

## Chapter 13

# SROs, Marketplaces and Clearing Agencies

---

### 13.1 SROs

#### 13.1.1 IIROC Rules Notice – Request for comments – Plain language rule re-write project – Interpretation and standards; Proposed Rules 1100 through 1400

#### IIROC RULES NOTICE – REQUEST FOR COMMENTS – PLAIN LANGUAGE RULE RE-WRITE PROJECT – INTERPRETATION AND STANDARDS; PROPOSED RULES 1100 THROUGH 1400

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

On April 13, 2011, the Board of Directors (“the Board”) of the Investment Industry Regulatory Organization of Canada (“IIROC”) approved the publication for comment of proposed plain language rules relating to rule interpretation, definitions, powers of the Corporation and principles of conduct (collectively referred to as the “proposed Rules”).

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

- (1) Rule 1100, *Interpretation*;
- (2) Rule 1200, *Definitions*;
- (3) Rule 1300, *Powers of the Corporation*; and
- (4) Rule 1400, *Standards of conduct*.

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

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

##### Issues and specific proposed amendments

###### **Current rules**

Other than the proposed substantive revisions set out below, the proposed Rules 1100, 1200, 1300 and 1400 do not create any new obligations for Dealer Members and have been drafted to clarify the existing rules with respect to rule interpretation, definitions, powers of the Corporation and standards of conduct.

###### **Proposed rules**

During the plain language rule rewrite process, several aspects of these rules were changed for simplification beyond the initial scope of the rewrite project. There are some changes in these rules that are substantive in nature and therefore require publication for comment.

The current Dealer Member Rulebook includes a brief interpretation section which outlines four general interpretation related matters. The proposed Rule 1100, Interpretation, provides a more comprehensive review of matters that need to be considered when reviewing and interpreting the rules. Although many sections are categorized as new in proposed Rule 1100, the concepts discussed within these provisions are not new. These concepts already exist within the current Dealer Members rules. For example, proposed Rule 1100 clarifies that any references to a Dealer Member’s board of directors includes an equivalent

governing body for a Dealer Member that is not a corporation. Similarly, any references in the rules to a corporation type of entity would apply to other types of entities if the context is appropriate. Furthermore, the reference to times being Eastern Standard Time is similar to the current rules; various provisions in the existing rules clarify that the time references refer to Toronto time. Similarly, reference to District Council and provinces also already exist throughout the rulebook. Proposed Rule 1100 clarifies that any reference to District Council means the District Council of the applicable District. Furthermore, any reference to provinces includes provinces and territories of Canada. For ease of reference and clarity these types of provisions have been introduced in proposed Rule 1100.

In addition to the plain language rewrite of the existing requirements to create proposed Rule 1100, the following substantive amendments are proposed:

- *Delegation by a Dealer Member:* The current Dealer Member Rules discuss the ability of a Supervisor to delegate tasks but not responsibility. However, the issue of delegation is not discussed generally. The proposed Rule 1100 specifies that if a *Corporation requirement* requires a person at a Dealer Member to perform a function, unless specifically prohibited, that person may delegate the tasks or activities involved in performing the function but not the responsibility. [1103]
- *Electronic signatures:* The proposed Rule will codify the current rule interpretation that, unless specifically prohibited, where the *Corporation requirements* require a signature for an agreement, contract or transaction, an electronic or digital signature will be acceptable, subject to applicable law. The current rule interpretation with regards to electronic signatures is set out in IDA Member Regulation Notice MR0177, *Electronic Signatures*. [1104]

The proposed Rules include a definitions section. The defined terms included in proposed Rule 1200 are generally those that have been used more than once throughout the rulebook. Terms that are used only in a single rule will be defined in that particular Rule. Additional terms are set out in General By-Law No. 1 and Form 1. The proposed Rules will clarify that any terms not defined in proposed Rule 1200, which are defined in securities legislation, have the same meaning as defined in the relevant Securities Act, Rule, Regulation or National Instrument and other similar document.

In addition to the plain language rewrite of existing provisions, some definitions have been flagged as new in proposed Rule 1200. Although these terms are not defined in the current Dealer Member rules, the terms and concepts are commonly used in the application of the current Dealer Member Rules and therefore, do not create any substantive changes. The following are examples of terms included in proposed Rule 1200 which have not been previously defined:

- *advisory account,*
- *agent,*
- *Chief Compliance Officer,*
- *Chief Financial Officer,*
- *Corporation requirements,*
- *employee,*
- *investment dealer,*
- *laws or applicable laws,*
- *recognized exchange or recognized association,*
- *related issuer,*
- *risk adjusted capital,*
- *securities legislation or applicable securities legislation,*
- *segregation,*
- *trader, and*
- *Ultimate Designated Person*

In order to more clearly identify defined terms within the rulebook, the defined terms will be italicized. Any terms defined in General By-law No. 1 (example: Dealer Member) as well as all categories of approved persons (example: Supervisor) will be capitalized as well as italicized.

The proposed Rules do not include any substantive amendments to proposed Rule 1300 – “*Powers of the Corporation*”.

Proposed Rule 1400 will include the following sections: *Introduction, Standards of conduct, Applicability, Policies and procedures, and Evidence of compliance with the Corporation requirements.*

- *Introduction, Standards of conduct and Applicability:* The text of these sections will be proposed through a separate project, the Consolidated Enforcement Rules.
- *Policies and procedures:* Consistent with current practices and expectations, proposed Rule 1400 will clarify that:
  - if a Corporation requirement mandates a Dealer Member to establish policies and procedures, those policies and procedures must be sufficient to meet the Corporation’s objectives and that the Dealer Member may establish more stringent policies and procedures; [1404(1)]
  - guidelines provided by the Corporation, unless otherwise indicated, are intended to be acceptable compliance methods and that Dealer Members may use alternate methods to comply with the Corporation requirements; [1404(2)] and
  - the Corporation may require a Dealer Member to adopt additional or different policies and procedures if the Corporation considers the Dealer Member’s existing policies and procedures to be insufficient. [1404(3)]
- *Evidence of compliance with the Corporation requirements:* Consistent with the current practices and expectations, as well as the provisions set out *Dealer Member Rule 19 Examinations and Investigations*, proposed Rule 1400 will specify that the Corporation may require a Dealer Member to provide it with evidence, satisfactory to the Corporation, of the Member’s compliance with the Corporation requirements. [1405]

The full text of the proposed plain language Dealer Member Rules 1100, 1200, 1300 and 1400 is attached.

#### **Rule-making process**

IIROC Staff involved representatives of Dealer Members in the rule development process; a copy of the proposed Rules were provided to the *Executive* committee of the Compliance and Legal Section (“CLS”) for their input and comments.

The proposed Rules were approved for publication by the IIROC Board of Directors on April 13, 2011.

The text of proposed plain language Rules 1100 through 1400 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 interpretations, definitions, powers of the Corporation and standards of conduct should be rewritten to reflect actual IIROC expectations, to enhance the clarity of the rule and to ensure consistency with applicable securities legislation. These amendments are in addition to the plain language rewrite of the existing rule provisions. The Board has determined that the proposed amendments are not contrary to the public interest.

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

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

With proposed plain language Rules 1100, 1200, 1300 and 1400, Dealer Members will benefit from enhanced clarity and certainty in rules relating to interpretations, definitions, powers of the Corporation and standards of conduct.

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 1100, 1200, 1300 and 1400 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:

Sherry Tabesh-Ndreka  
Senior Policy Counsel, Member Regulation Policy  
Investment Industry Regulatory Organization of Canada  
Suite 1600, 121 King Street West  
Toronto, Ontario  
M5H 3T9  
stabesh@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:

Sherry Tabesh-Ndreka  
Senior Policy Counsel, Member Regulation Policy  
Investment Industry Regulatory Organization of Canada  
Phone: 416.943.4656  
Email: stabesh@iiroc.ca

**Attachments**

Attachment A – Proposed Rules 1100, 1200, 1300 and 1400

Attachment B - Text of the relevant provisions within Corporation General By-law No.1, Article 1 and Dealer Member Rules 1; 16.5; 16.6; 17.15;; 35.1; 39, Appendix A; 800.3; 1300.3; 1800.1; 1800.8; 1900.1; 2600, Internal Control Policy Statement 1, General Matters; 2600, Internal Control Policy Statement 8, Derivative Risk Management; 2900, Part 1, Definitions; and 3100, Definitions

Attachment C – Table of Concordance

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA  
PROPOSED RULES 1100 THROUGH 1400 – INTERPRETATION AND STANDARDS**

**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
	<b>RULE 1100 INTERPRETATION</b>
New	<b>1101. Introduction</b>
	(1) This Rule sets out general rules of interpretation that apply to the Rule Book, and certain specific interpretative provisions.
	<b>1102. General Interpretation</b>
Rule 1.2	(1) If the context requires, words in the singular may include the plural and words in the plural may include the singular.
New; derived from Rule 3000	(2) All times referred to the Rule Book are Eastern Standard Time, or Eastern Daylight Savings Time when in effect, unless stated otherwise.
	(3) References to:
Rule 1.3	(i) a <i>Dealer Member</i> include the <i>Dealer Member's Approved Persons</i> and <i>employees</i> , as the context indicates;
New	(ii) a <i>Dealer Member's</i> board of directors include a <i>Dealer Member's</i> equivalent governance body for a <i>Dealer Member</i> that is not a corporation;
New	(iii) a corporation, as a type of entity to which the <i>Corporation requirements</i> apply, includes other types of entities if the context is appropriate;
New	(iv) a <i>District Council</i> means the <i>District Council</i> for the applicable <i>District</i> ; and
New	(v) provinces include provinces and territories of Canada.
Rule 1.6	(4) The general terms used in these Rules are defined in Rule 1200 and terms relating to specific provisions may be defined in that rule. Any terms not defined in Rule 1200 or in a specific rule, will have the same meaning as provided for in Section 1201(1).
Rule 1.4	(5) In the event of any dispute as to the intent or meaning of any provisions within the <i>Corporation requirements</i> , the interpretation of the <i>Board</i> is final, subject to any appeal procedures that may be available.
	<b>1103. Delegation by a Dealer Member</b>
New	(1) If a <i>Corporation requirement</i> requires a person at a <i>Dealer Member</i> to perform a function, that person may delegate the tasks or activities involved in performing the function unless the <i>Corporation requirements</i> specifically prohibit such delegation. An <i>individual</i> who delegates tasks or activities cannot delegate the responsibility for the function.

