

Chapter 13

SROs, Marketplaces and Clearing Agencies

13.1 SROs

13.1.1 Notice of Commission Approval – Amendments to IIROC’s proposals to implement the core principles of the Client Relationship Model and related guidance notes

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IIROC’S PROPOSED AMENDMENTS TO ITS RULES AND GUIDANCE NOTES RELATING TO THE CLIENT RELATIONSHIP MODEL

NOTICE OF COMMISSION APPROVAL

The Recognizing Regulators of the Investment Industry Regulatory Organization Of Canada (**IIROC**) have approved IIROC’s proposed amendments to its Rules and Guidance Notes relating to the implementation of the core principles of the client relationship model (the **IIROC Proposals**).

The objective of the IIROC Proposals is to establish substantive requirements developed under the client relationship model for the purpose of addressing the following regulatory objectives: (i) delivery of client-dealer relationship disclosure information, (ii) conflicts of interest management and disclosure, (iii) suitability assessment triggers, and (iv) investment performance reporting. The first two components of the IIROC Proposals correspond to requirements that were introduced in National Instrument 31-103 *Registration requirements, exemptions and ongoing registrant obligations* (**NI 31-103**). There are no requirements in NI 31-103 at this time that correspond to the second two components of the IIROC Proposals. The nature and purpose of the IIROC Proposals is further described in the attached IIROC Notice.

The Canadian Securities Regulators (**CSA**) are also developing proposed amendments to NI 31-103, which, when implemented, will introduce expanded cost disclosure and new investment performance reporting requirements to be complied with by all registered dealers and advisers. IIROC and the Mutual Fund Dealers Association of Canada (the **MFDA**) are participating in the working group developing the CSA’s proposals.

The CSA requested that implementation of the investment performance reporting requirements in the IIROC Proposals be suspended pending any necessary harmonization related to the finalization of the CSA’s common standards for performance reporting. IIROC agreed to do so and, accordingly, in its capacity as IIROC’s Principal Regulator, the Ontario Securities Commission (the **OSC**) approved the IIROC Proposals on condition that IIROC suspends the application of the performance reporting requirements of the IIROC Proposals, provided that the suspension of the performance reporting requirements may be removed by IIROC with the consent of the CSA Recognizing Regulators.

In their capacities as IIROC’s other Recognizing Regulators, the British Columbia Securities Commission did not object to, and the Alberta Securities Commission, the Autorité des marchés financiers, the Saskatchewan Financial Services Commission, the Financial Services Regulation Division of the Department of Government Services of Newfoundland and Labrador, the Nova Scotia Securities Commission and the New Brunswick Securities Commission approved the IIROC Proposals subject to the same condition as stated above.

The IIROC Proposals were published for comment on January 7, 2011, at (2011) 34 OSCB 333 for a comment period ending March 7, 2011. This was the third publication for comment and the January 7, 2011 publication included a summary of comments on the previous publication and IIROC’s responses. IIROC made immaterial changes to the January 7, 2011 publication reflecting its responses to public comments and comments from the Recognizing Regulators.

Included in Chapter 13 of this Bulletin are:

1. IIROC's Notice of Approval/Implementation which includes:
 - New Rule 3500 – Relationship Disclosure – Attachment A
 - New Rule 42 – Conflicts of Interest – Attachment B
 - Amendments to Rule 1300 – Supervision of Accounts – Attachment C
 - Amendments to Rule 200.1 – Minimum Records – Attachment D
 - Transition periods – Attachment E
 - Responses to Public comments – Attachment F
 - Black line to proposals published in January 2011 – Attachment G
2. Guidance Note 12-0108 – Client relationship model
3. Guidance Note 12-0109 – Know your client and suitability