select "Annual Fee Summary" under the "Firm Information" tab. The summary, created once a year, does not reflect changes made in December.

### **Avoiding unnecessary fees**

A Dealer Member should review the summary and submit any necessary changes before the December 31 fee payment. For example, a Dealer Member should terminate an individual that is not continuing with the Dealer Member after December 31 or cancel an individual's registration in a jurisdiction if he or she no longer requires registration.

A Dealer Member has more control over the annual fee process by using the Annual Fee Exclusion/Reversal form. A Dealer Member files this form with each relevant jurisdiction to exclude from the annual fee calculation individuals who will be surrendering registration or terminating employment by December 31. The Corporation encourages Dealer Members to use this form to avoid unnecessary fees.

The registration status of individuals excluded from the annual fee calculation will be automatically changed to Suspended (Annual Fee Exclusion) on December 31. A Dealer Member must ensure that the Annual Fee Exclusion submissions have no errors since they cannot be changed after the fees are calculated. If an error occurs the form must be filed again prior to December 31 to reverse the action.

In addition to filing the Annual Fee Exclusion, a Dealer Member must file

- (1) Form 33-109F1, Notice of Employment Termination, [[LINK:osc.gov.on.ca/forms/registration/form33-109F1](http://osc.gov.on.ca/forms/registration/form33-109F1)], or
- (2) Form 33-109F2, Surrender of Individual Categories, [[LINK: osc.gov.on.ca/forms/registration/form 33-109F2](http://osc.gov.on.ca/forms/registration/form33-109F2)]

through NRD for each approved person who has changed categories or employment status.

NI 33-109 requires a Dealer Member to submit any change to an individual's registration information to the regulator within five business days of that change. The Annual Fee Exclusion filing does not replace the appropriate regulatory filings.

### **Final Annual Fee Summary and withdrawal**

At approximately 5:00 p.m. E.S.T. on December 31, NRD will generate a Final Annual Fee Summary, summarizing the individuals and locations for which a renewal fee has been charged and the amount debited from a Member's NRD account. View the Final Annual Fee Summary by selecting "Annual Fee Summary" under the "Firm Information" tab.

A Member can also generate an Annual Fee Detailed Report from the report function on NRD to accurately reconcile the final fee. This report gives a detailed account of all individual, location, firm category and participation fees for the Preliminary or Final Annual Fee Summary.

Dealer Members must file all submissions, including the Annual Fee Exclusion/Reversal submission, before the annual fee withdrawal on December 31. More information is on the NRD website (<http://www.nrd-info.ca>).