Repealed current rule	Proposed plain language rule
<p>New, derived from IDA Member Regulation Notice MR0177</p> <p>New</p>	<p><b>1104. Electronic signatures</b></p> <p>(1) Subject to <i>applicable law</i>, a <i>Dealer Member</i> may use an electronic or digital signature where a signature is required by <i>Corporation requirements</i> for an agreement, contract or transaction between a <i>Dealer Member</i> and its clients, <i>Approved Persons</i>, the <i>Corporation</i>, other <i>Dealer Members</i> or any other <i>person</i> unless specifically prohibited.</p> <p><b>1105. – 1199. – Reserved.</b></p>

Repealed current rule	Proposed plain language rule																
<p>Rule 1.6</p> <p>New, based on proposed definition in Client Relationship Model proposals</p> <p>Rule 3400 definitions</p> <p>Rule 1.1</p> <p>New, based on current requirements in Rule 39</p> <p>Rule 1.1</p> <p>Rule 1.1</p> <p>General By-Law No. 1, Section 1.1</p> <p>Rule 1.1</p>	<p style="text-align: center;"><b>RULE 1200 DEFINITIONS</b></p> <p><b>1201. Definitions</b></p> <p>(1) Terms used throughout the Rule Book are defined in subsection (2). Additional terms are set out in <i>Corporation</i> General By-Law No. 1 and Form 1. Terms that are used only in a single Rule are defined in that Rule. Any term not defined in subsection (2) or in a specific Rule, which is defined in <i>securities legislation</i>, has the same meaning as the defined in the relevant Securities Act, Rule, and Regulation, National Instrument or similar document.</p> <p>(2) The following terms have the meanings set out when used in the <i>Corporation requirements</i>:</p> <table border="1" data-bbox="630 709 1474 1875"> <tr> <td data-bbox="630 709 857 905">“advisory account”</td> <td data-bbox="857 709 1474 905">An account where the client is responsible for investment decisions but is able to rely on advice given by a <i>Registered Representative</i>. The <i>Registered Representative</i> is responsible for ensuring that the advice given is made in accordance with <i>Corporation requirements</i>.</td> </tr> <tr> <td data-bbox="630 905 857 989">“advisory capacity”</td> <td data-bbox="857 905 1474 989">Providing advice to an issuer in return for remuneration other than trading advice or related services.</td> </tr> <tr> <td data-bbox="630 989 857 1234">“affiliate”</td> <td data-bbox="857 989 1474 1234">Where used to indicate a relationship between two corporations, means: (i) one corporation is a <i>subsidiary</i> of the other corporation; (ii) both corporations are <i>subsidiaries</i> of the same corporation; or (iii) both corporations are <i>controlled</i> by the same <i>person</i>.</td> </tr> <tr> <td data-bbox="630 1234 857 1318">“agent”</td> <td data-bbox="857 1234 1474 1318">An <i>individual</i> who is subject to the principal and agent relationship requirements set out in Rule 2400.</td> </tr> <tr> <td data-bbox="630 1318 857 1457">“approved lender”</td> <td data-bbox="857 1318 1474 1457">A <i>chartered bank</i>, an acceptable counterparty or an acceptable institution as defined in Form 1, an industry investor, a <i>Dealer Member</i> or any other lender the <i>Board</i> designates.</td> </tr> <tr> <td data-bbox="630 1457 857 1570">“approved person”</td> <td data-bbox="857 1457 1474 1570">An <i>individual</i> approved by the <i>Corporation</i> under the <i>Corporation requirements</i> to carry out a function for a <i>Dealer Member</i>.</td> </tr> <tr> <td data-bbox="630 1570 857 1654">“associate”</td> <td data-bbox="857 1570 1474 1654">The same meaning as set out in General By-law No. 1, Section 1.1</td> </tr> <tr> <td data-bbox="630 1654 857 1875">“beneficial ownership”</td> <td data-bbox="857 1654 1474 1875">Beneficial ownership of securities by a <i>person</i> includes: (i) the direct ownership of any securities by a <i>person</i>; or (ii) the direct or beneficial ownership of the securities by a corporation <i>controlled</i> by that <i>person</i>; or (iii) the direct or beneficial ownership of securities by <i>affiliates</i> of a corporation <i>controlled</i> by that <i>person</i>.</td> </tr> </table>	“advisory account”	An account where the client is responsible for investment decisions but is able to rely on advice given by a <i>Registered Representative</i> . The <i>Registered Representative</i> is responsible for ensuring that the advice given is made in accordance with <i>Corporation requirements</i> .	“advisory capacity”	Providing advice to an issuer in return for remuneration other than trading advice or related services.	“affiliate”	Where used to indicate a relationship between two corporations, means: (i) one corporation is a <i>subsidiary</i> of the other corporation; (ii) both corporations are <i>subsidiaries</i> of the same corporation; or (iii) both corporations are <i>controlled</i> by the same <i>person</i> .	“agent”	An <i>individual</i> who is subject to the principal and agent relationship requirements set out in Rule 2400.	“approved lender”	A <i>chartered bank</i> , an acceptable counterparty or an acceptable institution as defined in Form 1, an industry investor, a <i>Dealer Member</i> or any other lender the <i>Board</i> designates.	“approved person”	An <i>individual</i> approved by the <i>Corporation</i> under the <i>Corporation requirements</i> to carry out a function for a <i>Dealer Member</i> .	“associate”	The same meaning as set out in General By-law No. 1, Section 1.1	“beneficial ownership”	Beneficial ownership of securities by a <i>person</i> includes: (i) the direct ownership of any securities by a <i>person</i> ; or (ii) the direct or beneficial ownership of the securities by a corporation <i>controlled</i> by that <i>person</i> ; or (iii) the direct or beneficial ownership of securities by <i>affiliates</i> of a corporation <i>controlled</i> by that <i>person</i> .
	“advisory account”	An account where the client is responsible for investment decisions but is able to rely on advice given by a <i>Registered Representative</i> . The <i>Registered Representative</i> is responsible for ensuring that the advice given is made in accordance with <i>Corporation requirements</i> .															
	“advisory capacity”	Providing advice to an issuer in return for remuneration other than trading advice or related services.															
	“affiliate”	Where used to indicate a relationship between two corporations, means: (i) one corporation is a <i>subsidiary</i> of the other corporation; (ii) both corporations are <i>subsidiaries</i> of the same corporation; or (iii) both corporations are <i>controlled</i> by the same <i>person</i> .															
	“agent”	An <i>individual</i> who is subject to the principal and agent relationship requirements set out in Rule 2400.															
	“approved lender”	A <i>chartered bank</i> , an acceptable counterparty or an acceptable institution as defined in Form 1, an industry investor, a <i>Dealer Member</i> or any other lender the <i>Board</i> designates.															
	“approved person”	An <i>individual</i> approved by the <i>Corporation</i> under the <i>Corporation requirements</i> to carry out a function for a <i>Dealer Member</i> .															
	“associate”	The same meaning as set out in General By-law No. 1, Section 1.1															
	“beneficial ownership”	Beneficial ownership of securities by a <i>person</i> includes: (i) the direct ownership of any securities by a <i>person</i> ; or (ii) the direct or beneficial ownership of the securities by a corporation <i>controlled</i> by that <i>person</i> ; or (iii) the direct or beneficial ownership of securities by <i>affiliates</i> of a corporation <i>controlled</i> by that <i>person</i> .															



Repealed current rule	Proposed plain language rule	
General By-Law No. 1, Section 1.1 and Rule 1.1	"Board"	The same meaning as set out in General By-law No. 1, Section 1.1
Rule 3100, Definitions	"business day"	A day other than Saturday, Sunday and any statutory holiday in the relevant <i>District</i> .
Rule 1.1	"business location"	A physical location where, on a regular and ongoing basis, at least one of a <i>Dealer Member's employees</i> or <i>agents</i> conducts business that requires <i>Corporation</i> approval or registration under <i>securities legislation</i> .
Rule 35.1(a)(i)	"carrying broker"	A <i>Dealer Member</i> that carries client accounts for another <i>Dealer Member</i> , which includes the clearing and settlement of trades, and the maintenance of <i>records</i> of client transactions and custody of client cash and securities, in accordance with the requirements set out in Rule 2450.
General By-Law No. 1, Section 1.1 and Rule 2300.1	"CDS"	The same meaning as set out in General By-law No. 1, Section 1.1
Rule 1.1	"chartered bank"	A bank incorporated under the Bank Act (Canada).
New	"Chief Compliance Officer" or "CCO"	An <i>individual</i> approved by the <i>Corporation</i> , to act as <i>Chief Compliance Officer</i> .
New	"Chief Financial Officer" or "CFO"	An <i>individual</i> approved by the <i>Corporation</i> , to act as <i>Chief Financial Officer</i> .
General By-Law No. 1, Section 1.1	"Canadian Investor Protection Fund" or "CIPF"	The same meaning as set out in General By-law No. 1, Section 1.1.
Rule 800.3	"clearing day"	Any day <i>CDS</i> or another acceptable clearing corporation is open for business.
Rule 1.1	"control" or "controlled"	Where used to indicate control of a corporation, means a <i>person</i> has <i>beneficial ownership</i> of voting securities in the corporation that carry more than 50% of the votes for election of directors of the corporation and such votes allow the <i>person</i> to elect a majority of the directors; but if the <i>District Council</i> orders that a <i>person</i> does or does not control the corporation under the <i>Corporation requirements</i> , that order defines their relationship under the <i>Corporation requirements</i> .
General By-Law No. 1, Section 1.1	"Corporation"	The same meaning as set out in General By-law No. 1, Section 1.1.
New	"Corporation requirements"	Requirements set out within the <i>Corporation's</i> letters patent, by-laws and rules, along with all other instruments prescribed or adopted within the <i>Corporation's</i> by-laws and rules, and rulings of the <i>Corporation</i> and the <i>District Councils</i> .
General By-Law No. 1, Section 1.1	"Dealer Member"	The same meaning as set out in General By-law No. 1, Section 1.1.

Repealed current rule	Proposed plain language rule	
Rule 1.1	"Dealer Member corporation"	An incorporated <i>Dealer Member</i> .
Rule 16.1	"Dealer Member's auditor"	An auditor on the <i>District Council</i> approved panel of accounting firms chosen by the <i>Dealer Member</i> to be its auditor.
Rule 1.1	"debt", "debt investment" and "debt security"	An interest, investment or security that gives the holder the legal right, in specific circumstances, to demand payment of the amount owing, and includes a debtor-creditor relationship, whether written or not.
Rule 2600, Statement 8	"derivative"	A financial instrument whose value is derived from, and reflects changes in, the price of the underlying products. It is designed to facilitate the transfer and isolation of risk and may be used for both risk transference and investment purposes.
Rule 1.1	"designated Supervisor"	A <i>Supervisor</i> that the <i>Dealer Member</i> makes responsible for a <i>Supervisory</i> role defined in the <i>Corporation requirements</i> , including: <ul style="list-style-type: none"> <li>(i) the <i>Supervisor</i> responsible for the opening of new accounts and the supervision of account activity under Part B of Rule 3900;</li> <li>(ii) the <i>Supervisor</i> responsible for the supervision of <i>discretionary accounts</i> under Part E of Rule 3200;</li> <li>(iii) the <i>Supervisor</i> responsible for the supervision of <i>managed accounts</i> under Part E of Rule 3900;</li> <li>(iv) the Designated Futures <i>Supervisor</i> under Part D of Rule 3200;</li> <li>(v) the Designated Options <i>Supervisor</i> under Part D of Rule 3200; and</li> <li>(vi) the <i>Supervisor</i> or <i>Supervisors</i> responsible under Rule 3600 to pre-approve advertising, sales literature, correspondence and research reports.</li> </ul>
Rule 1.1	"Director"	A member of the <i>Dealer Member's</i> board of <i>Directors</i> or an <i>individual</i> performing similar functions at a <i>Dealer Member</i> that is not a corporation.
Rule 1300.3	"discretionary account"	An account opened in accordance with the requirements set out in Part E of Rule 3200, which generally refers to an <i>advisory account</i> for which the <i>Registered Representative</i> can exercise discretion in trading on a temporary basis.
General By-Law No. 1, Section 1.1	"District"	The same meaning as set out in General By-law No. 1, Section 1.1.
General By-Law No. 1, Section 1.1	"District Council"	The same meaning as set out in General By-law No. 1, Section 1.1.
Rule 1.1	"equity", "equity investment" and "equity security"	An interest, investment of security in a corporation that gives the holder the right to participate in earnings of the corporation and, upon the corporation's liquidation or winding up, in its assets, and includes income trust units and securities convertible into an equity security.

Repealed current rule	Proposed plain language rule	
New	“employee”	Any employee of a Dealer Member or an <i>agent</i> of a Dealer Member that has entered into a principal/agent relationship contemplated under the <i>Corporation Requirements</i> .
Rule 1.1	“Executive”	A Dealer Member’s partner, Director or officer who is involved in the Dealer Member’s senior management, including anyone fulfilling the role of chair or vice-chair of the board of directors, chief executive officer, president, chief administrative officer, Chief Financial Officer, Chief Compliance Officer, member of an Executive management committee, any individual in a managerial position who has significant authority over daily operations, or any position that the Dealer Member designates as an Executive position.
Rule 1800 .1	“futures contract”	A contract to make or take delivery of the underlying interest during a designated future month on terms agreed to when the contract is entered on a commodity futures exchange.
Rule 1800.1	“futures contract option”	A right to acquire a long or short position in connection with a <i>futures contract</i> on terms agreed to at the time the <i>option</i> is granted and any <i>option</i> that has a <i>futures contract</i> as its underlying interest.
Rule 1300.3	“futures managed account”	A <i>managed account</i> which includes only investments in <i>futures contracts</i> or <i>futures contract options</i> .
Rule 1.1	“guarantee”	(i) an agreement to be responsible for the liabilities of a <i>person</i> or to provide security for a <i>person</i> ; and (ii) includes an agreement to: (a) purchase an investment, property or services; (b) to supply funds, property or services; or (c) to make an investment; if the agreement’s main purpose is to allow a <i>person</i> to perform its obligations under a security or investment, or to assure an investor in a security that the <i>person</i> will perform its obligations.
Rule 1.1	“holding company”	Of a corporation means either: (i) another corporation that owns : (a) more than 50 per cent of each class or series of the voting securities; and (b) more than 50 per cent of each class or series of the participating securities, either directly in the corporation or in the holding company of that corporation; or (ii) a corporation that the <i>District Council</i> orders is a holding company of that corporation; but does not include: (iii) an industry investor that owns the corporation’s securities in the capacity of an industry investor; or (iv) a corporation that the <i>District Council</i> has ordered is not a holding company of that corporation.
Rule 1.1	“individual”	A natural person.
Rule 1.1	“institutional client”	(i) an acceptable counterparty, as defined in Form 1; (ii) an acceptable institution as defined in Form 1;

Repealed current rule	Proposed plain language rule	
		(iii) a regulated entity, as defined in Form 1; (iv) a registrant under <i>securities legislation</i> , other than an <i>individual</i> registrant; or (v) a non- <i>individual</i> with total securities under administration or management of more than \$10 million
Rule 2600	"internal controls"	The policies and procedures established and maintained by management to assist in achieving the objective of ensuring, as far as practical, the orderly and efficient conduct of the <i>Dealer Member's</i> business.
Rule 35.1(a)(ii)	"introducing broker"	A <i>Dealer Member</i> that introduces its client accounts to one or more <i>carrying brokers</i> , in accordance with the requirements set out in Rule 2450.
New, based on NI 31-103 definition of "investment dealer"	"investment dealer"	An <i>individual</i> , firm or corporation acting as dealer (principal) or broker (agent) in carrying out transactions in securities and commodity <i>futures contracts</i> or <i>futures contract options</i> on behalf of clients and includes, without limitation, acting as an underwriter or adviser;
Rule 1.1	"Investment Representative" or "IR"	An <i>individual</i> , approved by the <i>Corporation</i> , to trade in, but not advise on, securities, <i>options</i> , <i>futures contracts</i> or <i>futures contract options</i> , on the <i>Dealer Member's</i> behalf, including an <i>Investment Representative</i> (mutual funds).
New	"laws" or "applicable laws"	All laws, statutes, ordinances, regulations, rules, judgments, decrees or orders, applicable to a <i>Dealer Member</i> or its <i>employees</i> and <i>Approved Persons</i> in the conduct of its business.
Rule 1300.3	"managed account"	An account opened in accordance with the requirements set out in Part E of Rule 3200 which generally refers to an account where investment decisions are made on a continuing basis by a <i>Portfolio Manager</i> .
Rule 1.1	"Membership"	<i>Corporation</i> membership.
Rule 1800.8	"non-client orders"	Orders from the accounts in which the <i>Dealer Member</i> or an <i>approved person</i> has an interest other than the commission charged.
Rule 1.1	"officer"	A <i>Dealer Member's</i> chair and vice-chair of the board of directors, chief executive officer, president, chief administrative officer, <i>Chief Financial Officer</i> , <i>Chief Compliance Officer</i> , chief operating officer, vice-president, secretary, any other person designated an officer of a <i>Dealer Member</i> by law or similar authority, or any person acting in a similar capacity on behalf of a <i>Dealer Member</i> .
Rule 1900 .1	"option"	A right, other than a <i>futures contract</i> or <i>futures contract option</i> , to buy or sell the underlying interest during a designated period on terms agreed to when the contract is made.

Repealed current rule	Proposed plain language rule	
Rule 3200, Introduction		<p>“order execution only service”</p> <p>The acceptance and execution of client trade orders that the <i>Dealer Member</i> has neither recommended nor assessed as being suitable.</p>
Rule 1.1		<p>“person”</p> <p>An <i>individual</i>, a partnership, a corporation, a government or any of its departments or agencies, a trustee, an incorporated or unincorporated organization, an incorporated or unincorporated syndicate or an <i>individual’s</i> heirs, executors, administrators or other legal representatives.</p>
New		<p>“<i>Portfolio Manager</i>”</p> <p>A <i>Registered Representative</i> designated by the <i>Dealer Member</i> and approved by the <i>Corporation</i> to provide discretionary portfolio management for <i>managed accounts</i>.</p>
Rule 2300.1		<p>“recognized depository”</p> <p>A depository which has been recognized by the <i>Corporation</i> and included in the list of depositories that constitute acceptable external securities locations, as defined in Form 1.</p>
New – codification of existing concept set out in Form 1		<p>“recognized exchange” or “recognized association”</p> <p>A <i>Corporation</i> approved exchange or association.</p>
Rule 2900		<p>“recognized foreign self-regulatory organization”</p> <p>A foreign self-regulatory organization which offers reciprocal treatment to Canadian applicants that has been approved by the <i>Corporation</i>.</p>
Rule 39, Appendix A,		<p>“records”</p> <p>Books, records, client files and information and other documentation, including electronic documents, related to the <i>Dealer Member’s</i> business.</p>
Rule 1.1		<p>“<i>Registered Representative</i>” or “RR”</p> <p>An <i>individual</i>, approved by the <i>Corporation</i>, to trade, or advise on trades, in securities, <i>options</i>, <i>futures contracts</i>, or <i>futures contract options</i> with the public in Canada, on the <i>Dealer Member’s</i> behalf, including a <i>Registered Representative</i> (mutual funds) and a <i>Registered Representative</i> (non-retail).</p>
Rule 1.1		<p>“related company”</p> <p>A sole proprietorship, partnership or corporation that is a <i>Dealer Member</i> and is related to another <i>Dealer Member</i> because:</p> <ul style="list-style-type: none"> <li>(i) it, or its <i>Executives</i>, <i>Directors</i>, <i>officers</i>, shareholders and <i>employees</i> (individually or collectively) have at least a 20% ownership interest in the other <i>Dealer Member</i>; or</li> <li>(ii) the other <i>Dealer Member</i>, or its <i>Executives</i>, <i>Directors</i>, <i>officers</i>, shareholders and <i>employees</i> (individually or collectively) have at least a 20% ownership interest in it;</li> </ul> <p>where the ownership interest includes an interest as a partner or shareholder, either directly or indirectly, or an interest through one or more holding companies. But if the <i>Board</i> has ordered that two <i>persons</i> are, or are not, related companies under the <i>Corporation requirements</i>, that order defines their relationship under the <i>Corporation requirements</i>.</p>

Repealed current rule	Proposed plain language rule	
New	“related issuer”	The same meaning as set out in <i>applicable securities legislation</i> .
Rule 1.1	“retail client”	A client that is not an <i>institutional client</i> .
New	“risk adjusted capital” or “RAC”	The capital level maintained by a <i>Dealer Member</i> , calculated in accordance with the <i>Corporation requirements</i> set out in Form 1.
Rule 1.1	“securities commission”	The commission, <i>person</i> or other authority in any jurisdiction that is authorized to administer any legislation about (i) the offering or sale of securities or commodity futures to the public; or (ii) the registration or licensing of <i>persons</i> trading in securities or commodity futures.
New	“securities legislation” or “applicable securities legislation”	Any legislation about trading or advising in securities, commodities contracts or <i>derivatives</i> in Canada enacted by the government of Canada or any province or territory in Canada and includes all regulations, rules, orders and other regulatory directions made under that legislation by an authorized body, including a <i>securities regulatory authority</i> .
Rule 1.1	“securities related activities”	Acting as an <i>investment dealer</i> , or carrying on business that is necessary or incidental to being an <i>investment dealer</i> . The <i>Board</i> may include in or exclude any activities from this definition.
Rule 1.1	“segregated securities”	Securities held in <i>segregation</i> by a <i>Dealer Member</i> for a client.
New, based on principles set out in Rule 2000	“segregation”	A practice where a <i>Dealer Member</i> holds client securities that are: (i) held free and clear of any charge, lien, claim or encumbrance of any kind; (ii) ready for delivery to a client on demand; and (iii) held separate from the <i>Dealer Member’s</i> other security holdings.
Rule 1.1	“subordinated debt”	<i>Debt</i> that does not allow the holder to be paid in priority to any senior class of debt
Rule 1.1	“subsidiary”	Subsidiary of a an entity means: (i) an entity it <i>controls</i> ; (ii) a corporation it <i>controls</i> and one or more corporations <i>controlled</i> by that corporation; or (iii) a corporation <i>controlled</i> by two or more corporations it <i>controls</i> . and includes a corporation that is a subsidiary of another subsidiary of a corporation.
Rule 1.1	“Supervisor”	An <i>individual</i> given responsibility and authority by the <i>Dealer Member</i> , and approved by the <i>Corporation</i> , to manage the activities of the <i>Dealer Member’s</i> other <i>employees</i> and Approved Persons to ensure they comply with the <i>Corporation requirements</i> and <i>securities legislation</i> in conducting their and the <i>Dealer Member’s securities-related activities</i> .

Repealed current rule	Proposed plain language rule			
New		<table border="1"> <tr> <td data-bbox="630 241 857 382">"Trader"</td> <td data-bbox="857 241 1474 382">An <i>individual</i>, approved by the <i>Corporation</i> as a <i>Trader</i>, whose activity is restricted to trading through a Marketplace Member's trading system who may not advise the public.</td> </tr> </table>	"Trader"	An <i>individual</i> , approved by the <i>Corporation</i> as a <i>Trader</i> , whose activity is restricted to trading through a Marketplace Member's trading system who may not advise the public.
"Trader"	An <i>individual</i> , approved by the <i>Corporation</i> as a <i>Trader</i> , whose activity is restricted to trading through a Marketplace Member's trading system who may not advise the public.			
New		<table border="1"> <tr> <td data-bbox="630 382 857 493">"Ultimate Designated Person" or "UDP"</td> <td data-bbox="857 382 1474 493">An <i>individual</i> approved by the <i>Corporation</i> as the <i>Ultimate Designated Person</i></td> </tr> </table>	"Ultimate Designated Person" or "UDP"	An <i>individual</i> approved by the <i>Corporation</i> as the <i>Ultimate Designated Person</i>
"Ultimate Designated Person" or "UDP"	An <i>individual</i> approved by the <i>Corporation</i> as the <i>Ultimate Designated Person</i>			
New	1202. – 1299. – Reserved.			

Repealed current rule	Proposed plain language rule
New	<b>RULE 1300 POWERS OF THE CORPORATION</b>
New	<b>1301. Introduction</b> (1) This Rule describes the powers of IIROC to provide exemptions from the <i>Corporation requirements</i> .
Rule 17.15	<b>1302. Exemptions from Corporation requirements</b> (1) The <i>Board</i> may exempt a <i>Dealer Member</i> from any <i>Corporation requirement</i> if it is satisfied that doing so is not prejudicial to the interests of the public, <i>Dealer Members</i> , or their clients. In granting an exemption, the <i>Board</i> may impose any terms or conditions that it considers necessary.
New	<b>1303. – 1399. – Reserved.</b>



Repealed current rule	Proposed plain language rule
	<p style="text-align: center;"><b>RULE 1400 STANDARDS OF CONDUCT</b></p> <p><b>1401. Introduction</b> [The proposed provision will be issued for CSA and public comments as part of a separate project known as the Consolidated Enforcement Rules.]</p> <p><b>1402. Standards of conduct</b> [The proposed provision will be issued for CSA and public comments as part of a separate project known as the Consolidated Enforcement Rules.]</p> <p><b>1403. Applicability</b> [The proposed provision will be issued for CSA and public comments as part of a separate project known as the Consolidated Enforcement Rules.]</p> <p><b>1404. Policies and Procedures</b></p> <p>(1) If a <i>Corporation requirement</i> mandates a <i>Dealer Member</i> to establish policies and procedures, those policies and procedures must be sufficient to meet the objectives of the <i>Corporation requirement</i>. A <i>Dealer Member</i> may establish more stringent policies and procedures than those needed to meet such objectives.</p> <p>(2) Guidelines and best practices set out in a Guidance Note are generally intended to present acceptable methods that can be used to comply with specific <i>Corporation requirements</i>. Unless otherwise indicated, <i>Dealer Members</i> may use alternate methods, provided that those methods demonstrably achieve the overall objective of the <i>Corporation requirements</i>.</p> <p>(3) The <i>Corporation</i> may require a <i>Dealer Member</i> to adopt additional or different policies and procedures if the <i>Corporation</i> considers the <i>Dealer Member's</i> existing policies and procedures are insufficient.</p> <p><b>1405. Evidence of compliance with the Corporation requirements</b></p> <p>(1) A <i>Dealer Member</i> must establish reasonable compliance procedures for monitoring compliance with <i>Corporation requirements</i> and <i>securities legislation</i>. Compliance monitoring systems must be designed to prevent and detect violations and include procedures for reporting the results of compliance monitoring to management.</p> <p>(2) A <i>Dealer Member</i> must keep all <i>records</i> and evidence of its compliance with <i>Corporation requirements</i> that it produces, including supervisory reviews, reports and queries on compliance.</p> <p>(3) The <i>Corporation</i> may require a <i>Dealer Member</i> to provide it with evidence, satisfactory to the <i>Corporation</i>, of the <i>Member's</i> compliance with a <i>Corporation requirement</i>.</p> <p><b>1406. – 1499. – Reserved.</b></p>
New	
New	
New	
New	
Rules 38.1(a), 2500 VI.B and 2700 II.E	
New	
New	
New	

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA  
PROPOSED RULES 1100 THROUGH 1400 – INTERPRETATION AND STANDARDS**

Text of the relevant provisions within Corporation General By-law No.1, Article 1 and Dealer Member Rules 1; 16.5; 16.6; 17.15;; 35.1; 39, Appendix A; 800.3; 1300.3; 1800.1; 1800.8; 1900.1; 2600, Internal Control Policy Statement 1, General Matters; 2600, Internal Control Policy Statement 8, Derivative Risk Management; 2900, Part 1, Definitions; and 3100, Definitions

**GENERAL BY-LAW NO.1  
ARTICLE 1  
INTERPRETATION**

**Section 1.1 Definitions**

In this By-law, unless the context otherwise specifies or requires:

.

“Associate”, where used to indicate a relationship with any person, means:

- (a) any corporation of which such person beneficially owns, directly or indirectly, voting securities carrying more than ten percent (10%) of the voting rights attached to all voting securities of the corporation for the time being outstanding;
- (b) a partner of that person;
- (c) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity;
- (d) any relative of that person who resides in the same home as that person;
- (e) any person who resides in the same home as the person and to whom that person is married or with whom that person is living in a conjugal relationship outside of marriage; or
- (f) any relative of a person mentioned in clause (e) above, who has the same home as that person.

.

“Board” means the Board of Directors of the Corporation.

“CDS” means Canadian Depository for Securities Limited.

.

“CIPF” means the Canadian Investor Protection Fund.

“Corporation” means Investment Industry Regulatory Organization of Canada / Organisme Canadien de Réglementation du Commerce des Valeurs Mobilières.

.

“Dealer Member” means a Member that is an investment dealer in accordance with securities legislation.

.

“District” means a geographic area in Canada designated as a district of the Corporation by the Board, from time to time.

“District Council” means each of those Councils created in accordance with Article 10.

.

.

**DEALER MEMBER RULES**  
**RULE 1**  
**INTERPRETATION AND EFFECT**

1.1. In these Rules unless the context otherwise requires, the expression:

“Affiliate” or “Affiliated Corporation” means in respect of two corporations, either corporation if one of them is the subsidiary of the other or if both are subsidiaries of the same corporation or if each of them is controlled by the same person;

“Approved Lender” means a chartered bank, an acceptable counterparty or acceptable institution as defined in Form 1, an industry investor, a Dealer Member or any other lender so designated by the Board;

“Approved Person” means, in respect of a Dealer Member, an individual who is a partner, Director, Officer, employee or agent of a Dealer Member who is approved by the Corporation or another Canadian Self Regulatory Organization to perform any function required under any Rule;

“Applicable” in relation to a District Council means the District Council for the District:

- (1) In which the applicant for Membership or the Dealer Member has its principal office and, in the case of a holding company of a Dealer Member corporation, in which the Dealer Member corporation has its principal office;
- (2) In which the business location will be located or in which the applicant for approval as a Supervisor resides;
- (3) In which the applicant for approval as a new Executive of a Dealer Member or investor resides provided that if such Executive or investor has changed his or her place of residence to another District within 3 months prior to the change for which approval is being sought then the applicable District Council shall be the District Council for the District where the applicant formerly resided;
- (4) In which the applicant for approval as a Registered Representative or Investment Representative resides;
- (5) In which the applicant for approval as a futures contract principal, futures contract options principal or a person who deals with customers with respect to futures contracts or futures contract options resides;
- (6) In which the applicant for approval as a portfolio manager, securities option portfolio manager, futures contract options portfolio manager or futures contracts portfolio manager resides;
- (7) In which the respondent, if an individual, in a disciplinary action pursuant to Rule 20 was approved at the time the activities which are the subject of the disciplinary action primarily occurred, provided that,
  - (a) If the individual was approved in more than one District at the relevant time, and the matter which is the subject of the disciplinary action involves a client in a District where the respondent was approved other than that in which the respondent resides, in which such client resided at the time such activities occurred; or
  - (b) If the applicable District Council cannot otherwise be determined, in which the respondent resided at the relevant time; or
- (8) In which the activities which are the subject of a disciplinary action against a respondent Dealer Member pursuant to Rule 20 primarily occurred, or, if such activities are not referable to any specific District, in which the principal office of the respondent Dealer Member is located, provided that, if a disciplinary action involves both an individual and a Dealer Member, the District Council having jurisdiction pursuant to clause (7) herein;

“Beneficial Ownership” in respect of any securities includes ownership by:

- (i) A person other than a corporation, of securities beneficially owned by a corporation controlled by him or her or by an affiliate of such corporation; and
- (ii) A corporation of securities beneficially owned by its affiliates;

“Board” means the board of directors of the Corporation;

“Business Location” means a physical location at which any employee or agent of a Dealer Member conducts on a regular and ongoing basis business requiring approval of the Corporation or registration under Provincial securities legislation;

“Callable Debt Security” means a security described in Rule 100.2A(a), which allows the issuer to redeem the security at a fixed price (the call price), subject to the call protection period;

“Call Protection Period” means the period of time during which the issuer cannot redeem a callable debt security;

“Chartered Bank” means a bank incorporated under the Bank Act (Canada);

“Control” or “Controlled”, in respect of a corporation by another person or by two or more corporations, means the circumstances where:

- (i) Voting securities of the first-mentioned corporation carrying more than 50% of the votes for the election of directors are held, other than by way of security only, by or for the benefit of the other person or by or for the benefit of the other corporations; and
- (ii) The votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of the first-mentioned corporation,

And where the applicable District Council in respect of a particular Dealer Member or its holding company orders that a person shall, or shall not, be deemed to be controlled by another person, then such order shall be determinative of their relationships in the application of the Rules and Rulings with respect to that Dealer Member or holding company;

“Dealer Member Corporation” means an incorporated Dealer Member;

“Debt” means an investment which provides the holder with a legal right, in specified circumstances, to demand payment of the amount owing and includes a debtor-creditor relationship whether or not represented by a written instrument or security;

“Designated Supervisor” means a Supervisor designated by a Dealer Member as having responsibility to fulfill a supervisory role defined in a Rule, including but not limited to:

- (1) the Supervisor designated to be responsible for the opening of new accounts and the supervision of account activity under Rule 1300.2
- (2) the Supervisor designated to be responsible for the supervision of discretionary accounts under Rule 1300.4
- (3) the Supervisor designated to be responsible for the supervision of managed accounts under Rule 1300.15
- (4) the Supervisor designated to be responsible for the supervision of options accounts under Rule 1800.2(a)
- (5) the Supervisor designated to be responsible for the supervision of futures contract accounts under Rule 1900.2
- (6) the Supervisor or Supervisors designated to pre-approve advertising, sales literature and correspondence, including research reports, under Rule 29.7(3) and Rule 3400, Guideline 7;

“Director” means a member of the board of directors of, as the context dictates, a Dealer Member or the Corporation or a person performing a similar function in a Dealer Member that is not a corporation;

“Equity Investment” means an investment the holder of which has no legal right to demand payment until the issuing corporation or its board of directors has passed a resolution declaring a dividend or other distribution, or winding-up of the issuing corporation;

“Executive” means a partner, Director or Officer of a Dealer Member who is involved in the senior management of the Dealer Member, including anyone fulfilling the role of chair or a vice-chair of the board of directors, chief executive officer, president, chief administrative officer, chief financial officer, chief compliance officer, member of an executive management committee, any person in a managerial position who has significant authority over daily operations, or any position designated by a Dealer Member as being an Executive position;

“Extendible Debt Security” means a security described in Rule 100.2A(b), which allows the holder, during a fixed time period, to extend the maturity date of the security to the extension maturity date, and to change the principal amount of the security to a fixed percentage (the extension factor) of the original principal amount;

“Extension Election Period” means the period of time during which the holder may elect to extend the maturity date and change the principal amount of, an extendible debt security;

“Extension Factor” means, if any, the fixed percentage that should be used to change the original principal amount of the extendible debt security when the maturity date is deemed to be equal to the extension maturity date;

“Fully Participating Security” means a participating security other than a limited participation security;

“Guaranteeing” includes becoming liable for, providing security for or entering into an agreement (contingent or otherwise) having the effect or result of so becoming liable for or providing security for a person, including an agreement to purchase an investment, property or services, to supply funds, property or services or to make an investment primarily for the purpose of directly or indirectly enabling such person to perform its obligations in respect of such security or investment or assuring the investor of such performance;

“Holding Company” means, in respect of any corporation, any other corporation which owns more than 50 per cent of each class or series of voting securities and more than 50 per cent of each class or series of participating securities of the corporation or of any other corporation which is a holding company of the corporation, but an industry investor shall not be considered to be a holding company by reason of the ownership of securities in its capacity as an industry investor and the applicable District Council in its discretion may deem any person (including but not limited to a corporation) to be or not to be a holding company for the purposes of the Rules;

“Individual” means a natural person, other than an individual who is a Dealer Member;

“Industry Investor” means, in respect of any Dealer Member or holding company of a Dealer Member corporation, any of the following who owns a beneficial interest in an investment in the Dealer Member or holding company:

- (i) The Dealer Member's full-time Officers and employees or the full-time officers and employees of a related company or affiliate of the Dealer Member which carries on securities related activities;
- (ii) Spouses of individuals referred to in clause (i);
- (iii) An investment corporation, if:
  - (a) A majority of each class of the voting securities of the investment corporation is held by individuals referred to in clause (i); and
  - (b) All interests in all other equity securities of the investment corporation are beneficially owned by individuals referred to in clause (i) or (ii) or their children or by industry investors with respect to the particular Dealer Member or holding company;
- (iv) A family trust established and maintained for the benefit of individuals referred to in clause (i) or (ii) or their children, if
  - (a) Full direction and control of the trust, including, without limitation, its investment portfolio and the exercise of voting and other rights attaching to instruments and securities contained in the investment portfolio, are maintained by individuals referred to in clause (i) or (ii); and
  - (b) All beneficiaries of the trust are individuals referred to in clause (i) or (ii) or their children or industry investors with respect to the particular Dealer Member or holding company of a Dealer Member corporation;
- (v) A registered retirement savings plan established under the *Income Tax Act (Canada)* by an individual referred to in clause (i) or (ii) if control over the investment policy of the registered retirement savings plan is held by that individual and if no other person has any beneficial interest in the registered retirement savings plan;
- (vi) A pension fund established by a Dealer Member for its Officers and employees if the pension fund is organized so that full power of its investment portfolio and the exercise of voting and other rights attaching to instruments and securities contained in the investment portfolio is held by individuals referred to in clause (i);
- (vii) The estate of an individual referred to in clause (i) or (ii) for a period of one year after the death of such individual or such longer period as may be permitted by the applicable District Council;

- (viii) Any investor referred to in clause (i), (ii), (iii), (iv) or (v) for a period of 90 days or such longer period as the Corporation may permit after the individual who, in the case of clause (i), is the investor or, in the case of such other clauses, is the person through whom the industry investor qualifies as such, is no longer in the employment of the Dealer Member, related company or affiliate, as the case may be, in respect of which he or she has been approved;

But any of the foregoing is an industry investor only if an approval for purposes of this definition has been given, and not withdrawn, by the board of directors of such Dealer Member or holding company, as the case may be, and by the applicable District Council;

“Institutional Customer” means:

- (1) An Acceptable Counterparty (as defined in Form 1);
- (2) An Acceptable Institution (as defined in Form 1);
- (3) A Regulated Entity (as defined in Form 1);
- (4) A Registrant (other than an individual registrant) under securities legislation; or
- (5) A non-individual with total securities under administration or management exceeding \$10 million;

“Investment” in any person means any security or debt obligation issued, assumed or guaranteed by such person, any loan to such person, and any right to share or participate in the assets, profit or income of such person;

“Investment Representative” means any person who trades but does not advise on trades in securities, options, futures contracts or futures contract options with the public in Canada, other than a person who trades exclusively in securities of or guaranteed by the government of Canada or any province of Canada or any municipality in Canada, and shall include an investment representative (mutual funds) approved pursuant to Rule 18.7;

“Investor” means any person who has an interest in an investment;

“Junior Subordinated Debt” means subordinated debt, which is subordinated to other subordinated debt;

“Limited Participation Security” means indebtedness or a preferred share that

- (i) Carries interest or dividends at a fixed rate, and, if dividends, cumulative and payable in priority to any dividends to the holders of common shares;
- (ii) If indebtedness, is repayable at any time and, if a preferred share, is redeemable at any time, in either case at a price that may include a premium if the premium is not based on earnings or retained earnings;
- (iii) Is limited in its participation in earnings to an amount not exceeding annually one-half of the annual fixed interest or dividend rate, although such participation may be cumulative; and
- (iv) Is subject to subordination or equivalent arrangements such that the return to the holders thereof on a bankruptcy would not be adversely affected by section 110 of the Bankruptcy Act (Canada) or equivalent legislation,

And which is approved as a limited participation security by the applicable District Council;

“Membership” means membership in the Corporation as a Dealer Member;

“Non-participating Security” means a security with a claim limited to interest or dividends at a fixed rate;

“Non-subordinated Debt” means debt, which is not subordinated debt;

“Officer” means the chair and vice-chair of the board of directors, president, vice-president, chief executive officer, chief financial officer, chief operating officer, secretary, any other person designated an officer of a Dealer Member by law or similar authority, or any person acting in a similar capacity on behalf of a Dealer Member;

“Ordinary Course Indebtedness” means all debt other than debt which is a restrictive or participating security or subordinated debt;

“Ownership Interest” means all direct or indirect ownership of the participating securities;

“Parent” (where used to indicate a relationship with another corporation) means a corporation that has the other corporation as a subsidiary;

“Participating Security” means a security which entitles the holder thereof to participation, limited or unlimited, in the earnings or profits of the issuer, either alone or in addition to a claim for interest or dividends at a fixed rate, and includes, except where the reference is to “outstanding” participating securities, a security which entitles the holder thereof, on conversion, exchange, the exercise of rights under a warrant, or otherwise, to acquire a participating security;

“Person” means an individual, a partnership, or corporation, a government or any department or agency thereof, a trustee, any unincorporated organization and the heirs, executors, administrators or other legal representatives of an individual;

“Predecessor Organization” means the Investment Dealers Association of Canada;

“Public Ownership of Securities” means the ownership of securities (other than ordinary course indebtedness) by any person other than an industry investor, except that ownership by approved lenders of securities of a Dealer Member or a holding company does not, of itself, constitute public ownership of securities;

“Qualified Independent Underwriter” means, in respect of the distribution of securities of a Dealer Member corporation or a holding company of a Dealer Member corporation, a securities firm which is a member of a self-regulatory organization, and:

- (i) Has engaged in the securities business for at least five years immediately preceding the filing of the prospectus or other equivalent document;
- (ii) As of the date the distribution commences:
  - (a) If a corporation, the majority of the members of its board of directors
  - (b) If a partnership, the majority of its general partners

Has engaged in the securities business for the five-year period immediately preceding that date;

- (iii) Has engaged in the underwriting of public offerings of securities for the five-year period immediately preceding the date the distribution commences; and
- (iv) Is not an associate or affiliate of the corporation whose securities it is underwriting;

“Recognized Stock Exchange” means any stock exchange designated by the Board for the purposes of any one or more of these Rules;

“Registered Representative” means any person who trades or advises on trades in securities, options, futures contracts, or futures contract options with the public in Canada other than a person who trades or advises on trades exclusively in securities of or guaranteed by the government of Canada or any province of Canada or any municipality in Canada, and shall include a registered representative (mutual funds) approved pursuant to Rule 18.7 and a registered representative (non-retail) approved pursuant to Rule 18.8;

“Related Company” means a sole proprietorship, partnership or corporation which:

- (i) Is related to a Dealer Member in that either of them, or its partners in, and directors, officers, shareholders and employees of, it, individually or collectively, have at least a 20% ownership interest in the other of them, including an interest as a partner or shareholder, directly or indirectly, and whether or not through holding companies;
- (ii) Is a securities dealer or adviser in Canada; and
- (iii) Is a member of a participating institution of the Canadian Investor Protection Fund;

Provided that the Board may, from time to time, include in, or exclude from this definition any sole proprietorship, partnership or corporation, and change those included or excluded;

“Restrictive Security” means a security of a Dealer Member or a holding company of a Dealer Member corporation which, in the opinion of the applicable District Council, entitles the holder thereof to rights which give it a more extensive or substantial degree of influence on the Dealer Member or holding company of the operations thereof than is usual for a holder of the same amount of securities of the same type;

“Retail Customer” means a customer of a Dealer Member that is not an institutional customer;

“Retractable Debt Security” means a security described in Rule 100.2A(c), which allows the holder of the security, during a fixed time period to retract the maturity date of the security to the retraction maturity date, and to change the principal amount of the security to a fixed percentage (the retraction factor), of the original principal amount;

“Retraction Election Period” means the period of time during which the holder may elect to retract the maturity date, and change the principal amount of, a retractable debt security;

“Retraction Factor” means, if any, the fixed percentage that should be used to change the original principal amount of the retractable debt security when the maturity date is deemed to be equal to the retraction maturity date;

“Rules” means these Rules and any Rules made pursuant to the By-laws of the Corporation;

“Secretary” means the Secretary of the Corporation;

“Securities Commission” means in any jurisdiction, the commission, person or other authority authorized to administer any legislation in force relating to the offering and/or sale of securities or commodity futures to the public and/or to the registration or licensing of persons engaged in trading securities or commodity futures;

“Securities Dealer” means an individual, firm or corporation acting as dealer (principal) or broker (agent) in carrying out transactions in securities and commodity futures contracts or options on behalf of clients and includes, without limitation, acting as an underwriter or adviser;

“Securities Held for Safekeeping,” means those securities held by a Dealer Member for a client pursuant to a written safekeeping agreement. These securities must be free from any encumbrance, be kept apart from all other securities and be identified as being held in safekeeping for a client in a Dealer Member’s security position record, customer’s ledger and statement of account. Securities so held can only be released pursuant to an instruction from the client and not solely because the client has become indebted to the Dealer Member;

“Securities Related Activities” means acting as a securities dealer and carrying on any business which is incidental to or a necessary part of such activities provided that the Board may, from time to time, include in, or exclude from this definition any activities and change those included or excluded;

“Segregated Securities” means those clients’ securities which are unencumbered and which have either been fully paid for or are excess margin securities. Segregated securities must be distinguished as being held in trust for the client owning the same. These securities must be described as being held in segregation on the Dealer Member’s security position record (or related records), customer’s ledger and statement of account. Whenever a client becomes indebted to a Dealer Member, the Dealer Member has the right to use, by sale or loan, previously segregated securities to the extent reasonably necessary to cover the indebtedness;

“Self-Regulatory Organization” means any of the Corporation, The TSX Venture Exchange, the Montreal Exchange and The Toronto Stock Exchange;

“Subordinated Debt” means any debt the terms of which specify that its holder will not be entitled to receive payment if any payment to any holder of a senior class of debt is in default;

“Subsidiary”, in respect of a corporation and another corporation, means the first mentioned corporation if:

- (i) It is controlled by:
  - (a) That other; or
  - (b) That other and one or more corporations each of which is controlled by that other; or
  - (c) Two or more corporations each of which is controlled by that other; or
- (ii) It is a subsidiary of a corporation that is that other’s subsidiary;



“Supervisor” means a person to whom a Dealer Member has given responsibility and authority and who is approved by the Corporation to manage the activities of other partners, Directors, Officers, employees or agents of the Dealer Member so as to ensure their compliance with laws and regulations governing their and the Dealer Member’s securities-related activities;

“Voting Securities” of a Dealer Member or holding company of a Dealer Member corporation means all securities of the Dealer Member or holding company outstanding from time to time that carry the right to vote for the election of directors, and includes:

- (i) Except where the reference is to “outstanding” voting securities, those securities which entitle the holders thereof, on conversion, exchange, the exercise of rights under a warrant, or otherwise, to acquire voting securities; and
- (ii) Preference shares which carry the right to vote for the election of directors only upon the occurrence of a specific event if such specific event has occurred.

- 1.2 Words importing the singular include the plural and vice versa and words importing any gender include any other gender.
- 1.3 Where the context indicates, references to a Dealer Member include the partners, Directors, Officers, employees and agents of the Dealer Member.
- 1.4 In the event of any dispute as to the intent or meaning of the By-laws or Rules or Rulings or Forms, the interpretation of the Board, subject to the provisions of Rule 33, shall be final and conclusive.
- 1.5 The enactment of these Rules shall be without prejudice to any right, obligation or action acquired, incurred or taken under the By-laws of the Corporation and its Predecessor Organization as heretofore in effect or under the Rules, Rulings or Forms passed pursuant thereto, and any proceedings taken under the By-laws as heretofore in effect or under such Rules, Rulings or Forms shall be taken up and continued under and in conformity with these By-laws and the Rules, Rulings and Forms as from time to time in effect.
- 1.6 Terms used in these Rules which are not defined herein shall have the same meanings as used or defined in General By-law No. 1 and the Hearing Committees and Hearing Panel Rule.

**RULE 16  
DEALER MEMBERS' AUDITORS AND FINANCIAL REPORTING**

- 16.5. The Dealer Member's Auditor shall conduct his or her examination of the accounts of the Dealer Member in accordance with generally accepted auditing standards and the scope of his or her procedures shall be sufficiently extensive to permit him or her to express an opinion on the Dealer Member's financial statements in the form prescribed in subsection 16.2(iii). Without limiting the generality of the foregoing, the scope of the examination shall, where applicable, include at least the procedures set out in Rule 300.
- 16.6. Every Dealer Member's Auditor for the purpose of any such examination shall be entitled to free access to all books of account, securities, cash, documents, bank accounts, vouchers, correspondence and records of every description of the Dealer Member being examined, and no Dealer Member shall withhold, destroy or conceal any information, document or thing reasonably required by the Dealer Member's Auditor for the purpose of his examination.

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

- 17.15. The Board of Directors may exempt a Dealer Member from the requirements of any provision of the Rules where it is satisfied that to do so would not be prejudicial to the interests of the Dealer Members, their clients or the public and in granting such exemption the Board of Directors may impose such terms and conditions as are considered necessary.

**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;

**RULE 39  
PRINCIPAL AND AGENT**

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

**1. Definitions**

- (a) "Agent" means [•].
- (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.

**RULE 800  
TRADING AND DELIVERY**

- 800.3. Clearing days are defined as being all business days, except Saturdays and statutory or other legal holidays.

**RULE 1300  
SUPERVISION OF ACCOUNTS**

**Discretionary and Managed Accounts**

- 1300.3. In this Rule 1300 unless the context otherwise requires, the expression:

"discretionary account" means an account of a customer other than a managed account in respect of which a Dealer Member or any person acting on behalf of the Dealer Member exercises any discretionary authority in trading by or for such account, provided that an account shall not be considered to be a discretionary account for the sole reason that discretion is exercised as to the price at which or time when an order given by a customer for the purchase or sale of a definite amount of a specified security, option, futures contract or futures contract option shall be executed;

"futures contracts managed account" means a managed account which includes only investments in commodity futures contracts or commodity futures contract options;

“Investment” includes a commodity futures contract and a commodity futures contract option;

“managed account” means any account solicited by a Dealer Member in which the investment decisions are made on a continuing basis by the Dealer Member or by a third party hired by the Dealer Member;”

“portfolio manager” means a Registered Representative exercising discretionary authority over a managed account;

“Responsible person” means a partner, Director, Officer, employee or agent of a Dealer Member who:

- (a) exercises discretionary authority over the account of a client or approves discretionary orders for an account when exercising such discretion or giving such approval pursuant to Rule 1300.4, or
- (b) participates in the formulation of, or has prior access information regarding investment decisions made on behalf of or advice given to a managed account

but does not include a sub-adviser under Rule 1300.7(a)(ii);

**RULE 1800  
COMMODITY FUTURES CONTRACTS AND OPTIONS**

1800.1. For the purpose of this Rule 1800, unless the subject matter or context otherwise requires, the expression:

“Clearing Corporation” or “Clearing House” means an association or organization, whether incorporated or unincorporated, or part of a commodity futures exchange through which trades in contracts entered into on such exchange are cleared;

“Commodity” means, anything which (i) is defined or designated as a commodity in or pursuant to the Commodity Futures Act (Ontario) or similar legislation in any province of Canada not inconsistent therewith, or (ii) is the subject of a futures contract;

“Commodity Futures Exchange” means an association or organization whether incorporated or unincorporated, operated for the purpose of providing the physical facilities necessary for the trading of contracts by open auction;

“Contract” means any futures contract and any futures contract option;

“Futures Contract” means a contract to make or take delivery of a specified quantity and quality, grade or size of a commodity during a designated future month at a price agreed upon when the contract is entered into on a commodity futures exchange pursuant to standardized terms and conditions set forth in such exchange's by-laws, rules or regulations;

“Futures Contract Option” means a right, acquired for a consideration, to assume a long or short position in relation to a futures contract at a specified price and within a specified period of time and any other option of which the subject is a futures contract;

“Omnibus Account” means an account carried by or for a Dealer Member in which the transactions of two or more persons are combined and effected in the name of a Dealer Member without disclosure of the identity of such persons.

1800.8. A Registered Representative or Investment Representative must identify all non-customer orders entered for the purchase or sale of futures contracts or futures contract options. A “non-customer” order is an order for an account in which the Dealer Member or any Approved Person of the Dealer Member has a direct or indirect interest other than an interest in the commission charged.

**RULE 1900  
OPTIONS**

1900.1. For the purposes of this Rule 1900, unless the subject matter or content otherwise requires:

“Option” means a call option or put option issued by the Canadian Derivatives Clearing Corporation, The Options Clearing Corporation or any other corporation or organization recognized by the Board for the purposes of this Rule but does not include a futures contract or futures contract option as defined in Rule 1800.1.

**RULE 2300  
ACCOUNT TRANSFERS**

2300.1. Definitions. In this Rule 2300 the expression:

“CDS” means The Canadian Depository for Securities Limited / La Caisse Canadienne de Dépôt de Valeurs Limitée;

“Recognized Depository” means a clearing corporation or depository which has been recognized by the Board of Directors pursuant to Rule 2000.

**RULE 2600  
INTERNAL CONTROL POLICY STATEMENTS**

**INTERNAL CONTROL POLICY STATEMENT 1**

**GENERAL MATTERS**

Internal control is defined as follows:

“Internal control consists of the policies and procedures established and maintained by management to assist in achieving its objective of ensuring, as far as practical, the orderly and efficient conduct of the entity’s business. The responsibility for ensuring adequate internal control is part of management’s overall responsibility for the day-to-day activities of the entity”. (CICA Handbook, 5200.03)

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA  
INTERNAL CONTROL POLICY STATEMENT 8  
DERIVATIVE RISK MANAGEMENT**

Derivatives are financial instruments whose values are derived from, and reflect changes in, the prices of the underlying products. They are designed to facilitate the transfer and isolation of risk and may be used for both risk transference and investment purposes. This policy statement includes all types of derivatives i.e. exchange traded and over-the-counter derivatives.

**RULE 2900  
PROFICIENCY AND EDUCATION:**

**PART I – PROFICIENCY 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.

.  
.

**RULE 3100  
REPORTING AND RECORDKEEPING REQUIREMENTS**

.  
.

**Definitions**

For the purposes of this Rule:

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

.  
.

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

.  
.

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

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**  
**PROPOSED RULE 1100- INTERPRETATION**  
**PROPOSED RULE 1200- DEFINITIONS**  
**PROPOSED RULE 1300- POWERS OF THE CORPORATION**  
**PROPOSED RULE 1400- STANDARDS OF CONDUCT**  
**TABLE OF CONCORDANCE**

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 1100	R. 1101. Introduction	(1)	[New – Non substantive – Introduction section]
Rule 01; Interpretation and effect	1.2		Rule 1100	R. 1102. General Interpretation	(1)	
New Provision			Rule 1100	R. 1102. General interpretation	(2)	[New – Non substantive – The times discussed within the current rulebook are already interpreted to refer to Eastern Standard time. This concept is particularly discussed in current Dealer Member Rule 3000]
Rule 01; Interpretation and effect	1.3		Rule 1100	R. 1102. General interpretation	(3)(i)	
New Provision			Rule 1100	R. 1102. General interpretation	(3)(ii)	[New – Non substantive as entities other than a corporation may be a Dealer Member and therefore, it is presumed that such non-corporation entities would have a different type of governing body]
New Provision			Rule 1100	R. 1102. General interpretation	(3)(iii)	[New – Non substantive as various rules and definitions set out the applicability of the rule to a corporation type of entity, this provision clarifies that if the context is appropriate, the rule may also apply to other types of entities]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 01; Interpretation and effect	1.1	Applicable	Rule 1100	R. 1102. General interpretation	(3)(iv)	[Amended – Non substantive as this concept is currently implied through the rules. The explanation set out in paragraph 1102(3)(iii) is simplified in relation to the definition of applicable set out in the current Rule 1.1 definition of applicable]
New Provision			Rule 1100	R. 1102. General Interpretation	(3)(v)	[New – Non substantive This concept is implied through the current Dealer Member Rules]
Rule 01; Interpretation and effect	1.6		Rule 1100	R. 1102 General interpretation	(4)	
Rule 01; Interpretation and effect	1.4		Rule 1100	R. 1102 General interpretation	(5)	
New Provision			Rule 1100	R. 1103. Delegation by a Dealer Member	(1)	[New – Substantive – To clarify that if a Corporation requirement requires a person at a <i>Dealer Member</i> to perform a function, the task may be delegated but not the responsibility. This concept already exists within Current Dealer Member Rule 38 .4(b) with respect to <i>Supervisors</i> .]
New Provision			Rule 1100	R. 1104. Electronic signature	(1)	[New – Substantive – Codified current expectation that an electronic or digital signature may be used where a signature is required. Currently explained in IDA Member Regulation Notice MR0177]
New Provision			Rule 1100	R. 1105. – 1199. – Reserved		[New – Non-substantive – Reserved sections]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 01; Interpretation and effect	1.6		Rule 1200	R. 1201. Definitions	(1)	[Amended – Non substantive – Clarifies that all terms not used in subsection 1200(2) will have the same meaning as defined in relevant securities legislation]
New Provision			Rule 1200	R. 1201. Definitions “advisory account”	(2)	[New – Substantive – The definition introduced is new but the concept exists within rules. The definition is one based on proposed Client Relationship Model amendments]
Rule 3400; Research restrictions and disclosure requirements	Definitions		Rule 1200	R. 1201. Definitions “advisory capacity”	(2)	
Rule 01; Interpretation and effect	1.1	Affiliate	Rule 1200	R. 1201. Definitions “affiliate”	(2)	
New Provision			Rule 1200	R. 1201. Definitions “agent”	(2)	[New – Non substantive – Definition based on current requirements set out in existing Rule 39]
Rule 01; Interpretation and effect	1.1	Approved lender	Rule 1200	R. 1201. Definitions “approved lender”	(2)	
Rule 01; Interpretation and effect	1.1	Approved Person	Rule 1200	R. 1201. Definitions “approved person”	(2)	
General By-Law No. 1, Article 1; Interpretation	1.1	Associate	Rule 1200	R. 1201. Definitions “associate”	(2)	
Rule 01; Interpretation and effect	1.1	Beneficial Ownership	Rule 1200	R. 1201. Definitions “beneficial ownership”	(2)	
General By-Law No. 1, Article 1; Interpretation	1.1	Board	Rule 1200	R. 1201. Definitions “Board”	(2)	
Rule 01; Interpretation and effect	1.1	Board	Rule 1200	R. 1201. Definitions “Board”	(2)	



Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 3100; Reporting and Record keeping requirements	Definitions	Business days	Rule 1200	R. 1201. Definitions "business day"	(2)	
Rule 01; Interpretation and effect	1.1	Business Location	Rule 1200	R. 1201. Definitions "business location"	(2)	
Rule 35; Introducing Broker/Carrying Broker arrangements	35.1	(a)(i)	Rule 1200	R. 1201. Definitions "carrying broker"	(2)	
General By-Law No. 1, Article 1; Interpretation	1.1	CDS	Rule 1200	R. 1201. Definitions "CDS"	(2)	
Rule 2300; Account Transfers	2300.1	CDS	Rule 1200	R. 1201. Definitions "CDS"	(2)	
Rule 01; Interpretation and effect	1.1	Chartered Bank	Rule 1200	R. 1201. Definitions "chartered bank"	(2)	
New Provision			Rule 1200	R. 1201. Definitions "chief compliance officer" or "CCO"	(2)	[New – Non substantive – Reference to CCO already exists within the rules particularly current Dealer Member Rule 38]
New Provision			Rule 1200	R. 1201. Definitions "chief financial officer" or "CFO"	(2)	[New – Non substantive – Reference to CFO already exists within the rules particularly current Dealer Member Rule 38]
General By-Law No. 1, Article 1; Interpretation	1.1	CIPF	Rule 1200	R. 1201. Definitions "Canadian Investor Protection Fund" or "CIPF"	(2)	
Rule 800; Trading and delivery	800.3		Rule 1200	R. 1201. Definitions "clearing day"	(2)	
Rule 01; Interpretation and effect	1.1	Control or Controlled	Rule 1200	R. 1201. Definitions "control" or "controlled"	(2)	
General By-Law No. 1, Article 1; Interpretation	1.1	Corpora-tion	Rule 1200	R. 1201. Definitions "Corporation"	(2)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 1200	R. 1201. Definitions "Corporation requirements"	(2)	[New- Non substantive- definition used to reference to all rules, by-laws, instruments prescribed or adopted by the corporation]
General By-Law No. 1, Article 1; Interpretation	1.1	Dealer Member	Rule 1200	R. 1201. Definitions "Dealer Member"	(2)	
Rule 01; Interpretation and effect	1.1	Dealer Member Corpora-tion	Rule 1200	R. 1201. Definitions "Dealer Member corporation"	(2)	
Rule 16; Dealer Member's auditors and financial reporting	16.1		Rule 1200	R. 1201. Definitions "Dealer Member's auditor"	(2)	[Amended- Non substantive- The definition is provided based on current Rule 16.1 which explains that a panel of auditors is approved annually by the District Council and that each Dealer Member shall select is own auditor from the panel]
Rule 01; Interpretation and effect	1.1	Debt	Rule 1200	R. 1201. Definitions "debt", "debt investment" and "debt security"	(2)	
Rule 2600; Internal Control Policy Statements	Policy statement 8		Rule 1200	R. 1201. Definitions "derivative"	(2)	
Rule 01; Interpretation and effect	1.1	Designated Supervisor	Rule 1200	R. 1201. Definitions "designated supervisor"	(2)	
Rule 01; Interpretation and effect	1.1	Director	Rule 1200	R. 1201. Definitions "director"	(2)	
Rule 1300; Supervision of account	1300.3	Discre-tionary account	Rule 1200	R. 1201. Definitions "discretionary account"	(2)	
General By-Law No. 1, Article 1; Interpretation	1.1	District	Rule 1200	R. 1201. Definitions "District"	(2)	
General By-Law No. 1, Article 1; Interpretation	1.1	District Council	Rule 1200	R. 1201. Definitions "District Council"	(2)	
Rule 01; Interpretation and effect	1.1	Equity Investment	Rule 1200	R. 1200 Definitions "equity", "equity investment" and "equity security"	(2)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 1200	R. 1201. Definitions "employee"	(2)	[New – Substantive – Various references to employee exists within the current rules. Definition also based on the concept set out in the current Dealer Member Rules and as set out in Dealer Member Rule 39.3 with respect to an <i>agent</i> ]
Rule 01; Interpretation and effect	1.1	Executive	Rule 1200	R. 1201. Definitions "executive"	(2)	
Rule 1800; Commodity Futures Contract and options	1800.1	Futures contract	Rule 1200	R. 1201. Definitions "futures contract"	(2)	
Rule 1800; Commodity Futures Contract and options	1800.1	Futures contract option	Rule 1200	R. 1201. Definitions "futures contract option"	(2)	
Rule 1300; Supervision of accounts	1300.3	Futures contracts managed account	Rule 1200	R. 1201. Definitions "futures managed account"	(2)	
Rule 01; Interpretation and effect	1.1	Guaran-teeing	Rule 1200	R. 1201. Definitions "guarantee"	(2)	
Rule 01; Interpretation and effect	1.1	Holding company	Rule 1200	R. 1201. Definitions "holding company"	(2)	
Rule 01; Interpretation and effect	1.1	Individual	Rule 1200	R. 1201. Definitions "individual"	(2)	
Rule 01; Interpretation and effect	1.1	Institutional Customer	Rule 1200	R. 1201. Definitions "institutional client"	(2)	
Rule 2600; Internal control policy statements	Policy statement 1	Internal control	Rule 1200	R. 1201. Definitions "internal controls"	(2)	
Rule 35; Introducing Broker/Carrying Broker arrangements	35.1	(a)(ii)	Rule 1200	R. 1201. Definitions "introducing broker"	(2)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 1200	R. 1201. Definitions "investment dealer"	(2)	[New – Non substantive – Based on references in National Instrument 31-103 <i>Registration requirements and exemptions</i> , references to securities dealers will be changed to investment dealer throughout the rulebook]
Rule 01; Interpretation and effect	1.1	Investment representative	Rule 1200	R. 1201. Definitions "investment representative"	(2)	
New Provision			Rule 1200	R. 1201. Definitions "laws" or "applicable laws"	(2)	[New – Non substantive – The definition provided is consistent with the general meaning of laws and applicable laws]
Rule 1300; Supervision of accounts	1300.3	Managed account	Rule 1200	R. 1201. Definitions "managed account"	(2)	
Rule 01; Interpretation and effect	1.1	Membership	Rule 1200	R. 1201. Definitions "Membership"	(2)	
Rule 1800; Commodity Futures Contracts and Options	1800.8	Second sentence reference to non-customer	Rule 1200	R. 1201. Definitions "non-client orders"	(2)	
Rule 01; Interpretation and effect	1.1	Officer	Rule 1200	R. 1201. Definitions "officer"	(2)	
Rule 1900; Options	1900.1	Option	Rule 1200	R. 1201. Definitions "option"	(2)	
Rule 3200; Minimum requirements for <i>Dealer Members</i> seeking approval under 1300.01(T) for suitability relief for trades not recommended by the member	Introduction		Rule 1200	R. 1201. Definitions "order execution only service"	(2)	
Rule 01; Interpretation and effect	1.1	Person	Rule 1200	R. 1201. Definitions "person"	(1)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 1300; Supervision of accounts	1300.3		Rule 1200	R. 1201. Definitions "portfolio manager"	(2)	[Amended – Non substantive – The term, although not fully defined, is used throughout the current rules particularly in Rules 1300 and 2900.]
Rule 2300	2300.1	Definitions	Rule 1200	R. 1201. Definitions "recognized depository"	(2)	
Rule 01; Interpretation and effect	1.1	Recognized stock exchange	Rule 1200	R. 1201. Definitions "recognized exchange" or "recognized association"	(2)	[New – Non substantive – Based on concept already existing in Form 1]
Rule 2900; Principal and Agent		Recognized Foreign Self-regulatory Organization	Rule 1200	R. 1201. Definitions "recognized foreign Self-Regulatory Organization"	(2)	
Rule 39; Principal and Agent	Appendix A		Rule 1200	R. 1201. Definitions "records"	(2)	
Rule 01; Interpretation and effect	1.1	Registered Representative	Rule 1200	R. 1201. Definitions "registered representative" or "RR"	(2)	
Rule 01: Interpretation and effect	1.1	Related company	Rule 1200	R. 1201. Definitions "related company"	(2)	
New Provision			Rule 1200	R. 1201. Definitions "related issuer"	(2)	[New – Non substantive – Adoption of securities legislation term.]
Rule 01; Interpretation and effect	1.1	Retail Customer	Rule 1200	R. 1201. Definitions "retail client"	(2)	
New Provision			Rule 1200	R. 1201. Definitions "risk adjusted capital" or "RAC"	(2)	[New – Non substantive – This is based on concepts in current Dealer Member Rules particularly the calculation method provided in Form 1]
Rule 01; Interpretation and effect	1.1	Securities commission	Rule 1200	R. 1201. Definitions "securities commission"	(2)	
New Provision			Rule 1200	R. 1201. Definitions "securities legislation" or "applicable securities legislation"	(2)	[New – Non substantive – To codify existing understanding of these terms]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 01; Interpretation and effect	1.1	Securities related activities	Rule 1200	R. 1201. Definitions "securities related activities"	(2)	
Rule 01; Interpretation and effect	1.1	Segregated securities	Rule 1200	R. 1201. Definitions "segregated securities"	(2)	
New Provision			Rule 1200	R. 1201. Definitions "segregation"	(2)	<b>[New – Non substantive –</b> definition based on principles set out in current Rule 2000]
Rule 01; Interpretation and effect	1.1	Subordinated debt	Rule 1200	R. 1201. Definitions "subordinated debt"	(2)	
Rule 01; Interpretation and effect	1.1	Subsidiary	Rule 1200	R. 1201. Definitions "subsidiary"	(2)	
Rule 01; Interpretation and effect	1.1	Supervisor	Rule 1200	R. 1201. Definitions "supervisor"	(2)	
New Provision			Rule 1200	R. 1201. Definitions "trader"	(2)	<b>[New- Non substantive –</b> Definition is new. However, the concept already exists with the rules particularly Dealer Member Rule 2900]
New Provision			Rule 1200	R. 1201. Definitions "ultimate designated person" or "UDP"	(2)	<b>[New – Non substantive –</b> Definition is new. However, the concept already exists within the rules particularly Dealer Member Rules 38 and 2900]
Rule 01; Interpretation and effect	1.1	Fully Participating Security				<b>[Repealed – Non substantive-</b> The term is no longer used in the plain language rules]
Rule 01; Interpretation and effect	1.1	Investment				<b>[Repealed – Non substantive –</b> A specific definition of this term is unnecessary as the term is used in a general sense throughout the plain language rules]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 01; Interpretation and effect	1.1	Investor				[Repealed – Non substantive – The term customer is used throughout the plain language rules]
Rule 01; Interpretation and effect	1.1	Junior Subordinated debt				[Repealed – Non substantive – This term is no longer used in the plain language rules]
Rule 01; Interpretation and effect	1.1	Limited Participation Security				[Repealed – Non substantive – This term is no longer used in the plain language rules]
Rule 01; Interpretation and effect	1.1	Non-participating Security				[Repealed – Non substantive – This term is no longer used in the plain language rules]
Rule 01; Interpretation and effect	1.1	Non-subordinated Debt				[Repealed – Non substantive – This term is no longer used in the plain language rules]
Rule 01; Interpretation and effect	1.1	Ordinary Course Indebtedness				[Repealed – Non substantive – This term is no longer used in the plain language rules]
Rule 01; Interpretation and effect	1.1	Predecessor organization				[Repealed – Non substantive – This term is no longer used in the plain language rules]
Rule 01; Interpretation and effect	1.1	Restrictive Security				[Repealed – Non substantive – This term is no longer used in the plain language rules]
Rule 01; Interpretation and effect	1.1	Rules				[Repealed – Non substantive – A new definition of Corporation requirements has been added]
Rule 01; Interpretation and effect	1.1	Secretary				[Repealed – Non substantive – This term is no longer used in the plain language rules]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 01; Interpretation and effect	1.1	Securities Dealer				[Repealed – Non substantive – This term is no longer used in the plain language rules as the term “investment dealer” is now used]
Rule 01; Interpretation and effect	1.1	Self-Regulatory Organization				[Repealed – Non substantive – The term is no longer used in the plain language rules]
Rule 01; Interpretation and effect	1.1	Voting securities				[Repealed – Non substantive – This term is defined in securities legislation and it does not need to be defined in the IIROC rules as it has the same meaning based on the explanation provided in proposed subsection 1200(1)]
Rule 1300; Supervision of accounts	1300.3	Investment				[Repealed – Non substantive – A specific definition of this term is unnecessary as the term is used in a general sense throughout the plain language rules]
Rule 1300; Supervision of accounts	1300.3	Responsible Person				[Repealed – Non substantive – This term is no longer used in the plain language rules]
Rule 1800; Commodity Futures Contracts and Options	1800.1	Clearing Corporation or Clearing House				[Repealed – Non substantive – This term is no longer used as part the plain language rules]
Rule 1800; Commodity Futures Contracts and Options	1800.1	Commodity				[Repealed – Non substantive – Use of the term is generally understood and definition is not necessary]



Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 1800; Commodity Futures Contracts and Options	1800.1	Commodity futures exchange				[Repealed – Non substantive – Use of the term is generally understood and definition is not necessary]
Rule 1800; Commodity Futures Contracts and Options	1800.1	Contract				[Repealed – Non substantive – Definition is not necessary]
Rule 1800; Commodity Futures Contracts and Options	1800.1	Omnibus account				[Repealed – Non substantive – This term is no longer used in the plain language rules]
Rule 3100; Reporting and record keeping requirements	Definitions	Exchange contracts				[Repealed – Non substantive – Use of the term is generally understood and definition is not necessary]
Rule 3100; Reporting and record keeping requirements	Definitions	Registrant				[Repealed – Non substantive – The term “approved persons” is used throughout the rules]
New Provision			Rule 1200	R. 1202. – 1299. – Reserved		[New – Non-substantive – Reserved sections]
New Provision			Rule 1300	R. 1301. Introduction	(1)	[New – Non substantive – Introduction section]
Rule 17; Dealer Member minimum capital, Conduct of Business and insurance	17.15		Rule 1300	R. 1302. Exemptions from Corporation requirements	(1)	
New Provision			Rule 1300	R. 1303. – 1399. – Reserved		[New – Non-substantive – Reserved sections]
New Provision			Rule 1400	R. 1401. Introduction	(1)	[New- Reserved section- The content of this provision to be introduced through a separate project “The Consolidated Enforcement Rules”]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 1400	R. 1402. Standards of conduct		<b>[New- Reserved section-</b> The content of this provision to be introduced through a separate project "The Consolidated Enforcement Rules"
			Rule 1400	R. 1403. Applicability		<b>[New-Reserved section-</b> This section is reserved and the content will be introduced through a separate project "The Consolidated Enforcement Rules"]
New Provision			Rule 1400	R. 1404. Policies and Procedures	(1)	<b>[New – Substantive –</b> The requirement for a <i>Dealer Member's</i> policies and procedures to meet the Corporation's objectives, as well as the ability of the <i>Dealer Member</i> to have more stringent policies and procedures, is consistent with existing expectations and practices]
New Provision			Rule 1400	R. 1404. Policies and procedures	(2)	<b>[New – Substantive –</b> Codification of existing expectations that any guidelines provided through a Guidance Note present an acceptable method of complying with specific rules and that <i>Dealer Members</i> may use alternate methods]
New Provision			Rule 1400	R. 1404. Policies and procedures	(3)	<b>[New – Substantive –</b> Codification of current expectations that the Corporation may require a <i>Dealer Member</i> to adopt additional or different policies if the Corporation considers the existing policies and procedures to be insufficient]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 1400	R. 1405. Evidence of compliance with the Corporation requirements	(1)	[ <b>New – Non substantive</b> – codification and clarification of provisions currently set out in <i>Dealer Member</i> Rules 38, 2500 and 2700 which require a <i>Dealer Member</i> to establish reasonable compliance procedures in a manner that would prevent and detect violations.
New Provision			Rule 1400	R. 1405. Evidence of compliance with the Corporation requirements	(2)	[ <b>New – Substantive</b> – clarification of current expectations with regards to obligations of <i>Dealer Members</i> to retain records and evidence of compliance]
New Provision			Rule 1400	R. 1405. Evidence of compliance with the Corporation requirements	(3)	[ <b>New – Substantive</b> - clarification of existing expectations that <i>Dealer Members</i> may be required to provide the Corporation with evidence of the their compliance with the Corporation's requirements]
New Provision			Rule 1400	R. 1406. – 1999. – Reserved		[ <b>New – Non-substantive</b> – Reserved sections]